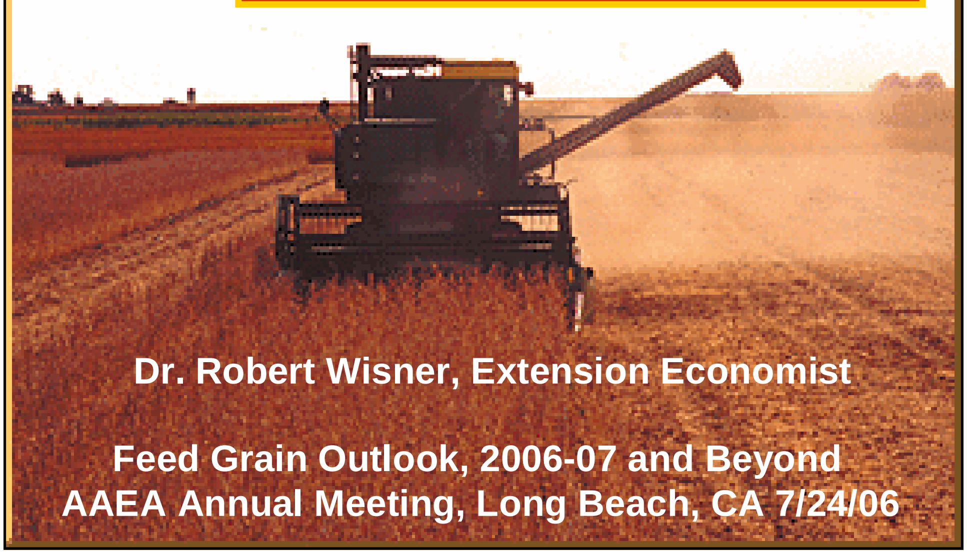
Iowa State University Extension

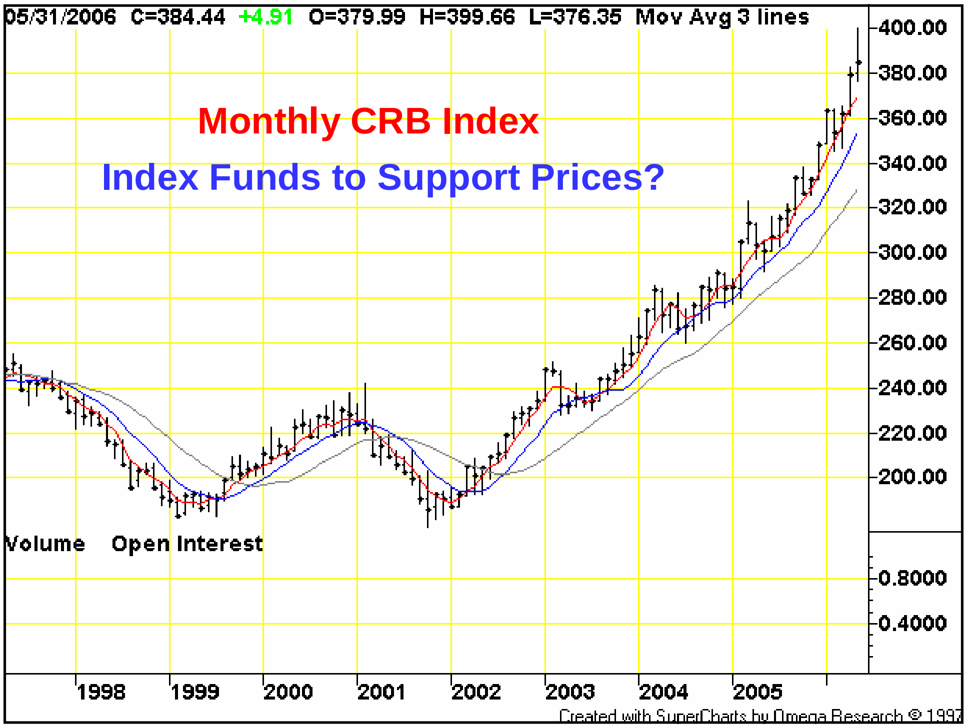


Dr. Robert Wisner, Extension Economist

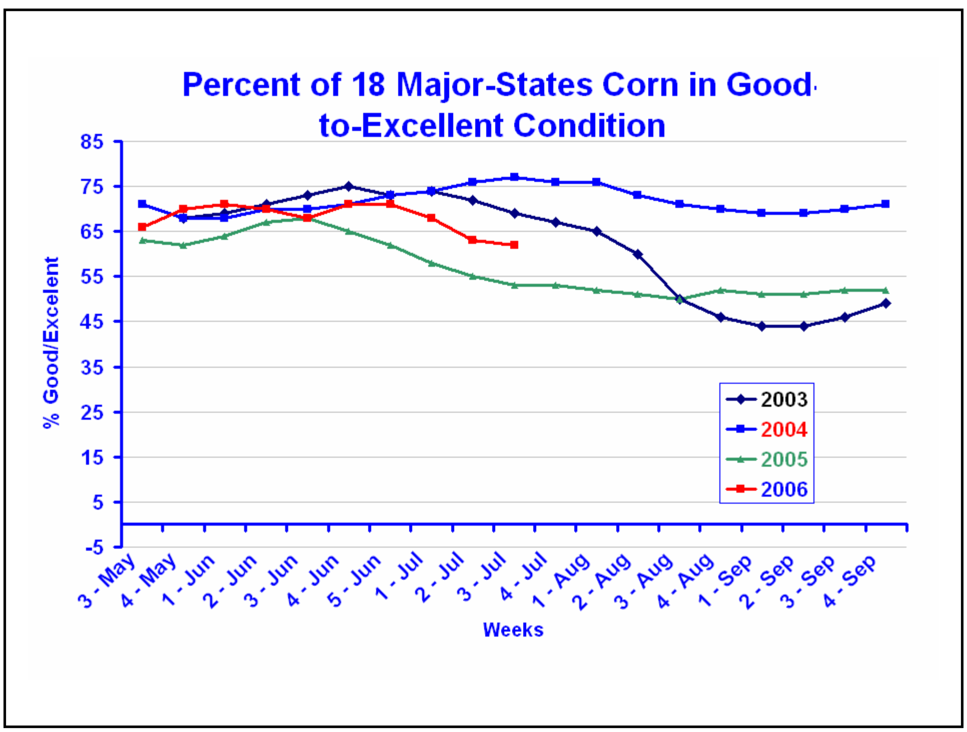
Feed Grain Outlook, 2006-07 and Beyond
AAEA Annual Meeting, Long Beach, CA 7/24/06

Overview of Corn Outlook for 2006-2010

- U.S. Avg. Corn Price, 2006-2007, up $0.30-$0.35/bu. vs. prev. year
- ‘07-’08 & ‘08-’09 (normal weather) up $0.65 to $0.90/bu. vs. ‘05-’06.
- Driving force: ***huge*** expansion in ethanol
- Market will buy more corn acres
- China corn exports? The wild card.
- Weather: U.S. & World?
- Feed cost risk management -- extremely important
- Basis to strengthen, spring & summer ‘07

