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USDA REPORTS – ANY “SHOCK AND AWE”?

The USDA's March 31 *Grain Stocks and Prospective Plantings* report contained some very supportive information for the corn market. The soybean estimates were somewhat negative, while wheat figures were generally friendly for price prospects.

March 1, 2003 inventories of corn were estimated at 5.132 billion bushels, 64 million bushels below the average trade guess and 663 million below the level of stocks a year earlier. March 1 stocks were at the lowest level in 5 years and implied a record 2.509 billion bushel disappearance in the second quarter of the 2003-03 marketing year. Domestic use of corn was 4 percent larger than during the same quarter last year, while exports were off about 9 percent.

The big shock came in the form of farmers' corn planting intentions for 2003. Intentions were estimated at 79.022 million acres, 32,000 less than actual plantings in 2002. The market had expected an increase of nearly 1.5 million acres. More acreage is expected in Illinois, Indiana, Minnesota, Missouri, North Dakota, and Ohio. Intentions are for less acreage in Colorado, Kansas, Kentucky, Nebraska, South Dakota, and Texas. Acreage in Iowa is expected to be equal to that of last year.

With planted acreage near intentions, corn acreage harvested for grain should be near 72 million. A trend yield of 140 bushels would result in a 2003 harvest of 10.08 billion bushels, while a repeat of last year's yield of 130 bushels would produce a crop of only 9.36 billion bushels, underscoring the importance of 2003 growing season weather. Sorghum acreage is expected to decline by 129,000, while harvested acreage of oats is expected to increase by 106,000, and planted acreage of barley is expected to be up by 306,000.

March 1 stocks of soybeans were estimated at 1.202 billion bushels, only about 10 million above the average trade guess, but at the upper end of the range of guesses. Stocks on March 1 were about 134 million bushels smaller than on the same date a year ago and at the lowest level for that date in 6 years. Disappearance of U.S. soybeans during the second quarter of the 2002-03 marketing year totaled about 912 million bushels, about 28 million less than during the same quarter last year. Use during the first half of the year is down about 67.5 million bushels. The domestic crush declined by nearly 35 million, exports were off 71 million, and seed, feed and residual use increased by 38.5 million bushels.

Producers reported intentions to plant 73.182 million acres of soybeans in 2003, only 576,000 less than planted in 2002. The trade had expected a decline of 1.2 million acres. Acreage declines are expected in Arkansas, Illinois, Kansas, Kentucky, Missouri, Nebraska, and Ohio. More acreage is

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expected in Minnesota, North Carolina, North Dakota, and Wisconsin. Intentions in Iowa are equal to 2002 plantings. With planted acreage near intentions, harvested acreage should be near 72.1 million. A trend yield of 40 bushels per acre would result in a crop of 2.884 billion bushels, 154 million larger than the 2002 crop. A repeat of the 2002 yield of 37.8 bushels would result in a crop about the same size as the 2002 crop. Canola acreage is expected to decline by 210,000, to a total of 1.249 million acres. Intentions for sunflowers are at 2.517 million acres, 68,000 below last year's acreage.

March 1 stocks of wheat were estimated at 905 million bushels, 305 million less than stocks of a year earlier, but very near the average trade guess. Area planted to winter wheat is estimated at 44.308 million acres, 2.511 million more than seeded a year earlier and 62,000 above the January estimate. In contrast, durum acreage is expected to decline by 76,000 acres and area seeded to other spring wheat is scheduled to decline by 1.158 million. Intentions for all classes of wheat total 61.697 million acres, 1.339 million more than seeded last year, but nearly 800,000 less than the average pre-report guess. Acreage of wheat harvested for grain, as well as average yield, will be determined by weather conditions over the next few months. Given the large abandoned acreage and low yields of a year ago, more normal weather conditions would result in a large increase in U.S. wheat production this year. With harvested acreage near 51.5 million (reflecting the level of nonharvested acreage in 2000 and 2001) and an average yield of 41.1 bushels per acre (the average of 2000 and 2001), the 2003 crop would total 2.12 billion bushels, 500 million larger than the 2002 harvest.

Planting intentions for all crops with estimates in the *Prospective Plantings* report (harvested average for oats and tobacco) total 256.685 million acres, only 266,000 larger than combined acreage of those crops in 2002. For the major crops for which pre-report guesses were reported (corn, soybeans, sorghum, wheat, and cotton), planting intentions total 237.605 million acres. That is 892,000 more than planted to those crops in 2002. The average of the pre-report guesses reflected expectations of a combined increase of 2.275 million acres in those five crops. The source of such a large expected increase was never explained.

Issued by Darrel Good
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