GRAINS & OILSEEDS OUTLOOK

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Economic Research Service, USDA
Grains and Oilseeds
Outlook for 2006

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Grains & Oilseeds Outlook for 2006

• U.S. wheat, corn, and soybean markets are expected to head in different directions in 2006/07.
• Acreage Outlook: A shift to soybeans.
• Wheat Outlook: Nearly stable supply and demand.
• Corn Outlook: Strong demand expected to buoy prices.
• Soybean Outlook: Low prices needed to move supplies.
Area planted to the three major U.S. crops remains stable

• Winter wheat seeding up slightly on rebound in SRW area.
• Drought in Texas and Oklahoma a concern.
• Spring wheat area expected to decline slightly unless prices rally.
• Total wheat acres harvested to decline on a return to normal abandonment.
• Underlying slow trend away from wheat.
Long Term Decline in U.S. Wheat Area

Plotted are the planted and harvested areas (in million acres) of wheat from 1973 to 2005. The graph shows a significant decline in the planted area over this period, with the harvested area following a similar trend. The differences between the two areas indicate variations in crop yield or other factors affecting harvest rates.
2006 Corn and Soybean Acreage Outlook

• Corn and soybeans complement each other in rotation, but also compete for area.
• Costs of production up much more for corn than for soybeans.
• Loan rates limit downside price risk for both.
• Fear of Asian Soybean Rust reduced.
• Soybean planted area to expand, corn decline.
• A return to a normal harvested-to-planted ratio would trim both corn and soybeans acres.
## 2006 Acreage Outlook

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006P</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat planted</td>
<td>57.2</td>
<td>58.0</td>
<td>+0.8</td>
</tr>
<tr>
<td>Wheat harvested</td>
<td>50.1</td>
<td>48.7</td>
<td>-1.4</td>
</tr>
<tr>
<td>Corn planted</td>
<td>81.8</td>
<td>80.5</td>
<td>-1.3</td>
</tr>
<tr>
<td>Corn harvested</td>
<td>75.1</td>
<td>73.2</td>
<td>-1.9</td>
</tr>
<tr>
<td>Soybeans planted</td>
<td>72.1</td>
<td>74.0</td>
<td>+1.9</td>
</tr>
<tr>
<td>Soybeans harvested</td>
<td>71.4</td>
<td>72.9</td>
<td>+1.5</td>
</tr>
<tr>
<td>Total planted</td>
<td>211.1</td>
<td>212.0</td>
<td>+1.4</td>
</tr>
<tr>
<td>Total harvested</td>
<td>196.6</td>
<td>194.9</td>
<td>-1.8</td>
</tr>
</tbody>
</table>
U.S. Corn Area to Decline in 2006

Million acres


Planted area

Harvested area
U.S. Soybean Area Expanding in 2006

Million acres


Planted area

Harvested area
2006 Wheat Outlook

- U.S. wheat yield increase to nearly offset lower area in 2006, production down slightly.
- Beginning stocks stable, increased imports leave supplies slightly lower.
- Domestic use up slightly.
- Exports to decline due to increased competition for high quality, high protein wheat.
- Ending stocks projected unchanged.
- Little change projected for wheat prices in 2006/07.
## 2006 Wheat Outlook

<table>
<thead>
<tr>
<th></th>
<th>2005/06 (Forecast)</th>
<th>2006/07 (Preliminary)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yield (bu./ac.)</td>
<td>42.0</td>
<td>42.6</td>
</tr>
<tr>
<td>Production (mil. bu.)</td>
<td>2,105</td>
<td>2,075</td>
</tr>
<tr>
<td>Beginning stocks</td>
<td>540</td>
<td>542</td>
</tr>
<tr>
<td>Imports</td>
<td>85</td>
<td>95</td>
</tr>
<tr>
<td>Supply</td>
<td>2,730</td>
<td>2,712</td>
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</table>
## 2006 Wheat Outlook

