HIGHLIGHTS OF USDA MONTHLY PROJECTIONS

The USDA’s monthly update of world supply and consumption projections released on March 8 contained a few surprises for the market. For the U.S. wheat market, the forecast of use for the current marketing year (ending May 31, 2002) was lowered by 30 million bushels. The forecast of exports was lowered by 25 million, to a total of only 925 million bushels. That projection represents the smallest level of U.S. exports in 16 years and is 86 million smaller than the exports of last year. At the projected level of 701 million bushels, U.S. wheat stocks on June 1, 2002 will still be 175 million less than the inventory on the same date last year. For the rest of the world, the USDA projected a slightly larger wheat crop, a small reduction in consumption, and a small increase in year ending stocks.

As expected, the projection of U.S. corn exports for the current marketing year (ending August 31, 2002) was reduced by 50 million bushels, to a total of 1.925 billion bushels. That projection is 10 million less than actual exports of a year ago. The reduction was anticipated because of the sluggish rate of exports during the first half of the marketing year and the recent cancellations of sales to China. For the current year, the USDA reduced the projection of Chinese imports by 30 million bushels and increased the projection of Argentine exports by 20 million bushels.

Some had expected that the smaller U.S. export projection would be at least partially offset by a larger projection of domestic corn use. The March report, however, left the projection of domestic use unchanged. The March 1 *Grain Stocks* report to be released at the end of the month will provide more insight on the rate of domestic use. At 1.596 billion bushels, year ending stocks of U.S. corn are expected to be 50 million bushels larger than last month’s projection, but 303 million smaller than stocks at the beginning of the year. The 2001-02 marketing year average farm price is projected in a range of $1.85 to $2.05, compared to last month’s projection of $1.85 to $2.15, and last year’s average of $1.85.

In the case of soybeans, the USDA increased the projection of the U.S. crush for the current marketing year (ending August 31, 2002) by 5 million bushels, to a total of 1.685 billion. That projection is 44 million larger than the record crush of a year ago. The increase in the crush, compared to last month, reflects a larger projection of domestic meal consumption, presumably reflecting the expected increase in hog production as well as the rapid rate of use to date.

The projection of U.S. soybean exports remained unchanged at 1.02 billion bushels in spite of a rapid rate of exports to date and the recent easing of Chinese certificate requirements for genetically altered soybeans. The estimate of the current soybean harvest in Brazil was increased by 37 million bushels, reflecting an increase in both the acreage and average yield estimates. The South American crop is now estimated at 2.776 billion bushels, 8 percent larger than last year’s record harvest. The projection of Brazilian exports was increased by 7 million bushels and the projection of Chinese imports was reduced by 18 million bushels.
Year ending stocks of U.S. soybeans are projected at 265 million bushels, 5 million less than projected last month, but 17 million more than stocks at the beginning of the year. The persistence of low prices is expected to keep consumption at a high level, so that the record world crops of 2001-02 will be entirely consumed. The U.S. 2001-02 marketing year average farm price is projected in a range of $4.05 to $4.45, compared to last month’s projection of $4.00 to $4.60. The lower price reflects a reduction in the expected average price of soybean oil.

The average cash price of soybeans in central Illinois increased $.40 per bushel from January 2, 2002 to March 8, 2002. All of that increase was driven by higher futures prices, as the basis remained very stable. Most of the increase in price has occurred over the past month as the market watched a record pace of U.S. exports and some weather problems in South America.

The average cash price of corn in central Illinois has traded in a range of only $.10 since January 2, 2002. The average basis strengthened about $.07 during that period. Corn prices have been held in check by a sluggish pace of exports and widespread expectations that U.S. corn acreage will increase significantly in 2002. The increase is expected to come from unplanted acreage in some northern growing areas in 2001, from the movement towards a corn-corn-soybean rotation in some midwestern areas, and from reduced cotton and/or rice acreage.

With generally benign weather conditions in the U.S. and some late season improvement in weather in South America, corn and soybean prices may well trade in a narrow range through the rest of the month. The USDA’s Prospective Plantings and Grain Stocks reports to be released at the end of the month could provide direction for prices. In general, the market still expects a bit of a seasonal rally into May.

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