

GRAIN OUTLOOK

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WHEAT EVALUATION TOUR AND MORE

Participants on the wheat evaluation tour estimated the size of this year's Kansas crop to be 379 million bushels, after factoring in a 500 thousand acre reduction in hard red wheat planted and the drought damage in Southwestern Kansas. The USDA's estimate of the Kansas crop, released a day later, was 357 million bushels. For comparison, the most recent six-year Kansas wheat production average, excluding last year's freeze and rain damaged crop, is 344 million bushels.

More than sixty people from all levels of the wheat industry: producers, grain merchants, millers, bakers, and commodity commissions, plus media, government, university, and grain buyers from Mexico, Japan, and Brazil participated in this year's wheat tour. We saw wheat that was better than expected growing in some very muddy fields across Kansas. The exception was the southwestern corner of the state which has suffered from lack of moisture since planting time and received little rain from recent storm systems. Harvest was judged to be 50 to 60 days away; a week to ten days later than normal.

The report from our counterparts in Oklahoma indicated a slightly above average wheat crop for that state. Good yields from Central and North Central Oklahoma will nearly be offset by disappointing yields from the Panhandle.

A day after the tour was completed the USDA released the May World Agricultural Supply and Demand Estimates (WASDE) report. This is the first USDA report of the year that projects supply and demand estimates for the 08/09 crop and marketing year.

Even though U.S. and global wheat production estimates were up; 16 and 8 percent respectively, much of the increased production will be absorbed by greater consumption by people and increased feeding of wheat to livestock. Also, countries around the world will buy wheat to rebuild reserve stocks. The USDA took those factors into consideration when they projected the 2008/09 national average farm price for wheat to be \$6.60 to \$8.10 compared to the latest 2007/08 marketing year estimated average farm price of \$6.55 per bushel.

The USDA projected corn production in the May WASDE was based on the March 31st Prospective Plantings report acreage number of 86 million acres. Although people in the industry have been saying producers need to plant more acres, and corn price rose to give them the incentive to do so, wet fields may prevent that from happening. In the May 5th Crop Progress report, the big corn producing states of Illinois and Iowa were still far behind the normal pace of corn planting. Late planting may put the USDA estimate of 153.9 bushels per acre national average yield in doubt, considering that corn yield potential drops off rapidly for every day planting is delayed beyond May 10th.

On the demand side, U.S. exports of corn are expected to drop by 400 million bushels next year due to increased overseas production of feedgrains and lower-priced wheat recapturing its market share of livestock feeding in many countries. Distillers grains and wheat will displace more corn in livestock feed rations in the U.S. next year. Ethanol demand for feedgrains, corn and grain sorghum, will increase by one billion bushels, but will not quite make up the demand lost in the export and feed sectors. Even so, estimated demand of 12.7 billion bushels will be greater than projected production by about 600 million bushels and draw down corn ending stocks to the lowest level in 13 years. If total U.S. corn production falls below the 12.1 billion bushels projected by the USDA, their 2008/09 estimated national average farm price of \$5 to \$6 for corn will be low.

In the May WASDE report, the USDA estimated that domestic soybean production will increase by 16 percent and global production of oilseeds will increase by 8 percent. But continued strong global demand for soy products will put pressure on available supplies.

The U.S. carryover stock of soybeans is expected to increase by 28 percent year-to-year, but that will still leave carryover critically low; a 22 day supply in 2008/09 versus 17.5 day supply at the end of this marketing year. Surprising to some, the USDA increased the average farm price of soybeans to \$10.50-\$12.00 for 2008/09 from \$10 per bushel for the 2007/08 crop and marketing year. Of course, if a large amount of acres intended for corn are switched to soybeans in the next month or so, price projections for both crops will change.