



## **USDA's Grains & Oilseeds Outlook sees stocks pressuring prices 'down slightly'**

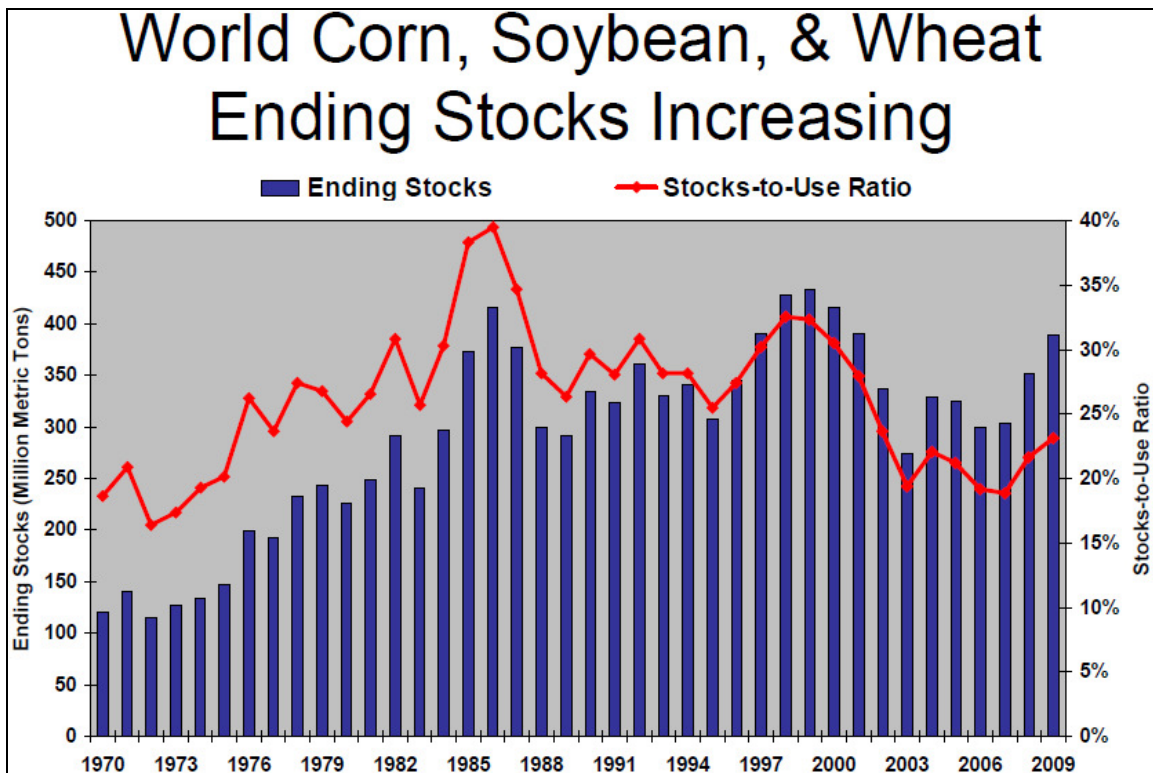
**By Jon H. Harsch**

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Washington, Feb. 19 – Presenting USDA's "2010 Grains & Oilseeds Outlook" at the annual Outlook Forum Friday, Farm Service Agency Economist Max Fisher painted a mixed picture:

- "Global grain and oilseeds supplies are projected to be abundant at the start of 2010 as farmers worldwide responded to recent high prices. Productivity gains have been led by U.S. producers with record soybean and corn yields and crops in 2009. Meanwhile global wheat production was record large in 2008 and large again in 2009."
- "Corn used for ethanol experienced strong growth in 2009 but is expected to grow at a slower pace as mandated ethanol use slows."
- "The Brazil and Argentina soybean crops that are being harvested are expected to be record large and as a result, some slippage from 2009's strong U.S. export pace is expected."
- "Wheat export prospects are clouded by large competitor supplies of low-priced wheat that is often located closer to key import markets than U.S. wheat."
- "Animal numbers were down in 2009. Animal numbers are not expected to rebound in 2010 as relatively high feeding costs and growth in meat demand continue to pressure prices."
- "For the fourth year in a row, the three crop global total of corn, soybeans and wheat stocks is expected to increase, pressuring prices and driving the stocks to use ratio that is forecast to increase for the third year in a row."
- "Since peaking in the summer of 2008, prices for corn, soybeans and wheat have fallen significantly as more supplies have become available. The 2010 average farm prices are expected to be down slightly from 2009."
- "Early in the planting season last year, the new crop soybean to corn price ratio appeared to be signaling producers to plant more corn acres. Around mid April, the price signal began to favor planting more soybean acres as the extent of the drought damage to the soybean crop in Argentina became more apparent."
- "This year, the new crop soybean to corn price ratio appears to suggest there might be slightly more price incentive for producers to grow soybeans rather than

