

November 10, 2009

## **Production: Corn Lower, Soybean Higher**

The November 10, 2009 USDA World Agricultural Supply and Demand Estimates (WASDE) and Crop Production reports indicated somewhat lower corn production and increased soybean production.

The USDA estimated 2009 average corn yield was lowered 1.3 bpa to 162.9 bpa. Although lower than last month's estimate, this still represents a record yield. The lower yield resulted in total production of 12.921 billion bushels. However, it remains the second largest production on record. These production estimates were within the range of pre-report expectations, but below the average pre-report trade estimate of 12.995 billion bushels. The only adjustment to expected corn use was a 50 million bushels reduction in exports. Projected 2009-10 corn ending stocks slipped from last month's 1.672 billion bushels to 1.625 billion bushels. World corn ending stocks estimates were lowered from the previous estimate of 136.25 mmt to 132.41 mmt. Most of the change in World corn supply/use projections was the result of the reduction in US production estimates. The USDA's 2009-10 forecast corn price range is from \$3.25 to \$3.85, up twenty cents from last month's price forecast.

Soybean projected yields were increased from 42.4 bpa (October) to a record 43.3 bpa. In spite of harvest problems, this would result in record total soybean production of 3.319 billion bushels. This production estimate was within the pre-report range of trade expectations, but it was above the average trade estimate of 3.269 billion bushels. Projected soybean crush was increased five million bushels and exports were increased 20 million bushels. These increases did not offset the increase in production and projected 2009-10 soybean carryover increased 40 million bushels to 270 million bushels. This was above the average pre-report trade expectation of 235 million bushels. Argentine production (53.0 mmt) was increased 0.5 mmt and Brazilian production (63.0 mmt) was increased 1.0 mmt. This was partially offset by increased Chinese imports. However, World 2009-10 soybean ending stocks are expected to increase from 54.79 mmt to 57.39 mmt. The USDA raised the 2009-10 soybean price forecast by twenty-cents. Prices are now expected to range from \$8.20 to \$10.20.

Small downward adjustments to wheat acreage resulted in a four million bushels reduction in wheat production, now estimated at 2.216 billion bushels. Export forecasts were reduced 25 million bushels to 875 million bushels. No other domestic supply or use changes were made. The net result was an increase expected ending stocks from 864 million bushels to

885 million bushels. Increased World wheat production, mostly from FSU countries, added to increased 2009-10 World wheat carryover from 186.73 mmt to 188.28 mmt. The USDA's forecast wheat price range was narrowed by ten cents on each end, now expected to range from \$4.65 to \$ 5.05.

Most analysts appear to believe that reports were somewhat bullish for corn and negative for soybeans. In early trading corn was slightly higher while soybeans and wheat were lower. Excellent soybean yields in many areas more than offset losses in some southern states. But, the harvest continues to be delayed, especially for corn. Monday's crop progress report showed corn harvest at only 37% complete compared to the average of 82%. This suggests the possibility that additional cuts could be made to expected corn production. Soybean harvest is 64% complete compared to an average of 92%. Most in the market will continue to watch the weather and harvest progress. Other factors (energy prices, dollar value, speculative buying, the general economy, etc.) also continue to influence grain and oilseed prices.

***Next update following the December10, 2009 USDA WASDE report.***