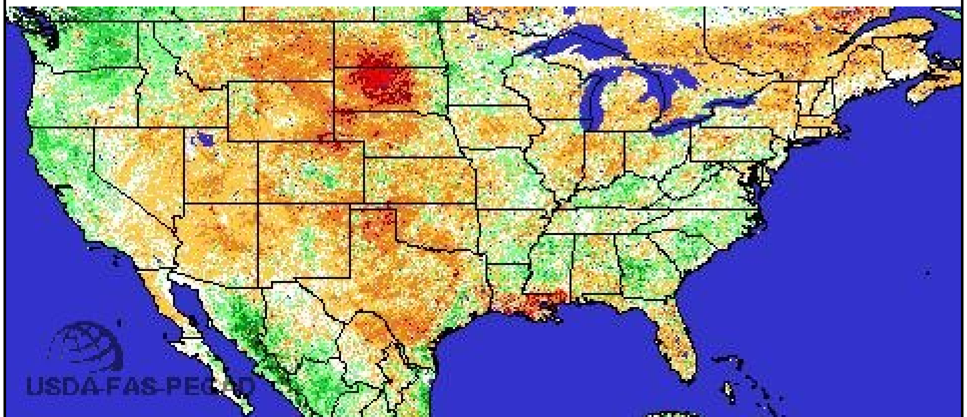


05/31/2006 C=384.44 +4.91 O=379.99 H=399.66 L=376.35 Mov Avg 3 lines
Monthly CRB Index
Index Funds to Support Prices?
400.00
380.00
360.00
340.00
320.00
300.00
280.00
260.00
240.00
220.00
200.00
Volume Open Interest
0.8000
0.4000
1998
1999
2000
2001
2002
2003
2004
2005
Created with SuperCharts by Omega Research © 1997

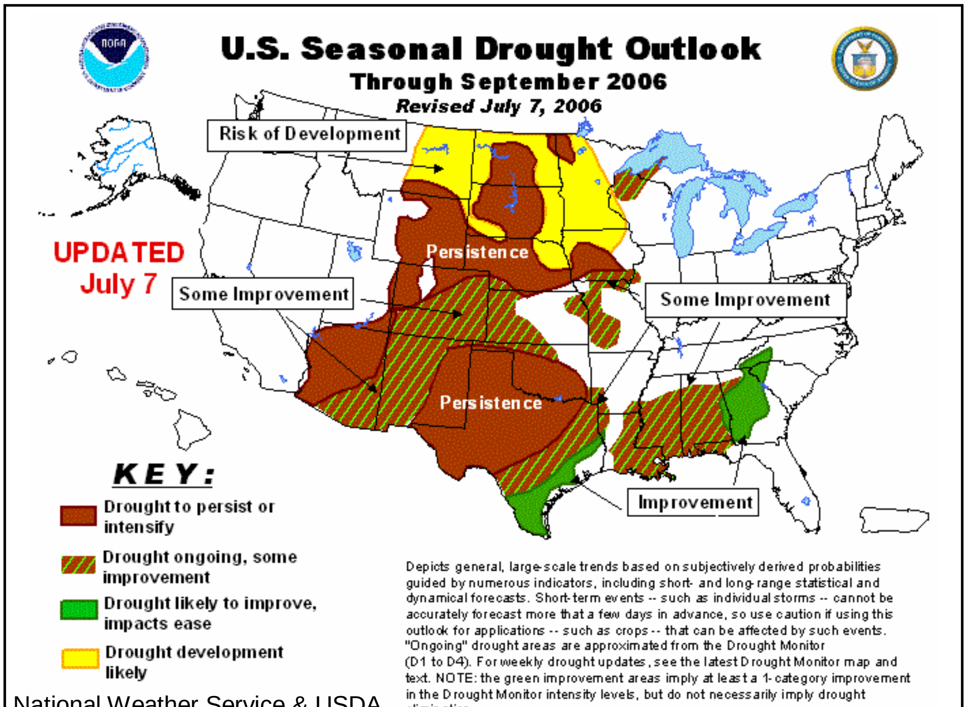


Percent of 18 Major-States Corn in Good-to-Excellent Condition
% Good/Excelent
85
75
65
55
45
35
25
15
5
-5
3 - May
4 - May
1 - Jun
2 - Jun
3 - Jun
4 - Jun
5 - Jun
1 - Jul
2 - Jul
3 - Jul
4 - Jul
1 - Aug
2 - Aug
3 - Aug
4 - Aug
1 - Sep
2 - Sep
3 - Sep
4 - Sep
Weeks
2003
2004
2005
2006