corn. However, the variable cost of production for soybeans is expected to increase slightly while decreasing for corn. The decline in variable cost of production for corn is expected to more than offset the slight soybean price advantage, making an acreage expansion for corn over soybeans more likely in 2010.”



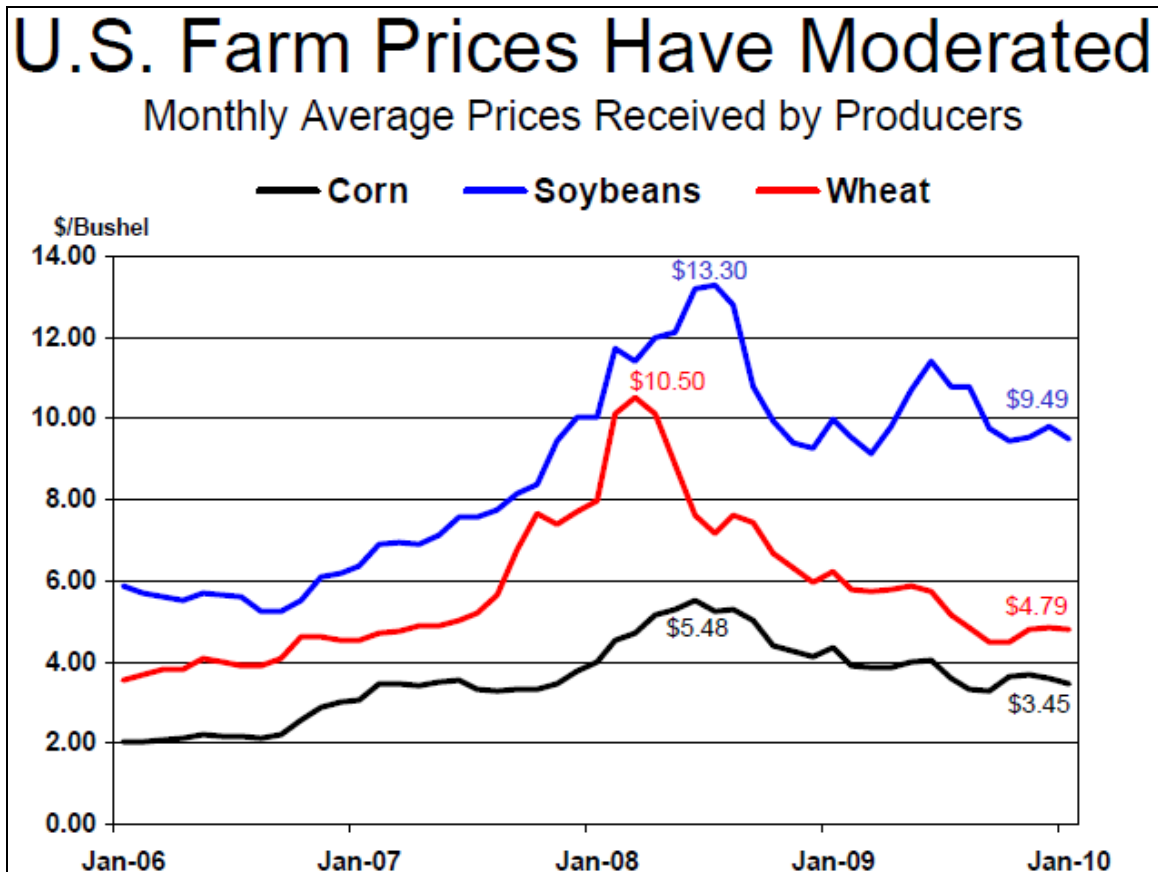
Source: USDA Agricultural Outlook Forum, Feb 19, 2010, in presentation by USDA Farm Service Agency Economist Max Fisher

The Outlook report itself concludes that:

