

Crop Updated & Outlook

Frayne Olson, PhD

Crop Economist/Marketing Specialist

NDSU Extension Service

ND Agricultural Experiment Station

Dept. of Agribusiness & Applied Economics



Today's Topics

- Review most recent USDA reports
- Review current supply & demand conditions.
- Identify potential market movers.
- Discuss outlook for 2009/10 and 2010/11 marketing years.



Corn Update



Surprises in USDA Reports: CORN

- June Grain Stocks (2009 crop) at **4.310 Bill. Bu.**
 - Trade Est. = 4.613 (range of 4.459 to 4.784)
- Acreage Report – **87.872 Mill. A.**
 - Trade Est. = 89.302 (range of 88.100 to 90.153)
- July 4, 2010 crop condition ratings expected to increase, but **decreased.**



Corn Supply & Demand Table

| U.S. Corn | 2009/2010 | 2010/2011 (Jun) | 2010/2011 (Jul) |
|---------------------|-------------------------|-------------------------|-------------------------|
| Planted A. | 86.5 Mill. A. | 88.8 Mill. A. | 87.9 Mill. A. |
| Harvested A. | 79.6 Mill. A. | 81.8 Mill. A. | 81.0 Mill. A. |
| Yield/Harvest A. | 164.7 bu. | 163.5 bu. | 163.5 bu. |
| Begin Stocks | 1,673 Mill. Bu. | 1,603 Mill. Bu. | 1,478 Mill. Bu. |
| Production | 13,110 Mill. Bu. | 13,370 Mill. Bu. | 13,245 Mill. Bu. |
| Imports | 10 Mill. Bu. | 10 Mill. Bu. | 10 Mill. Bu. |
| Total Supply | 14,793 Mill. Bu. | 14,983 Mill. Bu. | 14,733 Mill. Bu. |
| Feed & Residual | 5,525 Mill. Bu. | 5,350 Mill. Bu. | 5,350 Mill. Bu. |
| Food, Seed, Ind. | 5,840 Mill. Bu. | 6,060 Mill. Bu. | 6,060 Mill. Bu. |
| Ethanol | 4,500 Mill. Bu. | 4,700 Mill. Bu. | 4,700 Mill. Bu. |
| Exports | 1,950 Mill. Bu. | 2,000 Mill. Bu. | 1,950 Mill. Bu. |
| Total Use | 13,315 Mill. Bu. | 13,410 Mill. Bu. | 13,360 Mill. Bu. |
| Ending Stocks | 1,478 Mill. Bu. | 1,573 Mill. Bu. | 1,373 Mill. Bu. |

USDA – WASDA – July 9, 2010

Corn Update

- Est. 2010/11 *Ending Stocks* = 1.373 Bill. Bu.
- **Est. 2010/11 Stocks-to-Use Ratio = 10.3 %**
 - 2009/10 = 11.1 %
 - 2008/09 = 13.9 %
 - 2007/08 = 12.8 %
 - 15 Year Avg. = 14.4 %
- Forecasted Avg. Farm Price = \$3.75 (3.45 – 4.05)



