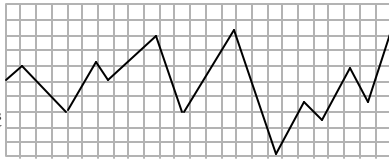




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WEEKLY OUTLOOK

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ANTICIPATING USDA REPORTS

On March 31, the USDA will release the results of the spring planting intentions survey and the March 1 *Grain Stocks* report. These reports will provide additional supply-side information for the corn and soybean markets for the next several weeks. The reports will set the tone for these markets, much like the January reports set the tone for the winter markets. The January reports featured a surprising increase in the estimated size of the 2002 soybean crop and revealed a much slower rate of feed and residual use of corn during the first quarter of the 2002-03 marketing year.

Anticipating the estimate of March 1 stocks of corn and soybeans is more difficult than normal this year. For soybeans, the major source of confusion is the large discrepancy between USDA and Census export estimates and the resulting large estimate of "residual" use projected by USDA. Through January, there was a 60 million bushel difference in the USDA and Census estimates of exports. In addition, until the February Census Bureau crush report is released next week, there is some uncertainty about the magnitude of domestic soybean processing during the second quarter of the marketing year. The crush was only down by 2.2 percent during the first four months of the marketing year, but was off by 8 percent in January. Where will the February estimate come in?

Using the Census Bureau estimate of exports, a larger than normal estimate of "residual" use of soybeans during the first half of this year, and assuming an 8 percent reduction in the domestic crush in February, March 1 soybean stocks should have been near 1.2 billion bushels. Using the USDA estimate of exports during the first half of the year and a normal "residual" use during the first half of the year, March 1 soybean stocks should have been near 1.175 billion bushels. Both figures are well below the 1.336 billion bushel inventory of a year ago, but 25 million bushels one way or another has important price implications.

For corn, there are two sources of uncertainty surrounding the projection of March 1 stocks. The first is the difference in the export estimates among the various sources. Through January, the Census Bureau estimate of cumulative corn exports totaled 688 million bushels. The USDA export inspection report showed shipments of 636 million bushels and the USDA Export Sales report showed shipments of 672 million bushels. Since the USDA uses the Census Bureau estimate as the official estimate, the USDA has to account for the difference in making the projection of feed and residual use of corn. In addition, expectations about feed and residual use of corn during the second quarter of the marketing year are clouded by the large amount of feed

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by products produced by the ethanol industry. The by product substitutes for both grain and protein feed in the livestock ration. Our calculations would suggest a March 1, 2003 inventory of corn near 5.2 billion bushels, compared to 5.8 billion on the same date last year.

The early projections from the private sector indicate expectations of about 80.6 million acres of corn planted in 2003. That represents an increase of about 1.55 million acres from planted acreage in 2002. Under normal conditions, planted acreage of that magnitude would result in acreage harvested for grain near 73.6 million acres, about 4.3 million more than the weather-reduced acreage of 2002.

There is a wide range in private sector expectations about intentions for soybean acreage in 2003. Projections are in a range of 69.8 to 72.9 million, compared to 73.758 million planted in 2002. The difference appears to reflect expectations about spring wheat acreage and about total planted acreage of major crops. At least one popular private source expects combined acreage of corn, soybeans, and wheat to increase by 2.25 million acres in 2003, even with a 1.1 million acre decline in spring wheat seedings.

The large range of expectations about the stocks and acreage numbers to be released on March 31 opens the door for some surprises. Add in the wide range of expectations about 2003 growing conditions, the generally low level of inventories, and an uncertain export picture and a case for volatile prices can be made. The uncertainty during the spring and summer months typically offers some attractive pricing alternatives for producers. Hopefully, that will be the case again this year.

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