

### Corn Production Up 24%, Cotton Down 20% and Soybean Down 18% Markets Relatively Strong

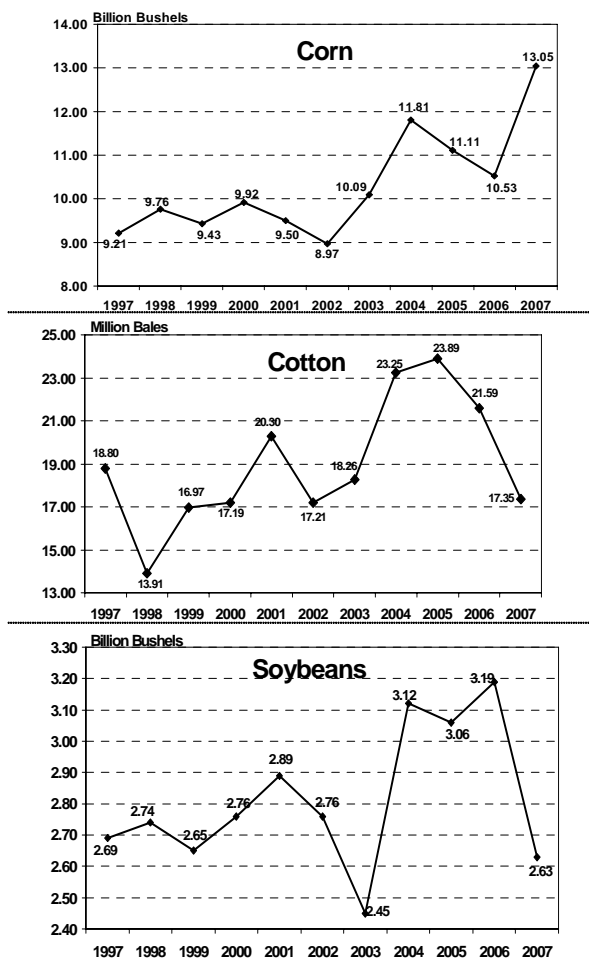
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USDA's first survey based crop production forecast for 2007, released on August 10, 2007, estimates that corn production for the 2007/08 season will be up 24 percent from last year, cotton down 20 percent and soybeans down 18 percent. (See Figure 1). While the corn market weakened and the cotton market strengthened after the June '07 planted acres report was released, the situation has changed. The corn market is showing a significant recovery from that weakness as dry weather continues to creep into a large portion of the corn belt and increased use for ethanol production continues to fuel the market. The corn market is continuing to provide excellent pricing opportunities for the '07 and especially the '08 crop.

Future price bids for cotton moved to the mid-60's, after the June '07 planted acreage report indicated that 28 percent less acres would be planted to cotton this year, as compared to last year. The market improvement was a welcome relief. Future price bids for cotton on the New York Board of Trade (NYBOT) had been hovering in the mid-50's for many months. Future price bids weakened recently to the low 60's as the estimate of world production increased, the U.S. export estimate was decreased by 30,000 bales from last month's estimate and prospects for a larger U.S. crop, than the August 10, 2007 estimate, appear probable, even with 28 percent less acres planted in the U.S.

If this corn/cotton market relation continues, grains will probably pull more acres away from cotton next year. Exports now comprise about 96 percent of the production estimate.

**Figure 1: U.S. Corn, Cotton and Soybean Production**



Source: World Agricultural Supply and Demand Estimates (WASDE)

## **Corn**

USDA's August 10, 2007, first survey based, production estimate for the '07/'08 crop, estimates new crop production at 13.05 billion bushels, up 214 million bushels from last month's trend yield estimate, up 23.9 percent from 10.535 billion bushels produced last year and 17 percent above 2005. (See Table 1). Based on growing conditions of August 1, 2007, USDA raised the average yield estimate by 3.7 bu/ac from last year's average and up 2.5 bu/ac from last month's trend yield estimate of 150.3 bu/ac. If realized, this will be the second highest yield on record, behind the 160.4 bushel yield in 2004 and the largest crop on record as growers intend to harvest the most corn acres for grain since 1933.

The corn crop is making excellent progress with the 66 percent of the crop past the dough stage compared to a five year average of 53 percent, but weather remains an important factor. USDA's August 13, 2007 corn crop condition report rated 56 percent of the crop as good-to-excellent, compared to 57 percent at this same time last year.