July 9, 2010 WASDE Report

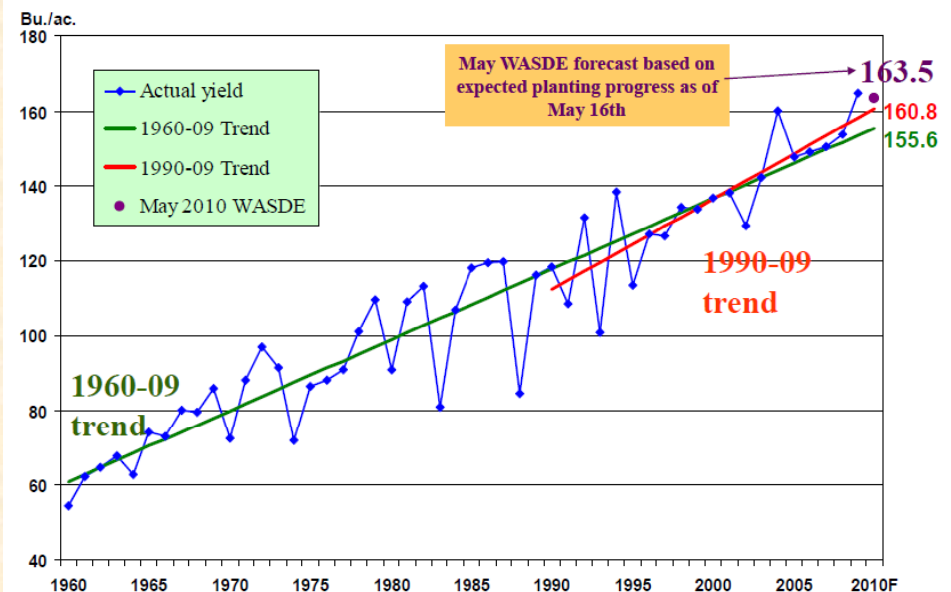
Corn Update

- **National Average Yield Est. = 163.5 Bu./A.**
 - 2009 Nat. Avg. Yield was 164.7 Bu./A. (new record)
 - This is above trend line corn yields.
- Estimated *Total Production* = 13.245 Bill. Bu.
 - This would be another new record production!
 - 13.110 Bill. Bu. in 2009/10
 - 12.092 Bill. Bu. in 2008/09
 - 13.038 Bill. Bu. in 2007/08 (record before 2009)



July 9, 2010 WASDE Report

U.S. Corn Yield



Corn Update

- National Average Yield Est. = 163.5 Bu./A.
 - 2009 Nat. Avg. Yield was 164.7 Bu./A.
 - This is above trend line corn yields.
- **Estimated *Total Production* = 13.245 Bill. Bu.**
 - This would be another new record production!
 - 13.110 Bill. Bu. in 2009/10
 - 12.092 Bill. Bu. in 2008/09
 - 13.038 Bill. Bu. in 2007/08 (record before 2009)



July 9, 2010 WASDE Report

Corn Update

- **Estimated *Total Use* = 13.360 Bill. Bu.**
 - This would be another new record for *Total Use*
 - 13.315 Bill. Bu. in 2009/10
 - 12.056 Bill. Bu. in 2008/09
- Almost all of the growth in Total Use is due to ethanol.



July 9, 2010 WASDE Report

Corn Update

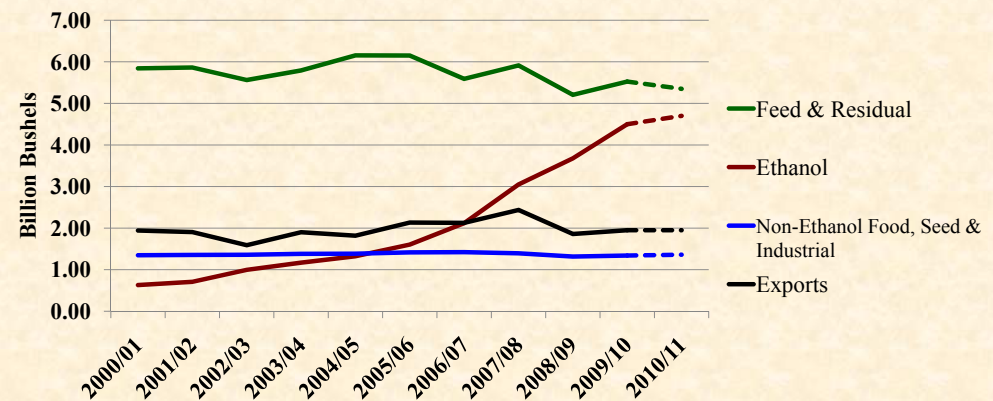
- Estimated *Total Use* = 13.360 Bill. Bu.
 - This would be another new record for *Total Use*
 - 13.315 Bill. Bu. in 2009/10
 - 12.056 Bill. Bu. in 2008/09
- **Almost all of the growth in Total Use is due to ethanol.**



July 9, 2010 WASDE Report

Corn - Total Use

(Billion Bushels)



July 9, 2010 WASDE Report & USDA – Feed Grains Data Base Table 4

Corn – “Market Movers”

- Will the estimated 163.5 bu./a. national average yield be realized?
 - Weather forecasts will be watched closely.
 - Will developing *La Nina* result in warm and dry conditions in the corn belt?
 - Watch crop condition ratings for:
 - Illinois (2)
 - Nebraska (3)
 - South Dakota (6)
 - Kansas (7)



