



Smaller Year-Ending Soybean Stocks Expected

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The USDA's World Agricultural Outlook Board (WAOB) released the monthly WASDE report this morning. Several changes were made in supply and consumption projections for soybeans, corn, and wheat. The most significant changes were for soybeans, but none of the changes were very surprising. Following is a brief summary and implications of the report.

Soybeans

For the current marketing year, the projection of the domestic crush was increased by 15 million bushels to a total of 1.66 billion bushels. The larger projection reflected the rate of crush to date and prospects for stronger domestic soybean meal demand. The projection of marketing year exports was increased by 20 million bushels, to a total of 1.335 billion bushels, reflecting strong Chinese demand and the small South American crop. The estimated size of the 2012 Argentine crop was reduced by 37 million bushels and the estimated size of the Brazilian crop was increased by about 18 million bushels. The forecast of Chinese imports during the current year was increased by 37 million bushels. The projection of domestic marketing year ending stocks was reduced by 35 million bushels. At 175 million bushels, projected stocks represent 5.6 percent of projected consumption. The 2011-12 marketing year average price is projected at \$12.30, \$.05 lower than the May projection.

For the upcoming marketing year, the projection of the domestic crush was reduced by 10 million bushels and the projection of exports was reduced by 20 million bushels. The reduction reflected the limited availability of soybeans projected for the 2012-13 marketing year. Production is still forecast at 3.205 billion bushels, but smaller beginning stocks will limit consumption next year to about 3.255 billion bushels. Year-ending stocks are expected to be reduced to a pipeline level of 140 million bushels, or 4.3 percent of expected consumption. The marketing year average price is projected in a range of \$12 to \$14, the same as last month's projection.

Corn

For the current marketing year, the projection of the domestic use of corn for ethanol and by-product production was increased by 50 million bushels, to a total of 5.05 billion, reflecting the pace of ethanol production to date. Ethanol production during the final quarter of the year is still expected to be a bit smaller than that of last summer. The projection of exports was reduced by 50 million bushels, to a total

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of 1.65 billion, reflecting the recent slowdown in the export pace and increased competition from Brazilian corn. While the estimated size of the 2012 Argentine crop was reduced by about 20 million bushels, the estimated size of the Brazilian harvest was increased by nearly 80 million bushels. Brazil is expected to export about 470 million bushels of corn. No changes were made to the projections of the domestic supply, consumption, stocks, and price for the 2012-13 marketing year. Year ending stocks are expected to grow from 851 million bushels this year to 1,881 billion next year. The projected size of the upcoming Chinese harvest was increased by nearly 80 million bushels in spite of reports of less than ideal growing conditions. The larger forecast reflected a larger projection of harvested acreage.

Wheat

For the marketing year ended May 31, the estimate of domestic food use was increased by 10 million bushels and the estimate of U.S. exports was increased by 30 million bushels, to a total of 1.055 billion bushels. The estimate of exports is larger than expected based on export inspections and Census Bureau estimates through April. Year ending stocks are projected at 728 million bushels, 40 million smaller than the May forecast.

For the current marketing year, the projected size of the winter wheat crop was reduced by 10 million bushels and the projection of feed and residual use of wheat was also reduced by 10 million bushels. Year-ending stocks are now projected at 694 million bushels and the marketing year average farm price is projected in a range of \$5.60 to \$6.80, \$.10 higher than last month's projection. Stocks of wheat outside the U.S. are also expected to be reduced this year as a result of a 4.5 percent decline in production. The largest reductions in production are expected in Kazakhstan and the Ukraine.

Implications

The projections of small year-ending domestic stocks for corn and soybeans now put additional importance on the size of the 2012 harvest. The *Grain Stocks* and *Acreage* reports to be released on June 29 will provide a chance to re-evaluate the stocks and production situation, but the main focus will continue to be on yield prospects. On-going stressful weather in substantial portions of the corn and soybean growing areas and declining crop condition ratings are cause for concern, but the markets continue to reflect very high yield expectations. Unless the weather pattern in central and eastern growing areas changes, prices may have to start reflecting more production risk.