



WEEKLY OUTLOOK



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SURPLUS OF SOYBEANS DECLINING, CORN SURPLUS INCREASING

The USDA's monthly estimates of world supply and consumption prospects for corn and soybeans confirmed expectations. The projection of marketing year ending stocks declined for soybeans and increased for corn.

Even though the direction of change in corn and soybean projections were as expected, there is some lingering uncertainty about those projections. In the case of soybeans, the USDA raised the forecast of 2004-05 marketing year U.S. exports by 35 million bushels to a record 1.08 billion bushels. The increase reflects the smaller estimate of the current Brazilian harvest and the current pace of U.S. exports and export sales. The 2005 Brazilian crop is now estimated at 1.985 billion bushels, 185 million smaller than the March forecast and 330 million smaller than the February forecast. The estimate is only 55 million larger than the 2004 crop.

The pace of exports as reported by USDA and the Census Bureau were relatively close through the first 5 months of the marketing year. Census data is not yet available for February and March 2005. Based on USDA data through March 31, U.S. soybean exports totaled 909 million bushels, 21 million more than the cumulative total in the weekly export inspections report. Cumulative exports were 14 million larger than on the same date last year. Shipments to China were up by 104 million bushels (34 percent) and China accounted for 45 percent of all U.S. soybean exports. Unshipped export sales on March 1 were reported at 97 million bushels, compared to 70 million at the same time last year. Most of the increases are also sales to China. To reach the USDA's projection of 1.08 billion bushels for the year, shipments need to average just under 8 million bushels per week for the last 5 months of the marketing year. New sales of only 74 million bushels are required.

The USDA did not acknowledge the evidence in the March *Grain Stocks* report that the 2004 U.S. soybean crop was likely overestimated. That acknowledgment could have come in the form of a larger forecast of "residual" use of soybeans for the year. The change in the export forecast resulted in a 35 million bushel reduction in the projection of year ending stocks. At 375 million bushels, that projection is 85 million less than projected in December 2004. If the 2004 crop was smaller than estimated, year ending stocks might be closer to 350 million bushels. Both U.S. and world stocks, however, will still represent a surplus.

In the case of corn, the USDA reduced its forecast of consumption in all three categories. Exports are projected at 1.8 billion, down 50 million from the March projection. Feed and residual use is projected at 6 billion bushels, down 75 million, and processing use is projected at 2.76 billion down 35 million from the projection of last month. Year ending stocks are projected at 2.215 billion bushels, or 21 percent of projected use. That would be the largest level of ending stocks in 17 years.

Based on the March 1 *Grain Stocks* report, which allowed calculation of feed and residual use of corn during the second quarter of the marketing year, the USDA's projection for the year still looks high. That projection is 3.5 percent above last year's use, while use in the first half of the year was only up 1.5 percent. Use for the year projects to be between 5.9 and 5.95 billion bushels.

The lower projection for U.S. corn exports is the seventh consecutive monthly reduction that totals 300 million bushels. From September 2004 through January 2005, corn exports as reported by the Census Bureau exceeded the USDA estimate by 31 million bushels, or 4 percent. If that pattern continued in February and March, cumulative exports at the end of March were likely near 1.09 billion bushels. To reach the USDA projection of 1.8 billion, shipments during the last 5 months of the marketing year need to average just under 33 million bushels per week. The average weekly pace during the first 7 months was 36 million bushels. Unshipped sales as of March 31 were reported at 290 million bushels. To reach the USDA projection, another 420 million bushels must be sold into the export market, an average of about 20 million bushels per week. Weekly sales have been less than 20 million bushels only twice in the past 7 months. It may be that exports will actually exceed the current USDA projection. Even so, year ending stocks may be 50 million bushels larger than currently projected due to a slow rate of domestic use.

With large inventories of both corn and soybeans, it will be difficult for prices to move higher unless (or until?) concerns about the 2005 crops develop.

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