

Partnership Perk



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Grain Outlook for the 2005 Season

The final size of the 2005 U.S. corn and soybean crops? Drought makes the numbers uncertain. Extreme drought in Illinois, Missouri and parts of neighboring states, including extreme east central and southeastern Iowa, give predicting yields a substantial amount of uncertainty. That includes reports of incomplete pollination of corn in sizeable areas of Illinois and Missouri.

The USDA's August 12 crop production report provides a benchmark that will be used by the grain trade to adjust for changing crop prospects in the next several weeks. The report placed U.S. corn production at 10.35 billion bushels, the second-largest U.S. crop on record, but down 12 percent from last year. Soybean production was forecast at 2.791 billion bushels, down 11 percent from last year.

Long story short: What are the market implications? If the November corn estimate is near the August production forecast, don't be surprised to see December futures move down to test the \$2.05 to \$2.10 level some time before the end of harvest. For soybeans, prospects for relatively low U.S. soybean carryover stocks will keep prices sensitive to weather and changing assessments of production potential for the next few weeks.

Source: Robert Wisner, ISU Department of Economics

(NOTE: Attached is a Word document with a full story on Dr. Wisner's grain outlook, plus corn and soybean balance sheets that show his projections based on USDA's August crop forecast and two alternative U.S. average yields for corn and soybeans.)