

Increasing Supplies Seen Worldwide

Record-large U.S. corn, soy crops seen weighing on prices, but questions remain on unharvested corn, K-State economist says.

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Prospects for higher U.S. corn or old-crop soybean markets faded somewhat when the U.S. Department of Agriculture (USDA) reported Jan. 12 that U.S. farmers produced record-large corn and soybean crops in 2009, said a Kansas State University (K-State) agricultural economist.

“In analyzing the current state of the grain market, there is no escape from the fact that world wheat, coarse-grain and oilseed markets have and are now trending toward increasing supplies,” said Dan O’Brien, agricultural economist with K-State Research and Extension. “Under normal market circumstances, increasing grain and oilseed market supplies would bring about lower prices as the market finds price levels low enough to ‘clear the market’ and move supplies from those who own grain to those who need it.”

O’Brien said that the United States had accumulated relatively large supplies of wheat that will weigh on domestic wheat prices — absent major unforeseen influences from outside currency, financial or other grain markets.

Corn

He referred to USDA data that showed U.S. corn production in 2009 reached 13.2 billion bushels (bu.) — 1% above the previous record of 13 billion bu. set in 2007, and 9% higher than 2008. Corn yields reached an all-time high in 2009 at 165.2 bu. per acre. Planted area, at 86.5 million acres, is the second highest since 1949, behind 2007’s 93.5 million acres.

“Prospects and possibilities for higher U.S. corn prices have been diminished by the larger projected size of the 2009 U.S. corn crop,” O’Brien said. “To the degree that larger supplies may have diminished the sensitivity of corn market participants to potential weather-related crop threats in the 2010 growing season, prospects for market volatility and higher prices may be more limited now



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and production. Soybean production totaled 3.36 billion bu., up 13% from 2008 and up 5% from the previous record set in 2006. The average yield per acre is 44 bu., up 0.9 bu. from the previous record set in 2005. Farmers nationwide planted a total of 77.5 million soybean acres and harvested 76.4 million acres in 2009, both up 2% from the previous record set last year.

“Soybean old crop price prospects

in the U.S. are expected to diminish — perhaps markedly — once South American soybean exports become available to the world market in the spring months,” O’Brien said. “Given the need for adequate corn and soybean acreage in 2010, it is still likely that there will be positive support for new crop Chicago Board of Trade (CBOT) 2010 December corn futures and November soybean futures — at least

until the market is satisfied adequate U.S. acreage is allocated to each crop sometime in early summer.”

Grain sorghum

Grain sorghum production, at 383 million bu., is down 19% from 2008, USDA said. Sorghum yields, at 69.4 bu. per acre, are down 4.4 bu. from last year.

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than before the January 2010 reports. However, any “whittling” down of the size of the 2009 corn crop in USDA reports throughout 2010 will be a supportive factor for U.S. corn prices.

“Uncertainty remains regarding the final size of the 2009 U.S. corn crop,” O’Brien said, “as the U.S. corn harvest was estimated by USDA to be 95% complete on Dec. 20. Winter storms have severely limited harvest progress in some areas since then. If 5% of the U.S. crop is still unharvested, that would amount to approximately 3.98 million acres. At the U.S. average yield of 165.2 bu. per acre, this amounts to 657.5 million bu. of the 2009 U.S. corn crop that still remains unharvested in 2010.

“Whatever portion of this final 5% of the 2009 corn crop that may be unrecoverable or suffers from significant declines in quality while remaining in the field, it is likely to reduce the final estimate of the 2009 corn crop in future USDA supply-demand reports as well as corn ending stocks projections for the 2009/2010 marketing year,” O’Brien added.

Soybeans

USDA reported that the 2009 soybean crop broke records for planted and harvested area as well as for yield



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Planted area totaled 6.63 million acres, the third lowest on record, while harvested area is 5.52 million acres, down 24% from 2008.

Wheat

Also on Jan. 12, the USDA projected fall-seeded U.S. winter wheat area for

harvest in year 2010 at 37,097,000 acres.

“This acreage figure is the lowest since 1913, and down 14% from 2009,” O’Brien said. “Sizable decreases in seeded acreage are estimated for U.S. hard red winter wheat (HRW) and soft red winter wheat, with a small decrease in white winter wheat. Seeded acreage for durum wheat

in the western U.S. is lower, but with only a limited number of states having been seeded to date.”

Seeded area for HRW wheat is expected to be 27.8 million acres in the United States for 2010, down 12% from the previous year. A combination of late row crop harvest, poor weather conditions

at seeding, and relatively low prices and income prospects for wheat compared to other available crop enterprises were cited as reasons for the HRW wheat seeded acreage decline, O’Brien said.

Kansas HRW wheat seeded acreage for 2010 was estimated at 8.6 million acres, down 7.5% and 10.4% from 2009 and 2008, respectively.

In the Jan. 12 data, world wheat, coarse-grain and oilseed ending stocks were all projected to increase since their December 2009 projections, K-State’s O’Brien said. In response to positive market signals during the 2007/2008 and 2008/2009 marketing years, global wheat, coarse-grain and oilseed supplies have increased from the historically low supplies and ending stocks levels existing at that time.

The USDA also estimated that world wheat supplies have increased 13.8% since the 2007/2008 marketing year — from 738 million metric tons (mmt) in 2007/2008 to 840 mmt in 2009/2010.

Ending stocks projections for 2009/2010 of 195.6 mmt rose by 2.5% since the December 2009 World Agricultural Supply and Demand Estimates (WASDE) report, and are up 61% from the record-low world wheat ending stocks of 2007/2008 (121 mmt). World wheat stocks-to-use has increased from 19.6% in 2007/2008 to 25.6% in 2008/2009 to a projected 30.4% in 2009/2010 — a 111-day supply of wheat for world markets.

“Finally,” O’Brien said, “once the U.S. corn and soybean crops are planted, any serious potential weather threats to the U.S. feedgrain and oilseed crops would impact the grain markets. Supplies of both U.S. corn and soybeans are not as burdensome to domestic and global markets as for wheat, and the U.S. remains an important leading supplier of world feedgrain and oilseed exports. Bidding for U.S. crop acres between corn and soybeans, and potential weather threats would still be likely to support U.S. grain prices during 2010.”

A radio interview with O’Brien is available online at www.ksre.ksu.edu/news/ by clicking on K-State Radio Network’s *Agriculture Today* Jan. 15 show.

