



## Weekly Outlook: March 1 Corn and Soybean Stocks

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The USDA will release two important reports on March 31. These are the Prospective Plantings and March 1 Grain Stocks reports. A lot of discussion has focused on the Prospective Plantings report and the importance of farmers' intentions for total planted acreage and the acreage of individual crops.

There has been less discussion of the estimate of March 1 estimate of grain stocks. Expectations for very small inventories of corn and soybeans at the end of the current marketing year put additional importance on the mid-year stocks estimate. The estimates provide an opportunity to evaluate the pace of consumption that can be supported during the last half of the 2010-11 marketing year. Forming expectations about the level of March 1 inventories is limited due to incomplete data on the consumption categories that are reported on a weekly or monthly basis and the lack of any ongoing estimates of feed and residual use of corn. Following is our calculations for the likely level of March 1 soybean and corn stocks.

For the December through February quarter of the current marketing year, the Census Bureau has reported estimates of the domestic soybean crush for December and January. Crush in those two months was 11.2 percent less than in the same period last year. The February crush will be reported on March 24. A continuation of the rate of decline reported in December and January would result in a quarterly crush of 438.8 million bushels. We anticipate a smaller decline in February, with the quarterly crush near 442 million bushels.

The USDA's weekly export inspections estimate indicated that 558.6 million bushels of soybeans were exported in the December 2010 through February 2011 quarter of the marketing year. Adjusting for Census Bureau export estimates that are available only through December 2010, quarterly exports were likely near 571.4 million bushels.

The large level of residual use of soybeans, reported in the first quarter of the marketing year suggests that second quarter seed, feed and residual use should be near zero. These estimates of quarterly soybean consumption point to a March 1 inventory of about 1.265 billion bushels, very near the level of inventories of a year earlier.

For corn, the USDA's weekly export inspections report reveals exports of 385 million bushels during the

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second quarter of the marketing year. Adjusting for Census Bureau export estimates in December, quarterly exports were likely near 410 million bushels. Weekly estimates of ethanol production suggest that corn used for ethanol production during the second quarter of the marketing year was 11.5 percent larger than use of a year earlier, point to a use of 1.25 billion bushels. The use of corn for other food and industrial purposes during the quarter was likely near 350 million bushels bring total food and industrial use near 1.6 billion bushels.

For the year, the USDA projects feed and residual use of corn at 5.2 billion bushels, 60 million bushels (about 1.2 percent) more than used last year. Use during the first quarter was calculated to be 72 million larger than use during the same quarter last year. If the USDA projection for the year is correct, use during the last three quarters of the year will be near the use of last year. Second quarter use last year was estimated at 1.354 billion bushels. Use near that level this year would near that 65.6 percent of marketing year feed and residual use of corn occurred in the first half of the year. That would be a very typical distribution prior to the anomaly in 2008-09 and 2009-10.

Total use of corn during the second quarter of the marketing year of 3.369 billion bushels would point to March 1 inventory of 6.644 billion bushels, 1.05 billion smaller than the inventory of a year earlier.

There appears to be considerable uncertainty about the likely level of March 1 corn stocks. The surprisingly large September 1, 2010 stocks estimate for corn continues to raise questions about the counting of old crop and new crop stocks on September 1 and the implication for feed and residual use during the last quarter of the 2009 marketing year and the first quarter of the 2010 marketing year. In retrospect, however, it was really the June 1, 2010 stocks estimate that was an outlier. The September 1, 2010 stocks estimate now appears to be reasonable and logical and should not influence the expectation for the March 1 estimate of stocks. Some have also pointed to the ease of sourcing corn from producers at a relatively weak basis as evidence that corn stocks are more abundant than expected. However, stocks should not be tight in the middle of the marketing year and producers may be reacting to price level more than the magnitude of the basis. In addition while basis levels are not especially strong, the carry in the futures market from March to July is much smaller than the previous three years. Small carry discourages storage.