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New Production and Consumption Forecasts for Corn and Soybeans

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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 2012-13 marketing year that just ended and the 2013-14 marketing year that just started. Following is a summary of those forecasts and a discussion of the market implications of the forecasts.

Corn

NASS now forecasts the U.S. average corn yield at 155.3 bushels per acre, compared to the August forecast of 154.4 bushels. With the harvested acreage estimate unchanged at 89.135 million acres, the new forecast points to a crop of 13.843 billion bushels, 80 million larger than the August forecast. The yield forecast is 1.4 bushels above the average trade guess State-by-state, the largest increases in yield forecasts came mostly in southern states, where forecasts were 2 to 10 bushels above the August forecasts. Forecasts were also larger for Kansas (9 bushels) and South Dakota (7 bushels). Forecasts declined by 5 bushels in Missouri and North Dakota.

To a large extent, the increase in the forecast of the U.S. average corn yield from August reflected higher average ear populations reported from the NASS Objective Yield Survey. In the 10 objective yield states, the average ear population was found to be about 1,000 larger than reported in August. The average yield forecast is also much higher than feared by some based on the generally very dry conditions in August. The potential for relatively high yields under such dry conditions is explained extremely well by Dr. Emerson Nafziger, Department of Crop Sciences, University of Illinois in an article posted here. While the 2013 average corn yield will be below trend value for the fourth consecutive year, the crop appears to have overcome the effects of widespread late planting and widespread dryness late in the season with a combination of high plant populations and very favorable pollination weather. NASS will release new yield and production forecasts on October 11. A meaningful change in the yield forecast is not expected, but the production forecast could be altered based on a change in the harvested acreage estimate.

The September WASDE report forecast the stocks old crop corn on September 1, 2013 at 661 million bushels, down from the August forecast of 719 million bushels. The estimates of corn consumption during

the year just ended were increased for each category of consumption, consistent with our expectations reported earlier this week.

For the current marketing year, the forecasts of consumption are unchanged from the August forecasts, resulting a projection of year ending stocks of 1.855 billion bushels, only 18 million larger than last month's projection. The marketing year average farm price is projected in a range of $4.40 to $5.20, $0.10 lower than the August forecast. We expect the average price to be in the lower end of that range (near the current level) and likely in a relatively narrow range, at least during the first half of the marketing year.

Soybeans

NASS now forecasts the U.S. average soybean yield at 41.2 bushels per acre, compared to the August forecast of 42.6 bushels. With the harvested acreage estimate unchanged at 76.378 million acres, the new forecast points to a crop of 3.149 billion bushels, 106 million smaller than the August forecast. The yield forecast is very near the average trade guess. State-by-state yield forecasts changed by 2 bushels or less except for declines of 3 bushels in Iowa and North Dakota and a 4 bushel decline in Missouri.

The U.S. average soybean yield will be below trend value for the third consecutive year. Late season dryness has reduced the average number of pods per acre in the 11 objective yield states well below the average number in the period from 2004 through 2011. Pod counts, however, were slightly higher than in 2012. The average yield estimate for those 11 states resulted in a derived average pod weight below that of 2012, but well above the 2004 to 2011 average. Hot dry conditions in early September suggest that the October yield forecast will be less than the September forecast.

The September WASDE report made only minor changes to the supply and consumption forecasts for the 2012-13 marketing year just ended, leaving the projection of September 1 stocks at 125 million bushels. For the current marketing year, the projection of the domestic crush was reduced by 20 million bushels and the projection of exports was reduced by 15 million bushels. The smaller projections reflected a combination of smaller supplies, higher prices, and competition from South America. Year-ending stocks are projected at only 150 million bushels, 70 million below last month's projection. The marketing year average farm price is projected in a range of $11.50 to $13.50, $1.15 higher than the August projection. We expect that the production forecast will be reduced in October and that the average price will be in the upper half of the price range. With a smaller crop forecast, prices would be expected to reach the highest level in October, followed by erratically lower prices during the remainder of the marketing year, assuming no substantial problems with the South American crops.