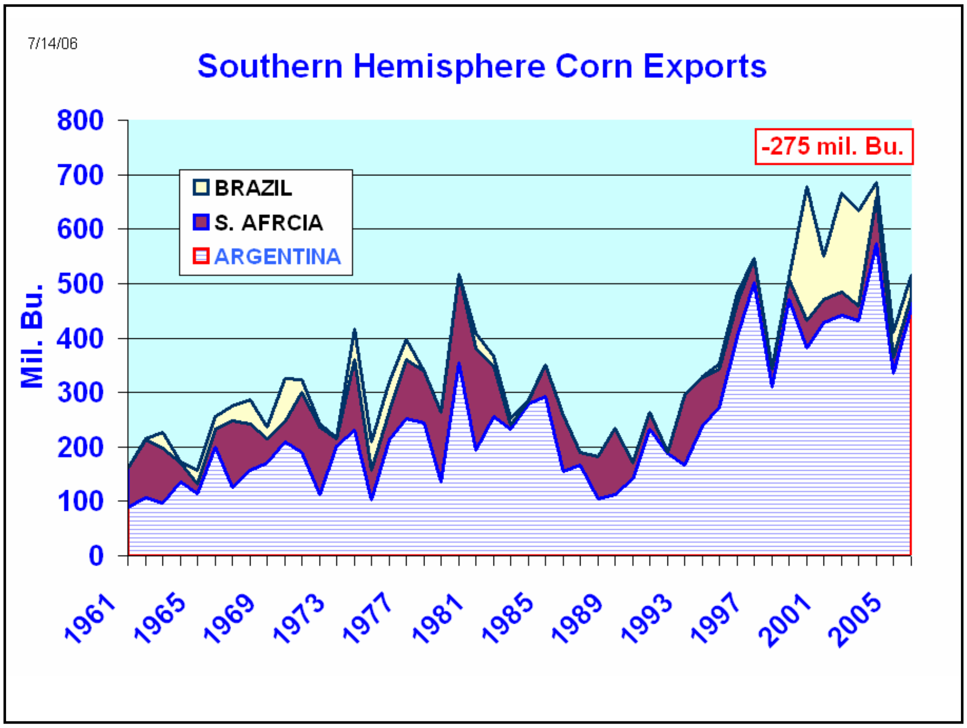
USDA Crop Vegetative Index, 7/10/06 Change From A Year Earlier