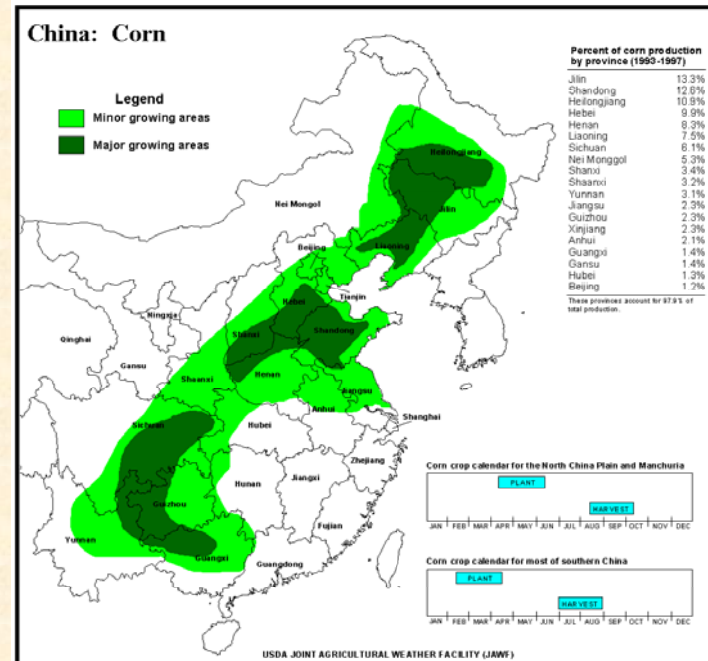
Corn – “Market Movers”

- Profitability of the Livestock Sector.
 - Will livestock numbers begin to increase?
 - Will higher corn prices slow any expansion?
- Price of crude oil and gasoline.
 - Is ethanol priced as a “fuel mandate” or as substitute for gasoline?
 - EPA’s decision concerning *optional* increase in ethanol blend rate (12% vs. 15%)



Corn – “Market Movers”

- Value of U.S. Dollar
 - Falling values benefit export sales
 - Exports account for about 15% of total use
 - Potential corn export sales to China.
 - China has “de-coupled” *Yuan* from U.S. Dollar
 - EU-27 financial concerns have shifted investment away from Euro and into U.S Dollar.
- Commodity Index and Hedge Fund “investment” in commodities.



Corn – “Market Movers”

- Value of U.S. Dollar
 - Falling values benefit export sales
 - Exports account for about 15% of total use
 - Potential corn export sales to China.
 - China has “de-coupled” *Yuan* from U.S. Dollar
 - EU-27 financial concerns have shifted investment away from Euro and into U.S Dollar.
- Commodity Index and Hedge Fund “investment” in commodities.



Soybean Update



Surprises in USDA Reports: SOYBEANS

- June Grain Stocks (2009 crop) at **0.571 Bill. Bu.**
 - Trade Est. = 0.592 (range of 0.575 to 0.620)
- Acreage Report – **78.868 Mill. A.**
 - Trade Est. = 78.292 (range of 76.528 to 79.600)
- July 4, 2010 crop condition ratings expected to increase, but **decreased.**



Soybean Supply & Demand Table

| U.S. Soybean | 2009/2010 | 2010/2011 (Jun) | 2010/2011(Jul) |
|---------------------|------------------------|------------------------|------------------------|
| Planted A. | 77.5 Mill. A. | 78.1 Mill. A. | 78.9 Mill. A. |
| Harvested A. | 76.4 Mill. A. | 77.1 Mill. A. | 78.0 Mill. A. |
| Yield/Harvest A. | 44.0 bu. | 42.9 bu. | 42.9 bu. |
| Begin Stocks | 138 Mill. Bu. | 185 Mill. Bu. | 175 Mill. Bu. |
| Production | 3,359 Mill. Bu. | 3,310 Mill. Bu. | 3,345 Mill. Bu. |
| Imports | 15 Mill. Bu. | 10 Mill. Bu. | 10 Mill. Bu. |
| Total Supply | 3,512 Mill. Bu. | 3,505 Mill. Bu. | 3,530 Mill. Bu. |
| Crushings | 1,745 Mill. Bu. | 1,640 Mill. Bu. | 1,645 Mill. Bu. |
| Exports | 1,460 Mill. Bu. | 1,350 Mill. Bu. | 1,370 Mill. Bu. |
| Seed | 92 Mill. Bu. | 88 Mill. Bu. | 88 Mill. Bu. |
| Residual | 41 Mill. Bu. | 66 Mill. Bu. | 67 Mill. Bu. |
| Total Use | 3,338 Mill. Bu. | 3,144 Mill. Bu. | 3,170 Mill. Bu. |
| Ending Stocks | 175 Mill. Bu. | 360 Mill. Bu. | 360 Mill. Bu. |

