



Monthly WASDE Report Points to Larger Crop Inventories

Darrel Good

Department of Agricultural and Consumer Economics
University of Illinois

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The USDA's monthly report of U.S. and world crop supply and demand prospects released this morning contained larger forecasts of U.S. marketing year ending stocks for corn, soybeans, and wheat. Following is a brief summary of the changes in forecasts from the November report.

Corn

Stocks of U.S. corn at the end of the current marketing year are projected at 848 million bushels, 5 million larger than the November projection, but 280 million less than stocks at the beginning of the year. The larger forecast this month reflects a reduction in the expected amount of corn to be used for sweeteners. The estimated size of the 2011 Chinese corn crop was increased by 285 million bushels (4 percent) to a total of nearly 7.7 billion bushels. The estimate is 8 percent larger than the 2010 crop. China is expected to import 118 million bushels of corn this marketing year, even with a large crop, in order to re-build inventories. China has already purchased 105 million bushels of U.S. corn for delivery this year. The marketing year average farm price of corn is projected in a range of \$5.90 to \$6.90, \$.30 lower than the previous forecast. The reduction reflects the on-going price weakness since September, along with confirmation that significant quantities of corn were sold before harvest at lower prices. Based on average prices received in September and October and current price levels, the average price received may well be in the lower half of the projected range.

Soybeans

Stocks of U.S. soybeans at the end of the current marketing year are forecast at 230 million bushels, 35 million larger than projected last month and 15 million larger than stocks at the beginning of the year. The projection of the marketing year domestic crush was reduced by 10 million bushels, reflecting the slow crush pace to date, the softer domestic demand for soybean meal, and a higher yield of meal per bushel of soybeans. The projection of exports was reduced by 25 million bushels, reflecting the slower than expected pace of sales to date and prospects for another large soybean harvest in South America in a few months. That harvest is projected at 5.07 billion bushels, unchanged from the November projection, but 1.5 percent larger than the record crop of 2011. The marketing year average farm price is projected in a range of \$10.70 to \$12.70, \$.90 lower than the November projection. The average price of both meal and oil is expected to be lower than projected last month. Based on average prices received in September and October and current price levels, the average price received may be below the mid-point

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of the projected range.

Wheat

Stocks of U.S. wheat at the end of the current marketing year are now projected at 878 million bushels, 50 million larger than projected last month and 16 million larger than stocks at the beginning of the year. The larger forecast reflects prospects for exports of only 925 million bushels, compared to exports of 1.289 billion bushels last year. The 50 million bushel reduction in the projection of exports this month reflects expectations for competition from record wheat production outside the U.S. Foreign wheat production is expected to be a record 23.32 billion bushels, 208 million larger than projected in November. Production forecasts were increased for Argentina, Australia, Canada, and China. World wheat stocks at the end of the current marketing year are expected to be the largest in 12 years. The marketing year farm price is projected in a range of \$7.05 to \$7.75, compared to \$7.05 to \$7.75 projected last month. The relatively small change likely reflects the fact that producers have already sold a large portion of the 2011 winter wheat crop.

Implications

The updated forecasts of consumption and year ending stocks were not well anticipated by the market so that some additional price weakness is expected. Prices of all three commodities may challenge some important support levels. These support levels are at about \$5.80 for March 2012 corn futures, \$11.00 for January 2012 soybean futures, and \$5.85 for March 2012 wheat futures at Chicago.

The January update of U.S. and world supply and consumption prospects will be released on January 12. That report will incorporate the final estimates for the size of the 2011 U.S. corn and soybean crops and the estimate of December 1 stocks of all grains. The USDA will also release a winter wheat seedings report on the same day.