



Weekly Outlook: March USDA Reports and Beyond

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Corn and soybean prices continue to be influenced by a wide range of fundamental factors. Currently, those factors include prospects for the rate of economic growth and commodity demand in China, prospects for the size of the current South American crop, and prospects for the 2012 growing season in the Northern Hemisphere.

The USDA's March 30 *Grain Stocks* and *Prospective Plantings* reports will also provide important fundamental information for both markets. Anticipating the level of March 1 stocks has become increasingly difficult over the past year or more. For corn, the difficulty lies in the erratic levels of implied quarterly feed and residual use since the spring of 2010. Stocks reports since then have provided a number of surprises. In the newsletter of March 5 some estimates of corn consumption during the December-February quarter this year and implications for March 1 stocks were outlined. A case can be made for stock levels in a wide range, but inventories within a few million bushels of 6.35 billion bushels would be consistent with the USDA's projection of feed and residual use for the year.

For soybeans, the difficulty in anticipating stock levels is less pronounced, but stems from the discontinuation of the monthly Census Bureau report of the domestic crush. Estimates of the monthly crush are reported by the National Oilseed Processors Association for its members, but not all processors are members. With exports for the quarter known, the quarterly stocks estimate will reveal total domestic disappearance, including seed, feed, and residual use, as well as the crush. We anticipate March 1 stocks near 1.365 billion bushels. For both corn and soybeans, stock levels that deviate substantially from market expectations would have at least a short term price impact.

The *Prospective Plantings* report will contain important information about the potential size of the 2012 crops even though actual plantings may deviate from intentions. First, in combination with the report of winter wheat seedings released in January, the report will provide an indication of the magnitude of total planted acreage in 2012. With substantial prevented plantings last year, acreage intentions this year could be much larger than actual plantings last year. High commodity prices, generally favorable early planting conditions, and a reduction in CRP acres could contribute to that increase. Second, the report will obviously reveal planting intentions for individual crops, providing more insight into prospective crop size. There is general consensus that corn plantings will increase by 2 to 3 million acres, but less consensus about acreage of other crops. A larger percentage of planted acres will also be harvested in

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2012 than in 2011 if weather conditions this summer are more normal. Third, the report will reveal the geographic location of intended changes in acreage of individual crops which might influence expectations about the potential U.S. average yields. Surprises in the report should be expected, with the magnitude of total planted acreage having the largest potential for a surprise.

Beyond the March 30 reports, spring weather and planting conditions will be important. Early planting (or more correctly, lack of late planting) of the corn crop could have some yield implications, but may be more important for the timing of harvest in the Corn Belt.

If March 1 stocks support prospects for small year-ending stocks, an earlier than normal harvest in the Corn Belt would alleviate some of the concerns about the small inventories. The USDA will update the forecast of year ending stocks in the April 10 WASDE report. Forecasts of much colder weather in the week of April 2nd may have some implications for planting progress. The USDA's first weekly Crop Progress report will be released on April 2nd. Individual state reports reveal substantial planting progress in the South.

So much uncertainty about stocks, consumption, and production makes pricing decisions difficult, particularly for the 2012 crop. Soybean prices have rallied sharply from the January lows and appear to be pricing in a smaller South American crop, unchanged to declining acreage in the U.S., and smaller stocks by the end of the 2012-13 marketing year. November futures are well above the spring price guarantee for crop revenue insurance, with some looking for a move back to \$14. Some price protection seems prudent with prices well above insurance guarantees. In contrast, December corn futures have declined back to near the January lows and are below the insurance price guarantee in anticipation of a large crop and rebuilding of inventories during the year ahead. More patience may be warranted in making additional new crop sales of corn.