Soybean Update

- Estimated *Ending Stocks* = 0.360 Bill. Bu.
- **Estimated Stocks-to-Use Ratio = 11.4 %**
 - 2009/10 = 5.2%
 - 2008/09 = 6.8 %
 - 2007/08 = 3.6 %
 - 15 Year Avg. = 9.2 %
- Forecast Avg. Farm Price = \$8.85 (8.10 – 9.60)



July 9, 2010 WASDE Report

Soybean Update

- National Average Yield Est. = 42.9 Bu./A.
 - 42.9 Bu./A. equals the trend line yield.
 - 2009 Nat. Avg. Yield was 44.0 Bu./A. (new record)
- Estimated *Total Production* = 3.345 Bill. Bu.
 - 2009 Total Production was 3.359 Bill. Bu.
 - New Record
 - 2004 Total Production was 3.197 Bill. Bu.
 - Previous Record



July 9, 2010 WASDE Report

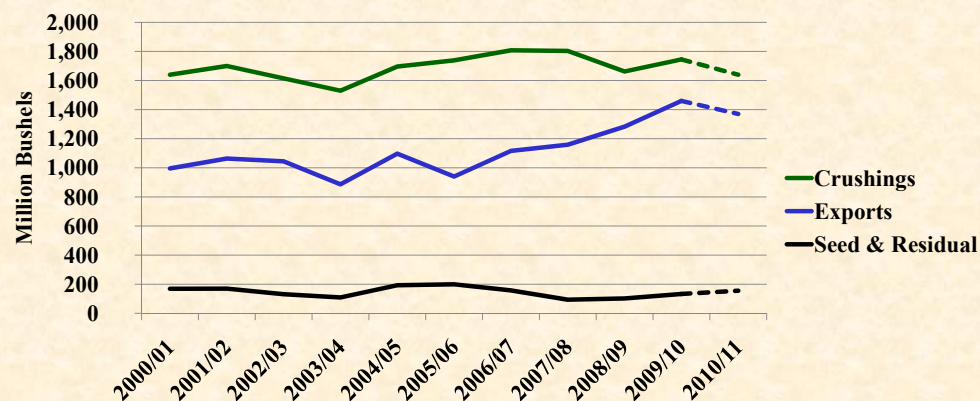
Soybean Update

- Estimated *Total Use* = 3.170 Bill. Bu.
 - 2009/10 = 3.338 Bill. Bu.
 - A new record for Total Use
 - 2006 Total Use was 3.081 Bill. Bu.
 - Previous Record
- Exports have accounted for the majority of the growth in Total Use.



July 9, 2010 WASDE Report

U.S. Soybean Use



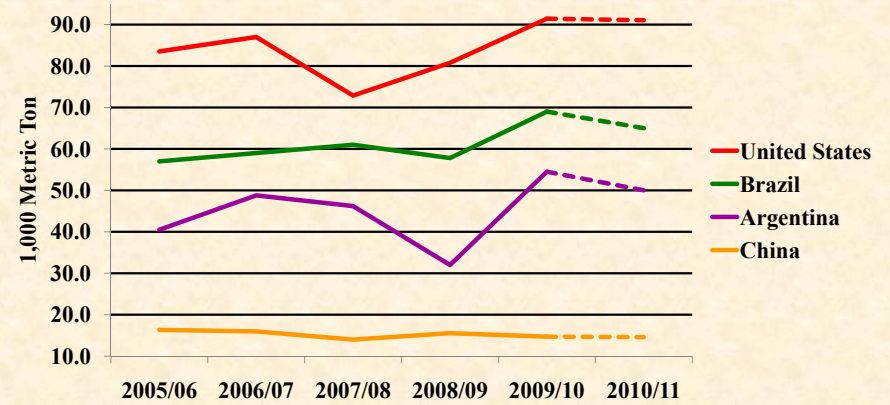
July 9, 2010 WASDE Report & Oil Yearbook Table 3

