



## Large Corn and Soybean Crops Confirmed

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Today, the USDA's National Agricultural Statistics Service (NASS) released new forecasts of the size of the 2013 corn and soybean crops. In addition the USDA's World Agricultural Outlook Board released updated forecasts of the supply and consumption of those crops for the 2013-14 marketing year. The reports contained no major surprises, confirming large crops, improved exports, and prospects for larger year ending stocks and lower prices.

### Corn

NASS now forecasts the U.S. average corn yield at 160.4 bushels per acre, compared to the September forecast of 155.3 bushels. As expected based on preliminary estimates of certified acreage by the USDA's Farm Service Agency, the estimate of planted acreage was reduced by 2.038 million acres and the estimate of acreage harvested for grain was reduced by 1.9 million acres. The new estimates point to a record crop of 13.989 billion bushels, 146 million larger than the September forecast. The forecast of corn production in the rest of the world was increased by 97 million bushels, with lower projections for Brazil and Mexico and a larger estimate for Russia.

The forecast of current marketing year feed and residual use of corn was increased by 100 million bushels to a six year high of 5.2 billion bushels. The projection is 867 million bushels (20 percent) larger than use of a year ago. The large increase reflects the lower price of corn, some increase in poultry and perhaps hog production, and an expected large increase in residual use associated with a large crop. The projection is optimistic. The first indication of the pace of consumption will come with the estimate of December 1 stocks to be released in the second week of January.

The projection of marketing year exports was increased by 175 million bushels, to a total of 1.4 billion bushels. That projection is nearly double exports of the past year which were at a 42 year low. The larger projection this month reflects the competitiveness of U.S. corn prices in the world market and the pace of exports and export sales to date.

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Stocks of corn at the end of the marketing year are projected at an eight year high of 1.887 billion bushels, 32 million larger than projected in September and 1.063 billion larger than stocks at the beginning of the year. The marketing year farm price is projected in a range of \$4.10 to \$4.90, the lowest in four years and \$0.30 lower than projected in September

## **Soybeans**

NASS now forecasts the U.S. average soybean yield at 43 bushels per acre, compared to the September forecast of 41.2 bushels. The estimate of planted acreage was reduced by 685,000 acres and the estimate of harvested acreage was reduced by 690,000 acres. The size of the 2013 harvest is now forecast at 3.258 billion bushels, 109 million larger than the September forecast. The forecast of soybean production in the rest of the world was reduced by 40 million bushels, although the forecast for South American production was unchanged.

The projection of 2013-14 marketing year exports were increased by 80 million bushels, to a total of 1.45 billion bushels, reflecting the large export sales already made and the rapid pace of export shipments. In addition, the projection of the marketing year crush was increased by 30 million bushels, reflecting expectations of larger exports. In contrast to the large projection for feed and residual use of corn, the projection of domestic meal consumption was unchanged from September and is only 850,000 tons (three percent) larger than consumption of last year.

Year-ending stocks of soybeans are projected at 170 million bushels, only 20 million bushels larger than the September projection and only 29 million larger than stocks at the beginning of the year. The marketing year average price is projected in a range of \$11.15 to \$13.15, \$0.35 lower than the September projection.

## **Implications**

The new forecasts for corn are generally within the range of expectations, although the market may have been expecting slightly larger production and year-ending stocks estimates. That suggests that this report may serve to stop the decline in corn prices. However, prospects of surplus supplies will likely limit the extent of any price recovery. Unforeseen problems with the South American crop and/or a more rapid consumption pace will likely be needed for any substantial price rally to occur. Longer term, the market seems to think reduced acreage and a smaller U.S. crop in 2014 will provide for some modestly higher prices next year. With such large prevented plantings of corn in 2013, planted acreage fell almost two million acres short of intentions reported in March. In addition, it appears that the difference between planted acreage and acreage harvested for grain will be nearly one million acres larger than normal. The three million acre shortfall in harvested acreage this year suggests that harvested acreage in 2014 could be near that of 2013, particularly with new crop corn prices still favoring corn over soybean production in many areas. Expectations of a smaller crop in 2014 seem premature and prices for the 2014 crop may be too high if a decline in production does not occur.

The new forecasts for soybeans point to continued tight domestic supplies. With continued strong Chinese demand for soybeans, it is still questionable if South American production will be large enough in 2014 to supply total world needs. If not, an increase in production may be needed in the U.S. in 2014, pointing to higher prices than now being offered for the 2014 crop in order to attract more acreage.