



WEEKLY OUTLOOK



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UPCOMING USDA REPORTS

A number of USDA reports with potential impact on crop prices will be released over the next four weeks. Markets will continue to react to other factors, but these reports will provide updated fundamental information.

The monthly *Cattle on Feed* report, to be released on December 23, and the quarterly *Hogs and Pigs* report, to be released on December 28, will provide additional information to assess domestic feed demand. The production intentions of hog producers will be of particular interest. The report will reveal whether producers' modest expansion plans have changed as a result of an extended period of relatively low feed prices.

Four reports will be released on January 12, 2006. These include the annual *Crop Production* report, the quarterly *Grain Stocks* report, the monthly *World Agricultural Supply and Demand Estimates* report, and the annual *Winter Wheat Seedings* report. The production report will contain the final estimates of the size of the 2005 corn and soybean crops. Historically, there has been a modest positive relationship between the change in the corn and soybean production forecasts in November and the change that has occurred in January. Since the forecasts of both crops increased in November this year, there is some expectation that another small increase in crop size will be revealed in the January report. Any change that occurs, up or down, is not expected to be large enough to significantly alter the forecasts of surplus year-ending stocks. Those stocks are expected to be at the highest level in 18 years.

The report of December 1 inventories of corn and soybeans will provide further information relative to the rate of use of the 2005 crops. The report will be especially important for corn as it will allow the calculation of the first quarter feed and residual use. The magnitude of use during the September through November period will be used to project the use for the remainder of the year. Any surprises in the magnitude of use during the quarter would likely result in a change in USDA's current forecast of 5.875 billion bushels of feed and residual use for the year.

Assuming no change in the production estimate and assuming that domestic use of corn is proceeding at the projected rate, first quarter corn exports of about 485 million bushels suggest that

December 1, 2005 stocks of corn were near 9.8 billion bushels. Assuming no change in the 2005 production estimate, December 1 stocks of soybeans should have been near 2.45 billion bushels.

The monthly update of world supply and consumption projections will reflect new information in the *Crop Production* and *Grain Stocks* reports, but will also provide new assessments of other important developments. These include potential South American soybean production, Chinese corn production, Chinese corn imports, and Chinese soybean imports. South American soybean production prospects will be one of the more important market factors for the next three months.

The estimate of winter wheat seedings will obviously be important for wheat prices, but also has implications for corn and soybeans. It is expected that the report will show a significant increase in acreage of soft red winter wheat in the eastern corn belt and the southeast. Acreage was reduced last year due to unfavorable planting conditions. Very good planting conditions in 2005, along with escalating costs of corn and soybean production, are thought to have stimulated the increase in acreage. The magnitude of the increase will have implications for the total area available to plant the spring-seeded crops such as corn and soybeans. The debate about how rising production costs will affect corn and soybean acreage decisions will continue into the spring of the year.

The cash price of both corn and soybeans has increased significantly from harvest lows. In central Illinois, for example, the spot cash price of corn reached a low of \$1.635 on October 18 and posted a high of \$1.895 on December 13. The average central Illinois corn basis strengthened by \$.32 during that period, while futures prices declined by \$.06. The cash price of soybeans reached a low of \$5.15 on October 10 and a high of \$5.84 on December 13. The central Illinois basis strengthened by \$.40 and January futures gained \$.29 during that period. Prices now appear to be settling into a trading range that may persist into the first of the calendar year.

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