The estimate of domestic use was raised 50 million bushels from last month and the estimate of exports was raised by 150 million bushels. Production will exceed use by 364 million bushels. The estimate of ending stocks at 1.516 billion bushels is up about one percent from beginning stocks of 1.137 billion bushels, but remain at a very manageable 11.9 percent stocks-to-use ratio. The season-average price received by farmers is projected at \$2.80 to \$3.40 per bushel, unchanged from last month's estimate.

Globally, coarse grain production for '07/'08 was reduced by 5.8 million metric tons from last month's estimate, but remains at close to a record 1.06 billion metric tons.

## **Cotton**

Meanwhile, the cotton market weakened slightly after the recent improvement. USDA's August 10, 2007, first survey based production estimate, indicated lower production, lower disappearance and slightly lower ending stocks. The production estimate at 17.35 million bales was just slightly lower than last month's projection of 17.5 million bales. Beginning stocks were reduced 100,000 bales to 9.7 million bales. Domestic mill use was increased 200,000 bales to 4.6 million, reflecting higher than anticipated mill use in recent months. Exports, however, were reduced by 30,000 bales to 16.7 million bales, due to larger foreign supplies and slightly lower import demand by China. Ending stocks at 5.8 million bales are down 100,000 bales from last month but down 40.2 percent from beginning stocks of 9.7 million bales. (See Table 1).

Globally, '07/'08 forecasts include higher production and consumption, lower world trade, and larger ending stocks relative to last month. World beginning stocks were raised about one percent due mainly to prior-year adjustments for Brazil, India, Egypt, and Pakistan. Production was raised in India, Brazil, and Turkmenistan, but lowered in Greece, Turkey, the African Franc Zone, and the United States. World trade was lowered as China's imports were reduced based on recent activity. World stocks are now forecast at 51.5 million bales, 1.5 percent above last month, generally keeping a lid on further market improvement.

**Table 1: U.S. Corn and Cotton Supply/Demand**

Item	Corn						Cotton					
	2003/04	2004/05	2005/06	2006/07	2007/08 <sup>1/</sup>	% CHNG	2003/04	2004/05	2005/06	2006/07	2007/08 <sup>1/</sup>	% CHNG
Planted Acreage	78.60	80.93	81.80	78.33	92.89	18.6%	13.48	13.66	14.25	15.27	11.06	-27.6%
Harvested Acreage	70.94	73.63	75.10	70.65	85.42	20.9%	12.00	13.05	13.80	12.73	10.64	-16.4%
Yield <sup>2/</sup>	142.20	160.36	148.00	149.10	152.80	2.5%	729.94	855.00	831.00	814.00	783.00	-3.8%
Supply	----- Million Bushels -----						----- Million Bales -----					
Beginning Stks.	1,087	958	2,114	1,967	1,137	-42.2%	5.39	3.45	5.50	6.05	9.70	60.3%
Production	10,089	11,807	11,114	10,535	13,054	23.9%	18.26	23.25	23.89	21.59	17.35	-19.6%
Imports	14	11	9	10	15	50.0%	0.05	0.03	0.03	0.02	0.02	0.0%
Total Supply	11,190	12,776	13,237	12,512	14,206	13.5%	23.70	26.73	29.42	27.66	27.07	-2.1%
Disappearance												
Feed and Residual	5,795	6,158	6,155	5,750	5,750	0.0%						
Food, Seed, & Industrial	2,537	2,686	2,981	3,525	4,790	35.9%						
Total Domestic Use	8,332	8,844	9,136	9,275	10,540	13.6%	6.27	6.69	5.87	4.95	4.60	-7.1%
Exports	1,900	1,818	2,134	2,100	2,150	2.4%	13.76	14.44	18.04	13.00	16.70	28.5%
Total Use	10,232	10,662	11,270	11,375	12,690	11.6%	20.03	21.13	23.91	17.95	21.30	18.7%
Unaccounted							0.21	0.11	-0.55	0.01	-0.03	0.0%
Ending Stks.	958	2,114	1,967	1,137	1,516	33.3%	3.45	5.50	6.05	9.70	5.80	-40.2%
Ending Stks./Use %	9.36	19.83	17.45	10.00	11.95	19.5%	17.22	26.03	25.30	54.04	27.23	-49.6%
Average Farm Price <sup>2/</sup>	2.42	2.06	2.00	3.00	3.10	3.3%	61.80	41.60	47.70	47.30	N/A	N/A

<sup>1/</sup> SOURCE: USDA/NASS/ERS/WASDE August 10, 2007 Supply/Demand Report

<sup>2/</sup> Bushels for corn; pounds for cotton