<table>
<thead>
<tr>
<th></th>
<th>2005/06 (Forecast)</th>
<th>2006/07 (Preliminary)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total domestic use (mil. bu.)</td>
<td>1,188</td>
<td>1,194</td>
</tr>
<tr>
<td>Exports</td>
<td>1,000</td>
<td>975</td>
</tr>
<tr>
<td>Total use</td>
<td>2,188</td>
<td>2,169</td>
</tr>
<tr>
<td>Ending stocks</td>
<td>542</td>
<td>543</td>
</tr>
<tr>
<td>Stocks/use (percent)</td>
<td>24.8</td>
<td>25.0</td>
</tr>
<tr>
<td>Season average farm price ($/bu.)</td>
<td>3.40</td>
<td>3.40</td>
</tr>
</tbody>
</table>
U.S. Wheat Supply Stable

Million bushels

Little Change Expected in U.S. Wheat Use

*Food, seed, and industrial use.
Economic Research Service, USDA.
U.S. Share of World Wheat Trade Declining

[Graph showing the comparison of world exports and U.S. exports over the years from 1961 to 2005P. The graph indicates a decline in the U.S. share of the world wheat trade.]
Developing Countries To Boost Wheat Imports

Million tons

- China
- European Union
- Former Soviet Union-12
- Other developing
- Other developed
Wheat: U.S. Price and Stocks/Use Ratio

![Chart showing wheat prices and stocks/use ratio from 1990 to 2006/07P. The chart displays the price of wheat and the stocks/use ratio over time. The price is shown on the left axis, ranging from 0 to 5 U.S. $/bushels, while the stocks/use ratio is shown on the right axis, ranging from 0 to 45 percent. The chart indicates fluctuations in both prices and stocks/use ratios during the period, with notable increases and decreases observed.]
2006 Corn Outlook

- If U.S. corn yields return to trend, 2006 yield will be nearly the same as 2005; lower area to reduce production.
- Beginning stocks huge, increased stocks maintain 2006/07 supplies nearly unchanged.
- Domestic use up on strong ethanol production.
- Exports to increase significantly due to reduced competition, especially from Argentina.
- Ending stocks projected to decline significantly.
- A modest corn price increase expected in 2006/07.
## 2006 Corn Outlook

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<thead>
<tr>
<th></th>
<th>2005/06 (Forecast)</th>
<th>2006/07 (Preliminary)</th>
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<tbody>
<tr>
<td>Yield (bu./ac.)</td>
<td>147.9</td>
<td>147.7</td>
</tr>
<tr>
<td>Production (mil. bu.)</td>
<td>11,112</td>
<td>10,810</td>
</tr>
<tr>
<td>Beginning stocks</td>
<td>2,114</td>
<td>2,401</td>
</tr>
<tr>
<td>Supply</td>
<td>13,236</td>
<td>13,221</td>
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## 2006 Corn Outlook

<table>
<thead>
<tr>
<th>Category</th>
<th>2005/06 (Forecast)</th>
<th>2006/07 (Preliminary)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feed and residual (mil. bu.)</td>
<td>6,000</td>
<td>5,950</td>
</tr>
<tr>
<td>Ethanol fuel</td>
<td>1,600</td>
<td>2,150</td>
</tr>
<tr>
<td>Food, seed &amp; other industrial</td>
<td>1,385</td>
<td>1,395</td>
</tr>
<tr>
<td>Exports</td>
<td>1,850</td>
<td>2,000</td>
</tr>
<tr>
<td>Total use</td>
<td>10,810</td>
<td>11,495</td>
</tr>
<tr>
<td>Ending stocks</td>
<td>2,426</td>
<td>1,726</td>
</tr>
<tr>
<td>Season average farm price ($/bu.)</td>
<td>1.90</td>
<td>2.15</td>
</tr>
</tbody>
</table>
U.S. Corn Area To Decline, Yield Little Changed
U.S. Corn Use Mostly Domestic

