



USDA September Crop Production and WASDE Reports

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Today, the USDA's National Agricultural Statistics Service released the *September Crop Production Report* that contained new survey-based forecasts of the size of the U.S. corn and soybean crops. The World Agricultural Outlook Board released the monthly WASDE report that contains new estimates and forecasts of U.S. and world supply and consumption of corn, soybeans, and wheat. Following is a brief summary and analysis of the reports.

Corn

For the 2011-12 marketing year that ended on August 31, the estimate of U.S. exports was reduced by 10 million bushels to reflect actual export data. The expectation for feed and residual use to be revealed in the September 1 *Grain Stocks* report was reduced by 150 million bushels in recognition of the likely higher than normal consumption of new crop corn during August. September 1 stocks of old crop corn, to be revealed on September 28, are expected to total 1.181 billion bushels.

For the current marketing year, the forecast of the U.S. average yield was reduced by 0.6 bushel to 122.8 bushels, while the forecast of acreage harvested for grain was unchanged from the August forecast. The resulting production forecast of 10.727 billion bushels is only 51.2 million bushels smaller than the August forecast and about 325 million bushels larger than the average trade guess. Compared to the August forecast, the average yield forecasts were increased for most southern and eastern states. Forecasts for the Midwestern states were within 2 bushels of the August forecast, with the exception of the 6 bushel decline in Illinois.

The supply of corn for the 2012-13 marketing year is now forecast at 11.983 billion bushels, 108 million larger than the August forecast. The projection of feed and residual use of corn was increased by 75 million bushels, to reflect in part the use of new crop corn during the last month of the previous marketing year. The projection of exports was reduced by 50 million bushels to a 27 year low of 1.25 billion bushels. Year-ending stocks are projected at 733 million bushels, 83 million above the August projection, and the forecast of the 2012-13 average farm price was reduced by \$.30, in a range of \$7.20 to \$8.60.

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For the rest of the world, the largest changes this month included a 2.3 percent reduction in the expected size of the EU-27 coarse grain crop and a 6 percent cut in the expected size of the Russian crop. The forecast of world ending stocks of coarse grains was about unchanged from the August forecast.

Soybeans

For the 2011-12 marketing year, the estimate of U.S. exports was increased by 10 million bushels and the estimate of the domestic crush was increased by 15 million bushels. Both changes are in line with observed consumption and were generally expected. Year ending stocks, to be revealed on September 28, are projected at an 8-year low of 130 million bushels.

For the current marketing year, the forecast of the U.S. average yield was reduced by 0.8 bushel to a 9-year low of 35.3 bushels and the forecast of harvested acreage was unchanged. The resulting production forecast of 2.634 billion bushels is 57.7 million bushels smaller than the August forecast, but essentially equal to the average trade guess. Yield forecasts were increased for some southern and eastern states, but were reduced 4 bushels for Iowa, 3 bushels for Nebraska, and 2 bushels for Missouri and Ohio. Yield forecasts were unchanged for Illinois and Indiana.

The supply of soybeans for the 2012-13 marketing year is now forecast at 2.785 billion bushels, 72 million below the August forecast. The small supply will force a cut in consumption of 587 million bushels (15.4 percent) this year and result in minimum year ending stocks of 115 million bushels. The marketing year average farm price is projected in a range of \$15 to \$17, unchanged from last month's projection. The forecast of the 2013 South American soybean crop was unchanged at a record 5.45 billion bushels. That large crop is being counted on to alleviate the tight supply situation created by this year's small crops in both South America and the U.S.

Wheat

No changes were made in the supply and consumption forecasts for the current U.S marketing year. The final estimate of the 2012 crop size will be released on September 28. The forecast of the 2012-13 marketing year average farm price is in a range of \$7.50 to \$8.70, compared to the August forecast of \$7.60 to \$9.00. For the rest of the world, the only significant change was a 9 percent reduction in the expected size of the Russian crop.

Implications

The recent price decline for corn reflected clear indications of a slowing in consumption and some recent reports of higher than expected yields, so that today's reports were not a complete surprise. Still, the higher than expected production forecast will likely keep prices under modest pressure as harvest progress accelerates. Today's production forecast is the second of the season. The USDA October production forecast has historically been reasonably close to the final production estimate as actual harvested acreage and yields are captured. A reduction in the estimate of harvested acreage and another small reduction in the yield forecast would not be a surprise next month. Unless the September stocks report provides a major surprise, however, the slowing pace of consumption suggests that corn prices have likely peaked.

Today's reports for soybeans were generally well anticipated. The confirmation of extremely small supplies and the ongoing rapid pace of consumption, however, underscore the need for high prices to ration the small crop. Following recent price declines, prices are now expected to strengthen modestly, at least until there is some confirmation of a slowdown in consumption and crop size is confirmed next month.