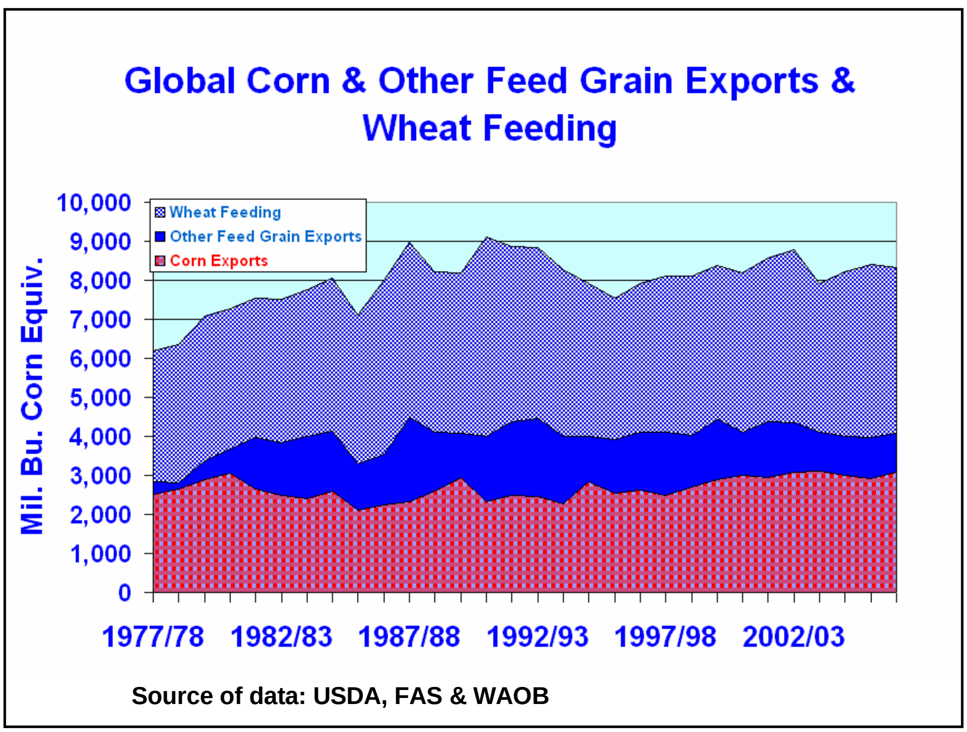


Source: USDA, FAS, PECAD: http://www.pecad.fas.usda.gov/cropexplorer/

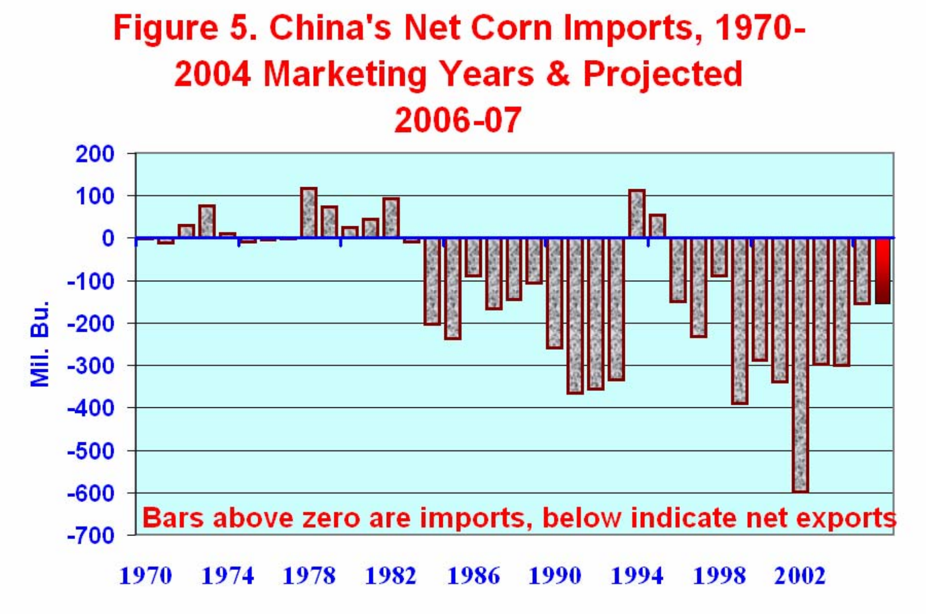


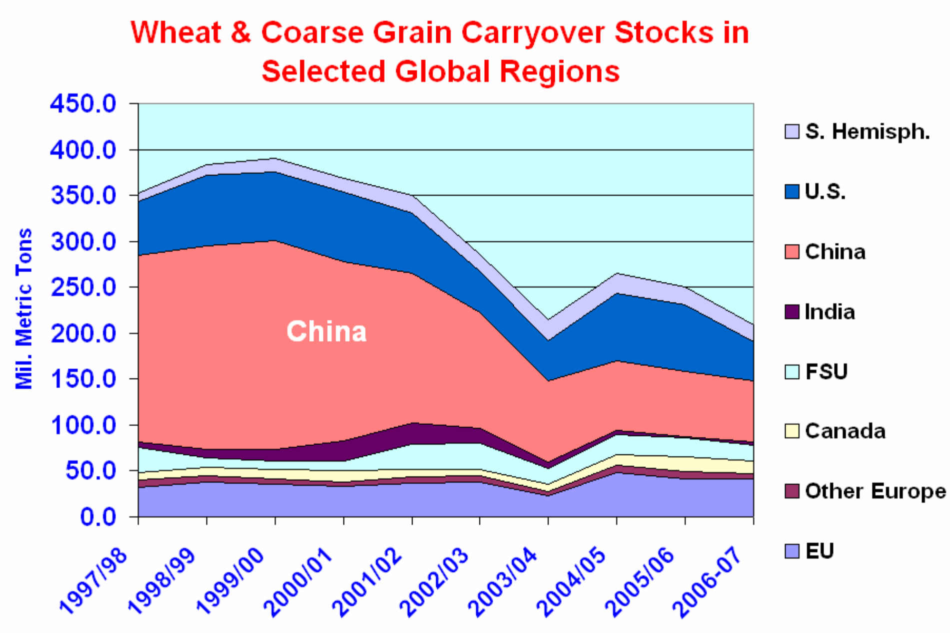
National Weather Service & USDA


7/14/06
Southern Hemisphere Corn Exports
Mil. Bu.
-275 mil. Bu.
BRAZIL
S. AFRCIA
ARGENTINA
800
700
600
500
400
300
200
100
0
1961
1965
