

GRAIN OUTLOOK

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Mike Wolverton, Ph.D.
Extension Grain Economist
Kansas State University
mikewool@agecon.ksu.edu

The November USDA Crop Report

The USDA raised the estimated size of both the U.S. corn and soybean crops. The corn estimate was raised two percent from last month to 11.032 billion bushels, second only to last year's record crop. Projected national average yield increased to 148.4 bushels per acre. Late planted corn responded well to favorable fall growing conditions to produce all-time record yields in Minnesota and Wisconsin. It is estimated that Kansas will produce 429 million bushels of corn this year with an average yield of 130 bushels per acre.

Domestic corn use was raised by 75 million bushels due to increased ethanol production, however that still left more than 2.3 billion bushels of carryover stocks or about 21% of annual usage. Last year the carryover as a percentage of annual usage was 20%. The USDA's projected price range for corn this year is \$1.60 to \$2.00 per bushel.

Kansas will again lead the nation in grain sorghum production with 187.5 million bushels or about 48% of U.S. total production. The Kansas average yield is expected to be 75 bushels per acre compared to the national average projected yield of 68.2 bushels per acre. The 2005/06 estimated price range for grain sorghum is \$1.45 to \$1.85 per bushel.

A warm, sunny fall, following timely rains in August, caused the national average soybean yield to jump to an all-time high of 42.7 bushels per acre, up one-half bushel from last year's record yield. Iowa, Minnesota, Nebraska, and North Dakota all set state yield records. The Kansas average yield is projected to be 37 bushels per acre, up one

bushel from the October estimate. Kansas will produce about 103.6 million bushels in total. The estimated total U.S. soybean crop will be about 3.04 billion bushels.

Estimated domestic soybean crush was raised by 25 million bushels and soybean oil usage will be up due to increased production of biodiesel. But export projections were lowered by 40 million bushels. Ending stocks of soybeans are now projected to be about 350 million bushels, the largest in the past decade. However, that is only a little more than six weeks supply at the current usage rate. The USDA estimates the yearly average price range for soybeans will be \$4.95 to \$5.75.

The markets dropped at the news, but soon recovered. Guesses about the USDA numbers had been widely discussed in the trade and the changes were mostly factored into market prices before the release. Prices have since moved up as they normally do following the completion of harvest each year.

Attention will now turn to southern hemisphere crops. It is early for hard news, but the World Agricultural Outlook Board released an estimate of the Brazilian soybean crop which is now being planted. Brazilian soybean production is projected to be 58.5 million tons (2.149 million bushels). That is up from last year's production of 51 million tons, but down from the World Board's previous estimate for next year. Area planted to soybeans is down because of lower prices, the strong Brazilian currency, higher transportation costs, and limited credit available to Brazilian soybean growers to buy inputs.

New projections for wheat were not included in the most recent USDA crop report since harvest was completed some time ago, and the World Board made no changes in its 2005/06 supply and demand estimates. There was good news for producers of hard red winter wheat. U.S. exports were raised by 10 million bushels and ending stocks were lowered to 175 million bushels, the lowest in ten years. The projected price range for all wheat for the 2005/06 year is \$3.25 to \$3.55. Because of the relative shortage of hard red winter wheat and strong demand for quality milling wheat, the price for that class will be higher.