- **Animal, residual**
- **Human & industrial**
- **Exports**

*Million tons*

- 1990: 150 million tons
- 1995: 180 million tons
- 2000: 200 million tons
- 2005/06P: 250 million tons
Corn Used for Ethanol

Million bushels

Corn: U.S. Price and Stocks/Use Ratio

U.S.$/bushels


Percent

Price

Stocks/use (right axis)
Global Corn Exports

1/ Republic of South Africa, Brazil, EU, former Soviet Union, and others.
Argentina: Corn Production

- 2005/06P: 1,000 tons
World Corn Imports

- Japan, South Korea, Taiwan
- Middle East
- North Africa
- Other developing
- China
- Former Soviet Union-12
- Other developed
- China


Graph scale: 0, 10,000, 20,000, 30,000, 40,000, 50,000, 60,000, 70,000, 80,000, 90,000, 100,000

Units: 1,000 tons
2006 Soybean Outlook

- Trend soybean yield implies a drop from the 2005 record, offsets increased area, leaving 2006 production projected down modestly.
- Forecast beginning stocks are huge, increased stocks boost 2006/07 supply prospects.
- Domestic use nearly stable.
- Exports to increase significantly due to lower U.S. prices and a competitive exchange rate.
- Ending stocks projected to increase slightly, and remain very large.
- A modest soybean price decline is expected in 2006/07.
# 2006 Soybean Outlook

<table>
<thead>
<tr>
<th></th>
<th>2005/06 (Forecast)</th>
<th>2006/07 (Preliminary)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yield (bu./ac.)</td>
<td>43.3</td>
<td>40.7</td>
</tr>
<tr>
<td>Production (mil. bu.)</td>
<td>3,086</td>
<td>2,965</td>
</tr>
<tr>
<td>Beginning stocks</td>
<td>256</td>
<td>555</td>
</tr>
<tr>
<td>Supply</td>
<td>3,346</td>
<td>3,524</td>
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</tbody>
</table>
## 2006 Soybean Outlook

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<thead>
<tr>
<th></th>
<th>2005/06 (Forecast)</th>
<th>2006/07 (Preliminary)</th>
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<tbody>
<tr>
<td>Crush (mil. bu.)</td>
<td>1,720</td>
<td>1,730</td>
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<tr>
<td>Seed &amp; residual</td>
<td>162</td>
<td>159</td>
</tr>
<tr>
<td>Exports</td>
<td>910</td>
<td>1,075</td>
</tr>
<tr>
<td>Total use</td>
<td>2,792</td>
<td>2,964</td>
</tr>
<tr>
<td>Ending stocks</td>
<td>555</td>
<td>560</td>
</tr>
<tr>
<td>Stocks/use (percent)</td>
<td>19.9</td>
<td>18.9</td>
</tr>
<tr>
<td>Season average farm price ($/bu.)</td>
<td>5.50</td>
<td>5.15</td>
</tr>
</tbody>
</table>
Trend Soybean Yield Below 2005 Record

Bushels/acre

U.S. Soybean Production Takes a Backseat

Million tons

U.S.

Argentina and Brazil

1995 1997 1999 2001 2003 2005
U.S. Domestic Demand Stable

- Soybean meal domestic disappearance
- Soybean oil domestic disappearance
- Crush

- Chart shows data from 1990/91 to 2006/07.
Tough Soy Export Competition

Million tons

- Argentina and Brazil meal
- U.S. beans
- U.S. meal

1995 1997 1999 2001 2003 2005/06F
China’s Bean Imports Are Key
China’s Corn and Meal Feed Use Takes Off

Million tons


Corn

Soybean meal
Large Supplies To Weigh On Soybean Prices

Million bushels

$/bushels


Price

Supplies
Conclusions

• U.S. soybeans will need to be competitively priced to increase exports and avoid further increases in stocks in 2006/07.

• Increasing demand is expected to begin to boost corn prices in 2006/07; yield will likely determine how much.

• The U.S. role in world wheat trade has changed, so quality premiums will be a key for farmers’ returns.