- “The 2010/11 outlook for the major grains and oilseeds in the United States is heavily influenced by the unusual 2009 growing season. Late planting and a cool, wet fall delayed summer-crop harvesting and combined with a lower price outlook to limit last fall’s winter wheat seedings to a 97-year low.”
- “Combined planted area for corn and soybeans is expected to expand for a fourth straight year with lower winter wheat area and higher expected net returns. Not all of the unseeded wheat area is expected to be made up dropping the combined 3-crop planted area total to its lowest level since 2007/08.”
- “Wheat production is projected lower with sharply reduced winter wheat area and lower expected yields because of the area reduction in higher-yielding soft red winter wheat. Wheat stocks are expected to decline modestly in 2010/11, but remain burdensome as U.S. wheat exports struggle under pressure from continued large world supplies.”
- “Corn plantings are expected to expand with less winter wheat area and higher expected net returns. A return to trend yields, however, is expected to keep production nearly unchanged from this past year’s record. Ending stocks are

projected to decline slightly as higher corn use for ethanol and exports more than offset increased carryin and lower feed and residual use.”

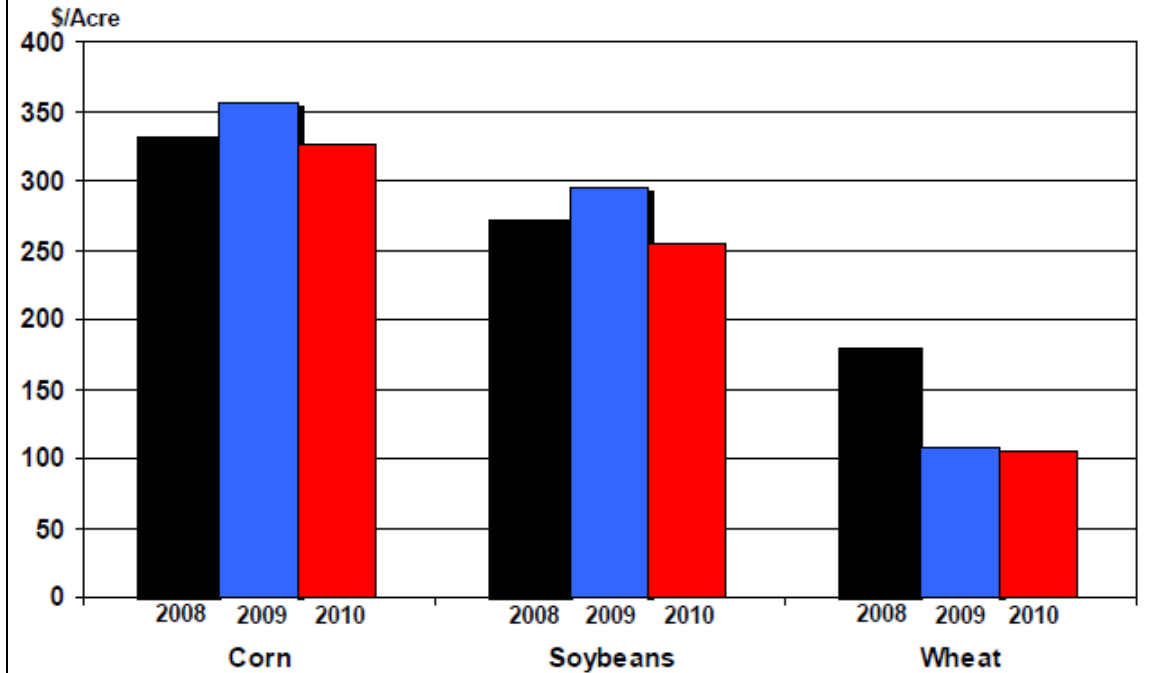
- “Soybean planted area is expected to decline slightly from last year when a sharp rise in soybean prices resulting from the Argentina drought led to record planted area. In addition, sharply lower winter wheat area is expected to reduce double cropped soybean plantings.”
- “Soybean supplies are projected to decline only modestly as higher beginning stocks partly offset lower production. Ending soybean stocks are projected to rise due to reductions in crush and exports.”



Source: USDA Agricultural Outlook Forum, Feb 19, 2010, in presentation by USDA Farm Service Agency Economist Max Fisher

To read USDA’s 15-page “Grains and Oilseeds Outlook for 2010” report, go to:  
[www.usda.gov/oc/forum/2010\\_Speeches/Speeches/GrainsOilseedsOutlook2010.pdf](http://www.usda.gov/oc/forum/2010_Speeches/Speeches/GrainsOilseedsOutlook2010.pdf).

# Returns Above Variable Costs



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#30