



# WEEKLY OUTLOOK



A joint publication of the Department of Agricultural Economics, College of Agriculture, Purdue University, West Lafayette, Indiana, and the Department of Agricultural and Consumer Economics, College of Agricultural, Consumer and Environmental Sciences, University of Illinois at Urbana-Champaign.

**APRIL 4, 2005**

## **WHAT WAS LEARNED FROM USDA REPORTS?**

The USDA's quarterly *Grain Stocks* and annual *Prospective Plantings* reports released on March 31 contained important information for the corn and soybean markets.

At 1.381 billion bushels, the estimate of March 1, 2005 soybean stocks was about 35 million less than expected based on the estimate of December 1, 2004 stocks and available consumption data for the period December 2004 through February 2005. The estimate implies a very large "residual" use of soybeans during the second quarter of the marketing year and on the surface suggests that the 2004 crop was actually smaller than estimated. If that is correct, year ending stocks will be smaller than currently projected by the USDA. Those stocks will still likely exceed 350 million bushels, well above the 200 million generally considered as adequate. The June *Grain Stocks* report will provide more information relatively to the size of the 2004 crop. In the meantime, the smaller than expected March 1 inventory, along with a drought reduced Brazilian crop, and relatively strong U.S. exports should provide a little support for soybean prices.

At 6.754 billion bushels, March 1, 2005 corn stocks were about 30 million bushels larger than the average trade guess. The large stocks figure implies that feed and residual use of corn during the first half of the 2005-06 marketing year totaled 3.764 billion bushels, only 0.5 percent more than used during the first half of the 2003-04 marketing year. For the year, the USDA has forecast a 4.8 percent increase. That is not likely to occur and implies that year ending stocks could exceed the current USDA projection of 2.055 billion bushels by at least 200 million bushels, even if the pace of exports accelerates somewhat. Year ending stocks now look to be the largest in 17 years and should serve to keep some pressure on prices in the near term.

The *Prospective Plantings* report indicated that U.S. producers intend to plant 81.413 million acres of corn in 2005, only 483,000 more than planted in 2004. Producers in most of the largest corn producing states intend to plant more corn than in 2004. The exceptions are the intentions to reduce acreage by 200,000 (17 percent) in North Dakota and 250,000 (5 percent) in South Dakota. Acreage is scheduled to increase by 300,000 (10 percent) in Kansas. Modest increases are also planned in Illinois, Indiana, and Iowa.

Corn planting intentions are about 1 million acres below market expectations. In addition, planting intentions are down by 86,000 acres for sorghum and 553,000 acres for barley. Intentions for oat seedings (of which less than half typically is harvested for grain) are up 182,000 acres. Intentions for all feed grains are about equal to last year's plantings.

Soybean producers reported intentions to plant 73.91 million acres in 2005, about 1.3 million below last year's acreage. Modest declines are planned in a number of states including Illinois (2.5 percent) and Indiana (2.7 percent). Larger declines are planned in some southern states, including Louisiana (23 percent) and Georgia (21 percent). A decline of 500,000 acres (13 percent) is planned in North Dakota. Small increases are planned in Iowa, Kansas, Kentucky, and Ohio. In total, planting intentions are down 300,000 in western growing areas, 400,000 in the eastern corn belt, and about 530,000 in southern growing areas.

The planned reduction in soybean acreage is more than offset by intentions to increase acreage of other oilseeds. Intentions are up 396,000 acres (76 percent) for flaxseed, 182,000 (21 percent) for canola, and 877,000 acres (47 percent) for sunflowers. In addition, planting intentions for peanuts exceed the 2004 acreage by 167,000, or 12 percent. It appears that producers have responded to the high vegetable oil prices of the past six months. Intentions for all oilseeds, including soybeans, exceeds last year's plantings by 324,000 acres.

For wheat, producers reduced winter wheat acreage by 1.737 million, but intend to increase durum acreage by 47,000 and other spring wheat by 600,000 acres. Acreage of all classes of wheat is expected to total about 58.6 million acres, down by nearly 1.1 million acres from last year's seedings and at the lowest level in 33 years. Intended acreage is nearly 30 million less than the peak acreage of 1981.

With trend yields in 2005, the intended acreage for all crops would result in adequate supplies for the 2005-06 marketing years. Stocks would remain relatively high for corn and soybeans for another year. The market will watch the development of the U.S. crop for any indication of deviation from trend yield. Soybean rust will garner special attention. In addition, the development of the world wheat crop and the Chinese corn crop will be monitored to judge potential export demand for U.S. crops. Production of wheat and feed grains outside the U.S. is generally expected to decline in 2005-06 and some dry conditions are being reported in China. Recent price volatility may continue through the growing season, providing opportunities to price additional quantities of the 2005 crops.

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