1969
1973
1977
1981
1985
1989
1993
1997
2001
2005

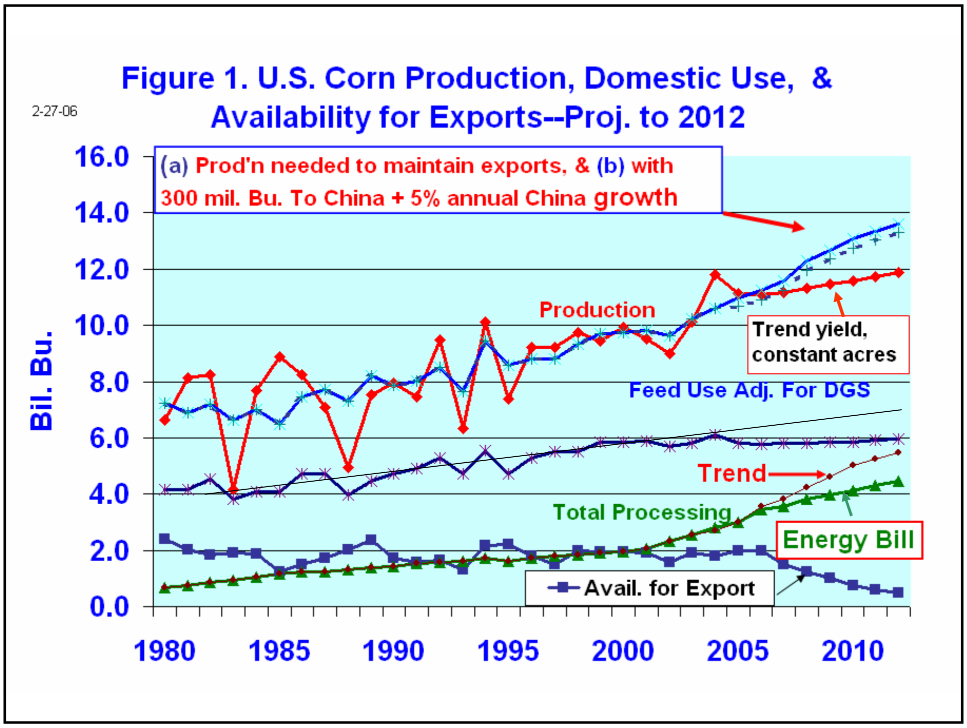

Global Corn & Other Feed Grain Exports & Wheat Feeding
Mil. Bu. Corn Equiv.
Wheat Feeding
Other Feed Grain Exports
Corn Exports
10,000
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
1977/78
1982/83
1987/88
1992/93
1997/98
2002/03
Source of data: USDA, FAS & WAOB

