



USDA Reports Negative for Crop Prices

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January 12, 2012

farmdoc daily (2):8

Recommended citation format: Good, D. "USDA Reports Negative for Crop Prices." *farmdoc daily* (2):8 , Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, January 12, 2012.

Permalink: <http://farmdocdaily.illinois.edu/2012/01/usda-reports-negative-for-crop-1.html>

Today, the USDA released the December *Grain Stocks* report, the *Annual Crop Production* report, the *Winter Wheat Seedings* report, and the monthly *WASDE* report. The reports reflected a more abundant supply situation for corn and particularly for soybeans than had been anticipated. Wheat estimates provided a more mixed picture. Following is a brief summary of today's reports.

Corn

The final estimate of the size of the 2011 U.S. corn crop came in at 12.358 billion bushels, 48 million larger than the November 2011 forecast and about 80 million larger than the average trade guess. The national average yield is estimated at 147.2 bushels, 0.5 bushels above the previous forecast. December 1, 2011 stocks of corn were estimated at 9.642 billion bushels, 415 million smaller than inventories of a year earlier, but 240 million larger than the average trade guess. The stocks figure implied a slow rate of feed and residual use of corn during the first quarter of the marketing year and the USDA left the projection of use for the year at a relatively small 4.6 billion bushels. The projection of marketing year exports was increased by 50 million bushels, to a total of 1.65 billion, reflecting a reduction of 118 million bushels (10 percent) in the forecast size of the Argentine crop and a 60 million bushel reduction in the forecast of Argentine exports. The estimated production in the Ukraine was increased by 60 million bushels, but the forecast of exports was unchanged. Year ending stocks of corn in the U.S. are projected at 846 million bushels, nearly identical to last month's projection, but the forecast of the marketing year average price was reduced by \$.20, in a range of \$5.70 to \$6.70.

Soybeans

The final estimate of the size of the 2011 U.S. soybean crop was reported at 3.056 billion bushels, 10 million larger than the November forecast and slightly larger than the average trade guess. The estimate of harvested acreage was reduced slightly, but the final yield estimate of 41.5 bushels was 0.2 bushels above the November forecast. December 1, 2011 stocks of soybeans were estimated at 2.366 billion bushels, 88 million larger than stocks of a year ago and 54 million larger than the average trade guess. The projection of the 2011-12 marketing year domestic crush was reduced by 10 million bushels, reflecting the slow rate of crush reported by the industry during the first quarter of the year. The projection of exports was reduced by 25 million bushels, even with smaller production estimates for Argentina (55 million bushels) and Brazil (37 million bushels). Year ending stocks of U.S. soybeans are projected at 275

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million bushels, 45 million larger than last month's forecast, and the marketing year average farm price is forecast in a range of \$10.95 to \$12.45, compared to last month's projection of \$10.70 to \$12.70.

Wheat

The projection of 2011-12 marketing year domestic food use of wheat was reduced by 5 million bushels and the forecast of feed and residual use was reduced by 15 million bushels. The forecast of seed use was increased by 4 million bushels and the forecast of exports was increased by 25 million bushels. The net result is an 8 million bushel reduction in the forecast of year ending stocks. The December 1, 2011 inventory was estimated at 1.656 billion bushels, 277 million bushels smaller than stocks of a year earlier, but slightly less than the average trade guess. The projection of the marketing year average price was reduced by \$.10, in a range of \$6.95 to \$7.45. The estimate of wheat production in Kazakhstan was increased by 55 million bushels and the forecast of year-ending world stocks was increased by the same amount.

Winter wheat seedings in the U.S. are estimated at 41.947 million acres, 1.3 million more than seeded last year. Hard red winter (HRW) wheat acreage is up about 1.7 million while soft red winter (SRW) acreage is down about 170, 000 acres. SRW acreage is up sharply in the southeast, but down in the eastern corn belt. Acreage in Ohio is estimated at a record low 580,000 acres, 300,000 less than seeded last year, due to the extreme lateness of the harvest of corn and soybeans. With a more normal growing season in 2012, harvested acreage of winter wheat would be a much higher percentage of harvested acreage than in 2011. A more normal growing season would also result in a slightly higher yield, all pointing to a substantial rebound in production in 2012.

Implications

Prices were expected to decline sharply following the release of the reports since the trade did not anticipate the estimates very well. The progress of the South American corn and soybean crops will now be a major focus of the markets.