Soybean “Market Movers”

- Export sales have been key pricing factor in 2009/10 marketing year.
- Both Brazil and Argentina had new record production in 2010.
 - Brazil \approx 69.0 mmt. versus 57.80 mmt. in 2009
 - Argentina \approx 54.0 mmt. versus 32.00 mmt. in 2009
- China is still critical export market, but South American competition will be intense.



Soybean Production by Country (1,000 Metric Tons)



Feb. 9, 2010 WASDE Report & USDA – Oilseeds Data Base

Soybean Export Destinations

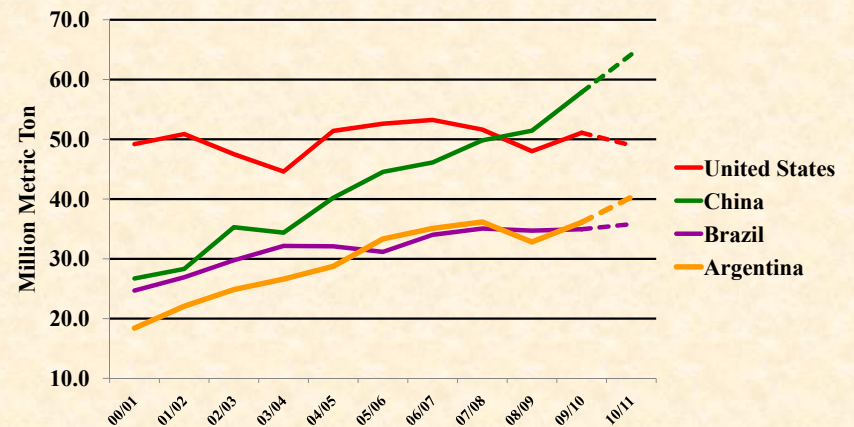
(1,000 Metric Tons)

| Country | 2005/06 MY Total | 2006/07 MY Total | 2007/08 MY Total | 2008/09 MY Total | Sep. 1 – July 1 |
|-------------|------------------|------------------|------------------|------------------|-----------------|
| China | 9,706 | 11,454 | 13,353 | 18,681 | 21,609 |
| Mexico | 3,594 | 3,853 | 3,575 | 3,097 | 2,817 |
| Japan | 3,018 | 3,158 | 2,709 | 2,410 | 2,029 |
| Taiwan | 1,850 | 1,942 | 1,732 | 1,592 | 1,411 |
| Indonesia | 1,211 | 1,454 | 1,068 | 1,340 | 1,213 |
| Egypt | 549 | 763 | 845 | 1,117 | 1,146 |
| Netherlands | 1,097 | 1,442 | 1,177 | 885 | 804 |
| Turkey | 650 | 537 | 408 | 737 | 728 |

USDA-FAS Trade Statistics



Soybean Consumption by Country (Million Metric Tons)



July 9, 2010 WASDE Report & USDA – Oilseeds Data Base

Soybean – “Market Movers”

- Will the estimated 42.9 bu./a. national average yield be realized?
 - Weather forecasts will be watched closely.
 - Will developing *La Nina* result in warm and dry conditions in the southern and central soybean production regions?
 - Watch crop condition ratings for:
 - Illinois (2)
 - Missouri (4)
 - Nebraska (5)
 - South Dakota (8)



Soybean – “Market Movers”

- Value of U.S. Dollar
 - Falling values benefit export sales
 - Exports account for about **43%** of total use
 - Level of soybean export sales to China.
 - China has “de-coupled” *Yuan* from U.S. Dollar
 - EU-27 financial concerns have shifted investment away from Euro and into U.S Dollar.



Soybean – “Market Movers”

- Commodity Index and Hedge Fund “investment” in commodities.
- Price of crude oil and gasoline.
 - Crude oil/gasoline prices impact corn prices
 - Corn prices impact DDGS prices
 - DDGS prices impact Soybean Meal prices
 - Soybean Meal prices impact profitability of soybean crushing.



