



Weekly Outlook: Market Size for US Corn and Soybeans

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The USDA's May 10 WASDE report contained supply and consumption projections for the 2013-14 marketing year for U.S. corn and soybeans. For the most part, the market focused on the projections of crop size, but the most important information is in the projections of marketing year consumption.

The U.S average corn yield is projected at 158 bushels per acre, below our calculation of trend yield near 161.5 bushels, and production is projected at a record 14.14 billion bushels. The U.S. average soybean yield is projected at 44.5 bushels per acres, above our trend yield calculation near 44 bushels, and production is projected at a record 3.39 billion bushels. The projected corn yield reflects the expectation that yield potential has been compromised by the likelihood that a much larger than average percentage of the 2013 crop will be planted later than is optimum for maximum yield potential. The soybean yield forecast reflects opportunity to plant much of the crop in a timely fashion with much improved soil moisture conditions in many areas. Yield of both crops will be determined by weather conditions yet to unfold so considerable uncertainty will persist for another three months. In addition, the magnitude of planted acreage is not yet known, with more information to be available in the USDA's June Acreage report.

The consumption projections for both crops reflect judgment about the size of the market under conditions of ample supplies and much lower prices. These projections are valuable as they provide context for evaluating the price implications of production potential as it unfolds over the next few months. For corn, use for ethanol and by-product production is forecast at 4.85 billion bushels, 250 million bushels above the revised projection for the current year, but below the record consumption of just over five billion bushels in the 2010-11 and 2011-12 marketing years. The modest projection reflects the plateauing of domestic ethanol consumption as the E10 blend wall has been reached and consumption of E15 and E85 increase slowly. The magnitude of ethanol trade will be an important determinant of domestic production and corn consumption. Corn exports are projected at 1.3 billion bushels, well above the revised projection of 750 million bushels for the current year, but well below the 1.8 to 2.0 billion bushels that was common before the 2011-12 marketing year. Lower prices may help to stimulate exports, but competition from South American corn is expected to limit demand growth.

Feed and residual use of corn is projected at 5.325 billion bushels, well above the 4.4 billion bushels projected for the current year. The projection represents the highest level of consumption in six years, but

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is well below the peak consumption of 6.15 billion bushels in 2004-05 and 2005-06 when distillers' grains supplies were still small. Consumption for all uses, including non-ethanol domestic processing, is projected at 12.92 billion bushels, 1.785 billion more than projected for the current year, but about 140 million bushels below the record consumption in 2009-10 and 2010-11. For the most part, the projection reflects a very mature market for U.S. corn.

For soybeans, the domestic crush is projected at 1.695 billion bushels, 60 million above the projection for the current year, but well below the peak of just over 1.8 billion bushels in 2006-07 and 2007-08. Exports are projected at 1.45 billion bushels, 100 million above the projection for the current year and just below the peak of 1.5 billion bushels reached in 2009-10 and 2010-11. Total consumption, including seed and residual use, is projected at 3.264 billion bushels, 184 million bushels above use during the current year that was limited by small supplies, but about 100 million below the peak in 2009-10. Projections reflect expectations of a sharp increase in Chinese imports, but continued strong competition from South American supplies.

Stocks of U.S. corn at the end of the 2013-14 marketing year are projected at a 9-year high of 2.004 billion bushels, implying that the 2013 U.S. crop would need to be about 1.25 billion bushels (9 percent) below the current projection to require consumption to be less than currently projected. Similarly, the U.S. soybean crop would need to be 140 million bushels (4 percent) below the current projection to require consumption to be less than currently projected.

The 2013-14 marketing year average farm price of corn is projected in a range of \$4.30 to \$5.10. Even though current bids for harvest delivery in much of the Corn Belt are near the upper end of that range, the market has not had a substantial response to planting delays. Slow progress through mid-May, along with prospects of widespread rain later this week, may well escalate production concerns and a stronger price response. The 2013-14 marketing year average price for soybeans is projected in a range of \$9.50 to \$11.50, with harvest bids in much of the Corn Belt currently above the upper end of the range. It is still too early for significant production concerns for soybeans.