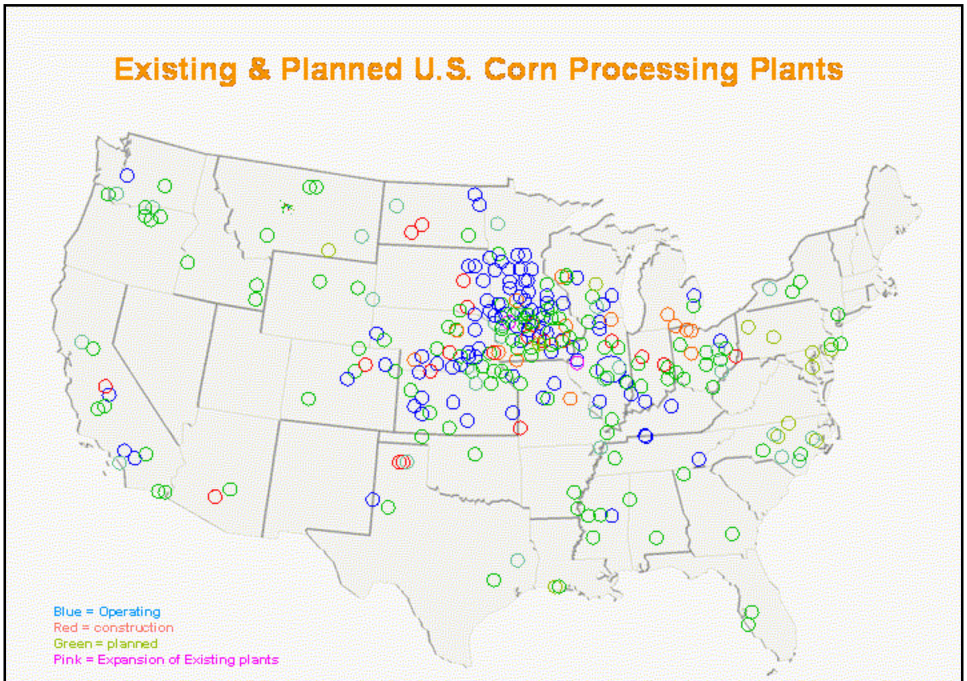
7/14/06



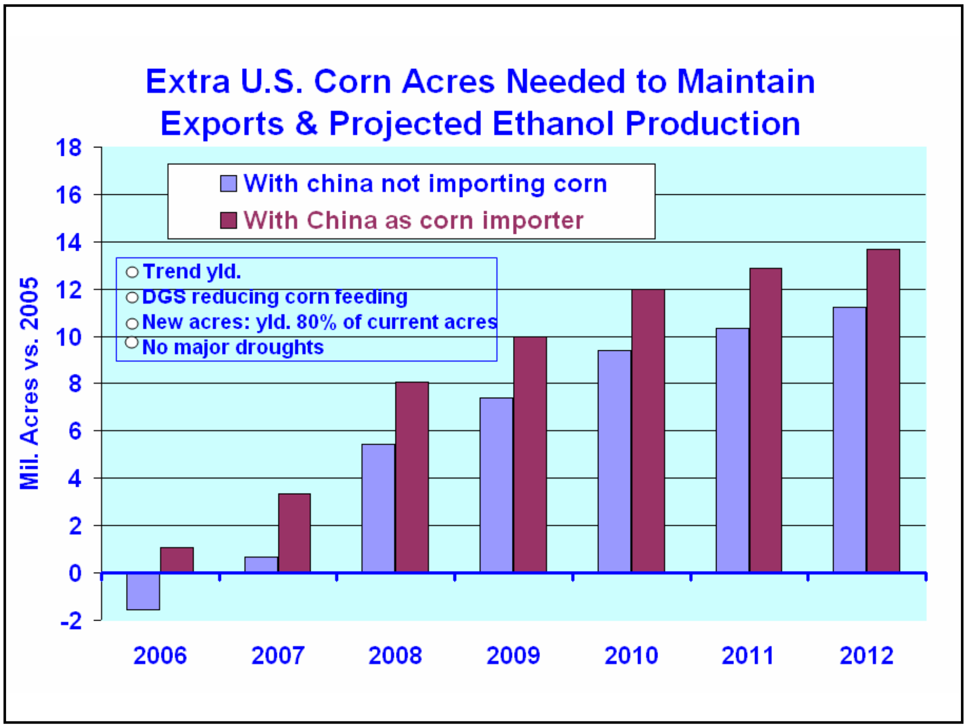


Sources: USDA FAS & WAOB





Data are from Terry Francel at AFBF, Press releases, and Renewable Fuels Association