Wheat Update



Surprises in USDA Reports: WHEAT

- June Grain Stocks (2009 crop) at **0.973 Bill. Bu.**
 - Trade Est. = 0.938 (range of 0.929 to 0.948)
- Acreage Report – **54.305 Mill. A.**
 - Trade Est. = 53.774 (range of 53.000 to 54.200)
 - Spring Wheat = 13.907 Mill. A.
 - Trade Est. = 13.693 (range of 13.056 to 13.925)
 - Durum = 2.675 Mill. A.
 - Trade Est. = 2.260 (range of 2.100 to 2.400)



All Wheat Supply & Demand Table

| U.S. All Wheat | 2009/2010 | 2010/2011 (Jun) | 2010/2011(Jul) |
|---------------------|------------------------|------------------------|------------------------|
| Planted A. | 59.1 Mill. A. | 53.8 Mill. A. | 54.3 Mill. A. |
| Harvested A. | 49.9 Mill. A. | 47.1 Mill. A. | 48.3 Mill. A. |
| Yield/Harvest A. | 44.4 bu. | 43.9 bu. | 45.9 bu. |
| Begin Stocks | 657 Mill. Bu. | 930 Mill. Bu. | 973 Mill. Bu. |
| Production | 2,216 Mill. Bu. | 2,067 Mill. Bu. | 2,216 Mill. Bu. |
| Imports | 115 Mill. Bu. | 110 Mill. Bu. | 100 Mill. Bu. |
| Total Supply | 2,988 Mill. Bu. | 3,107 Mill. Bu. | 3,289 Mill. Bu. |
| Food | 920 Mill. Bu. | 940 Mill. Bu. | 940 Mill. Bu. |
| Seed | 70 Mill. Bu. | 76 Mill. Bu. | 76 Mill. Bu. |
| Feed & Residual | 159 Mill. Bu. | 200 Mill. Bu. | 180 Mill. Bu. |
| Exports | 865 Mill. Bu. | 900 Mill. Bu. | 1,000 Mill. Bu. |
| Total Use | 2,014 Mill. Bu. | 2,116 Mill. Bu. | 2,196 Mill. Bu. |
| Ending Stocks | 973 Mill. Bu. | 991 Mill. Bu. | 1,093 Mill. Bu. |

USDA – WASDA – July 9, 2010

Wheat Update

- Estimated *Ending Stocks* = 1.093 Bill. Bu.
- **Estimated Stocks-to-Use Ratio = 49.8 %**
 - 2009/10 = 48.3%
 - 2008/09 = 28.9 %
 - 2007/08 = 13.2 %
 - 15 Year Avg. = 26.8 %
- Forecast Avg. Farm Price = \$4.60 (4.20 – 5.00)
 - Avg. N.D. Spring Wheat ≈ \$4.85



July 9, 2010 WASDE Report

Wheat Update

- National Average Yield Est. = 45.9 Bu./A.
 - This would be a new record nat. avg. yield
 - Previous record was 44.9 Bu./A. in 2008
- Estimated *Total Production* = 2.216 Bill. Bu.
 - 2009 Total Production was 2.216 Bill. Bu.
 - 2008 Total Production was 2.499 Bill. Bu.



July 9, 2010 WASDE Report

Wheat Update

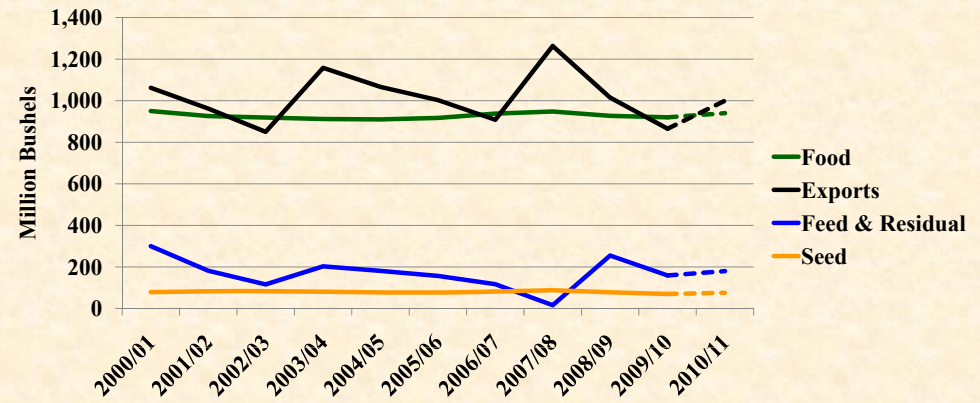
- Estimated *Total Use* = 2.196 Bill. Bu.
 - 2009/10 = 2.014 Bill. Bu.
 - 2008/09 = 2.275 Bill. Bu.
- Export sales have been the greatest challenge for the wheat market.



