May Crop Outlook

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Abstract
With the May reports, USDA updated its estimates for 2008/09 and put out its first official estimates for 2009/10. On the corn side, ethanol and export demand are increased by 50 million bushels each for 2008. Both of these uses have experienced a rebound over the past few weeks.

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Disciplines
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May Crop Outlook

By Chad Hart, Department of Economics

With the May reports, USDA updated its estimates for 2008/09 and put out its first official estimates for 2009/10. On the corn side, ethanol and export demand are increased by 50 million bushels each for 2008. Both of these uses have experienced a rebound over the past few weeks.

With feed usage holding steady at 5.35 billion bushels, ending stocks are projected at 1.6 billion bushels, roughly in line with the ending stocks level coming out of the 2007 crop. The estimated season-average corn price for 2008/09 held steady at $4.20 per bushel and futures at the close of business before the reports were roughly in line with USDA.

For 2009, USDA set acreage at 85 million acres, from the March Prospective Plantings report, but set yields at 155.4 bushels per acre, 1.5 bushels below trend due to the lack of planting progress in the eastern Corn Belt. While Iowa has planted over 80 percent of its corn, slightly ahead of average, Illinois and Indiana are way behind schedule. Typically, Illinois would have nearly 85 percent of its corn planted by this time and Indiana would have 70 percent. This year, both states are around 10 percent.

Given the yield adjustment, projected production for 2009 is set at 12.09 billion bushels, slightly below last year’s level. Ethanol and export demand are projected to increase again, with feed usage declining (offset by higher availability of distillers grains). Ethanol demand is expected to reach 4.1 billion bushels, following the Renewable Fuels Standard levels. Export demand is expected to increase as international feed demand is projected to recover and feed wheat supplies are somewhat limited. Ending stocks are estimated at 1.145 billion bushels, with usage continuing to grow and production holding steady. The season-average price for 2009/10 is projected at $4.10 per bushel, down 10 cents from 2008, but up 50 cents from USDA’s unofficial outlook in February.
Planting Progress (as of May 10th)

<table>
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<tr>
<th></th>
<th>Corn</th>
<th>Soybeans</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>This Year</td>
<td>Last Year</td>
</tr>
<tr>
<td>Iowa</td>
<td>81%</td>
<td>42%</td>
</tr>
<tr>
<td>Illinois</td>
<td>10%</td>
<td>55%</td>
</tr>
<tr>
<td>Indiana</td>
<td>11%</td>
<td>57%</td>
</tr>
<tr>
<td>Minnesota</td>
<td>81%</td>
<td>29%</td>
</tr>
<tr>
<td>Nebraska</td>
<td>78%</td>
<td>52%</td>
</tr>
<tr>
<td>U.S.</td>
<td>48%</td>
<td>48%</td>
</tr>
</tbody>
</table>

"Source: USDA-NASS, Crop Progress report"

For soybeans, 2008/09 crushing demand is increased by 5 million bushels to 1.64 billion bushels, while exports added 30 million bushels to reach 1.24 billion bushels. These changes send projected ending stocks to 130 million bushels, so projected stocks are very light once again. China continues to lead the export market and the reduction in the South American soybean crop has allowed U.S. soybean exports to continue deeper into the marketing year. The 2008/09 projected season-average price is $9.85, up 20 cents from last month based on the strength of export demand and the tight stock situation.

For 2009, acreage is set at 76 million acres and yields are held at trend, 42.6 bushels per acre. Planting progress is slightly behind in Iowa and significantly behind in Illinois and Indiana. In fact, soybean plantings in Illinois are less than one percent of expected so far. The delays in planting are not projected to impact production, estimated at 3.195 billion bushels, just under the record from 2006. Domestic crushing is projected to increase slightly, but exports are expected to continue at a record pace for the 2009 crop. Ending stocks for 2009 are estimated at 230 million bushels, as the production gains exceed the usage increases. Season-average prices are projected at $9.45 for the 2009 crop year.

Weather and planting progress will remain the major driver for crop prices over the short term. Exports have been supportive as well. Longer term, the markets will continue to watch the development of biofuel regulations. The recent releases by the California Air Resources Board and the federal Environmental Protection Agency, incorporating indirect land use change and greenhouse gas emissions, were seen as negatives to the biofuel industry. But these policies are being phased in over a few years and are subject to additional review, so biofuel policy uncertainty remains.

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