Corn Balance Sheet (Mil. Bu.)	R. Wisner, ISU Econ.								Projected 2006-07		
7/14/06	1995-96	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	A	B	C
Harv.A.(mil)	65.0	72.7	70.5	72.4	68.8	69.3	71.1	73.6	75.1	71.8	72.1	72.6
Bu./A.	113.5	134.4	133.8	136.9	138.2	129.4	142.2	160.4	147.9	140.0	147.0	152.0
Production	7,374	9,759	9,431	9,915	9,507	8,968	10,089	11,807	11,112	10,059	10,599	11,035
Carryover	1,558	1,308	1,787	1,718	1,899	1,596	1,087	958	2,114	2,036	2,036	2,036
Total Supply	8,948	11,086	11,232	11,639	11,416	10,578	11,190	12,776	13,236	12,106	12,645	13,083
Feed & resid.	4,711	5,496	5,664	5,842	5,861	5,564	5,795	6,162	6,100	5,825	6,025	6,100
Food, ind. & seed	1,583	1,822	1,913	1,957	2,054	2,340	2,537	2,686	2,975	3,525	3,545	3,555
Corn for fuel ethanol	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	1,163	1,323	1,600	2,130	2,150	2,160
Exports	2,228	1,981	1,937	1,941	1,905	1,588	1897	1,814	2,125	2,040	2,080	2,125
Total Utilization	8,522	9,299	9,515	9,740	9,820	9,491	10,232	10,662	11,200	11,390	11,650	11,780
Carryover	426	1,787	1,718	1,899	1,596	1,087	958	2,114	2,036	716	995	1,303
U.S. FARM PRICE	$3.25	$1.94	$1.82	$1.85	$1.97	$2.32	$2.42	$2.06	$2.00	$3.15	$2.35	$2.25
IOWA AVE. PRICE, $/Bu.	3.15	1.86	1.72	1.75	1.87	2.22	2.37	1.96	1.95	3.10	2.30	2.20
Counter-Cyclical Pmt.						0.00	0.00	0.30	0.35	0.00	0.00	0.10
HARV. PRICE, C.IA	2.90	1.75	$1.40	$1.60	1.65	2.20	1.92	1.60	1.40	2.85	1.80	1.70
DEC. FUT. @ HARV.	$3.35	$2.10	$1.95	$2.05	$2.05	$2.52	$2.25	1.98	2.00	3.35	2.35	2.25
HISTORICAL PROBABILITY*								0.00	0.00	18%	65%	17%
Weeks carryover supply	2.6	10.0	9.4	10.1	8.5	6.0	4.9	10.3	9.5	3.3	4.4	5.8

*Based on U.S. yields, 1867-2005

What Could Alter the Projected Long-term Acreage?

- Accelerated Growth in Corn Yields
- Some Ethanol Projects Put on Hold (not in sight currently)
- More CRP or Hay Acres Going to Corn
- Iowa Losing Corn Export Share

  (What states will make up difference?)
- Ethanol production from biomass, sugar, or imports
- Plants not operating at full capacity
- Reduced Livestock feeding

Key Developments to Watch

- Weather, acres 8/11 USDA report
- China exports, U.S. Export Sales
- Index funds
- U.S. $
- Soy Diesel
- Fate of 15 bil. Ethanol, 2 bil. Gal. biodiesel

http://www.econ.iastate.edu/faculty/wisner/

Issued in furtherance of Cooperative Extension work, Acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture. Stanley R. Johnson, director, Cooperative Extension Service, Iowa State University of Science and Technology, Ames, Iowa.