July 9, 2010 WASDE Report

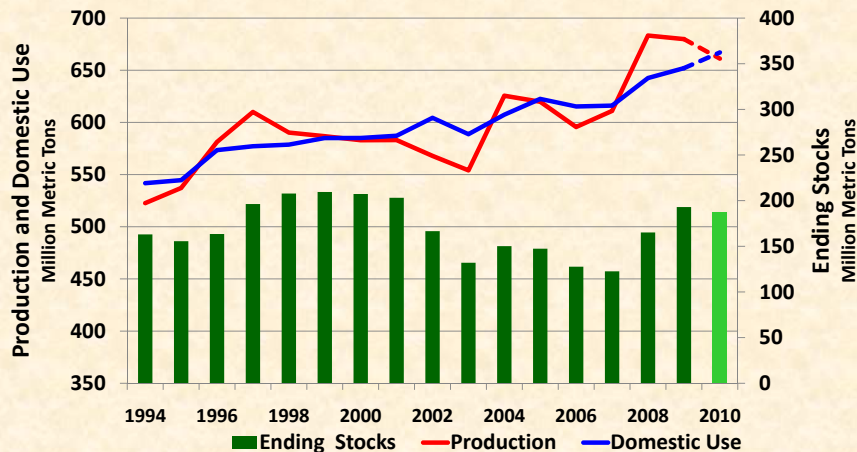
All Wheat Disappearance

(Million Bushels)



USDA – WASDE – July 9, 2010 & USDA Wheat Yearbook -Table 5

World Wheat Production, Domestic Use and Ending Stocks



USDA – WASDE – July 9, 2010 & USDA – Wheat Yearbook Table 3

Wheat Situation by Class

| Wheat Class | 2010- 11 Stocks-to-Use (July) | 2009-10 Stocks-to-Use | 2007-08 Stocks-to-Use | 15 Year Avg. Stocks-to-Use |
|------------------|-------------------------------|-----------------------|-----------------------|----------------------------|
| Hard Red Winter | 51.7 % | 48.7 % | 14.0 % | 27.6 % |
| Hard Red Spring | 66.2 % | 47.4 % | 12.4 % | 32.1 % |
| Soft Red Winter | 44.1 % | 65.8 % | 13.1 % | 19.6 % |
| White | 33.1 % | 34.2 % | 15.6 % | 23.8 % |
| Durum | 24.5 % | 25.9 % | 6.3 % | 25.3 % |
| All Wheat | 49.8 % | 48.3 % | 13.2 % | 26.4 % |

USDA – WASDE – July 9, 2010 & USDA – Wheat Yearbook Tables 7 - 11

Wheat “Market Movers”

- Export sales will set price direction:
 - Exports account for **45.5%** of total use.
 - World wheat production estimates are dropping.
 - Canadian spring wheat production estimates will likely drop further.
 - Western Kazakhstan and Russia are experiencing hot and dry conditions, reducing yield potential.
 - Competition in world market will be intense, but will vary by class



Wheat “Market Movers”

- Wheat will tend to be “price follower” to corn and soybeans until domestic and world ending stocks are reduced.
- Value of U.S. Dollar
 - Very important for wheat export sales.
- Commodity Index and Hedge Fund “investment” in commodities.



QUESTIONS & COMMENTS?

Frayne Olson

Dept. of Agribusiness & Applied Econ.

NDSU Dept. 7110

P.O. Box 6050

Fargo, ND 58108-6050

701-231-7377

frayne.olson@ndsu.edu

<http://www.ndsu.edu/cropeconomics>