

Excerpted from **KSU AgUpdate**
A Farm Marketing/Management Newsletter from Kansas State University •
April 2003

In this issue...

Wheat Situation and Outlook 2

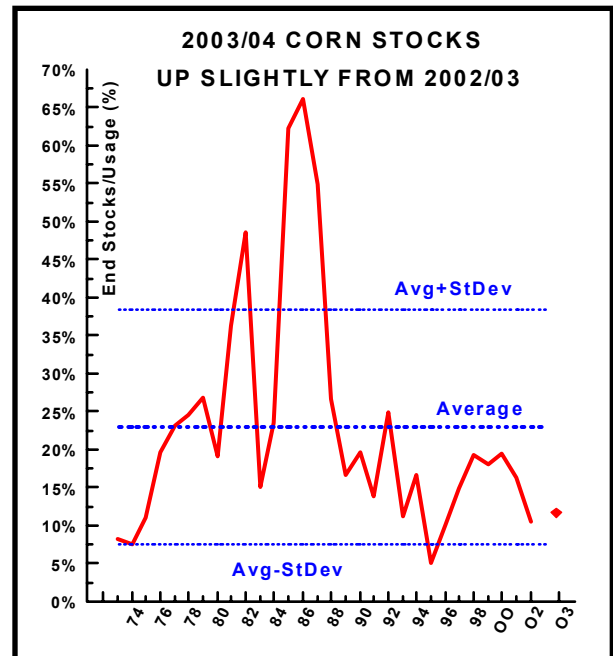
- Spring wheat plantings fast.
- History of winter wheat crop estimates.
- Winter wheat crop conditions above average.
- "New Crop" export sales low but ahead of last year.
- World wheat stocks could fall next year.
- USDA projects lower prices next year.
- KCBT July futures below expectations based on USDA's wheat outlook.

Feed Grain Situation and Outlook 9

- Above average progress in planting corn.
- Trend yield projections for corn and milo.
- Larger feed grain stocks expected next year.
- Pace of corn and sorghum commitments lagging.
- Still a chance for "seasonal" rally in the next few months.

Soybean Situation and Outlook 15

- World oilseed stocks/use decline.
- Soy complex export commitments exceed expectations.
- Sharp decrease in soybean disappearance projected in second half of year.
- Futures near 5 year highs, so producers have incentive to price some new crop soybeans.



U.S. corn and milo ending stocks are expected to be larger next year. At the Annual Outlook Conference (held in late February), USDA analysts were projecting a modest increase in domestic usage and exports of corn. Corn ending stocks next year could increase by around 160 million bushels, and the ratio of stocks/use would be 12%, more than 2002/03 ratio of 11% but well below average.

KSU AgUpdate is published monthly at a subscription cost of \$65 per year by K-State Research and Extension and the Department of Agricultural Economics at Kansas State, 304 Waters Hall, Manhattan, KS 66506. It is intended to provide educational information and should in no way be considered legal, accounting or other type of advice.

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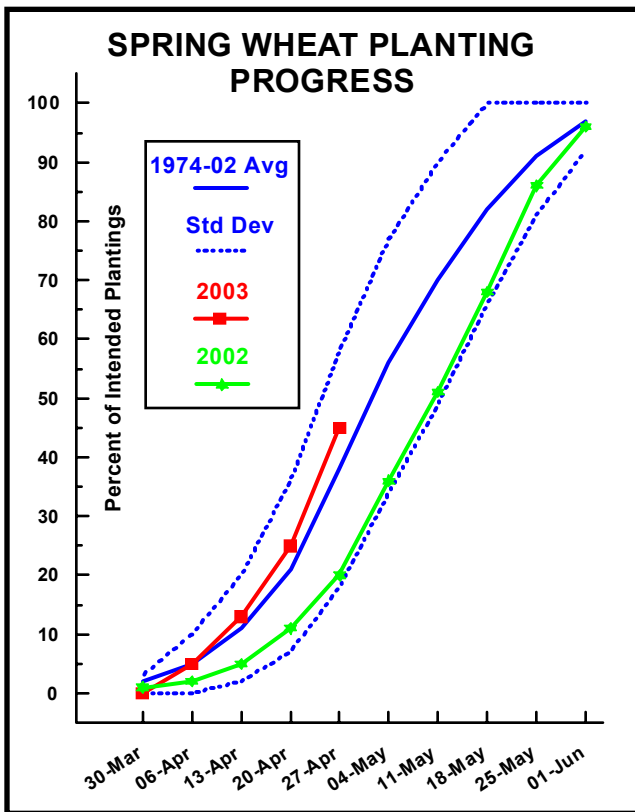


Figure 1

WHEAT COMMENTS

U.S. Spring Wheat Plantings "Ahead of Schedule" -- Little Change in Canadian Wheat Seedings.

Unlike the last two years (and 1997), when either excessive moisture and unseasonably cool temperatures caused serious delays in the seeding of the U.S. spring wheat crop (particularly in North Dakota and Minnesota), this year's planting is also "ahead of schedule". As of the April 27, 45 percent of the crop had been planted, 25 percent more than last year and above the twenty-nine year average of 32 percent and (see Figure 1). On average, 95 percent of the crop is planted by the end of the first of June.

Statistics Canada released its estimate of wheat seedings in late April. Industry analysts did not expect any significant changes in overall wheat acres but perhaps some shifts between spring and durum. Farmers indicated that they plan to decrease durum seedings

by 4.6 percent while reducing spring wheat acres by nine-tenths of a percent. However, total Canadian wheat area is projected to be 26.45 million acres, an increase of four-tenths of a percent. If this figure is correct it is below the 10 year average of 28.06 million acres. Good soil moisture in much of the principle crop producing regions of Alberta and South-western Saskatchewan could prompt farmers to plant more than they indicated in the survey of planting intentions. However, dryness is still a concern in parts of southern Manitoba.

Intermittent rain and snow has delayed seeding in Saskatchewan and less than one percent of the 2003 crops had been planted as of April 28 (about the same as last year). On average, about 50 percent of the Canadian spring wheat crop is planted by May 22. In some years, farmers may plant short season varieties as late as the first week of June. Historical analysis has found little correlation between planting dates and yields (or quality). However, growing degree days following planting were far more important.

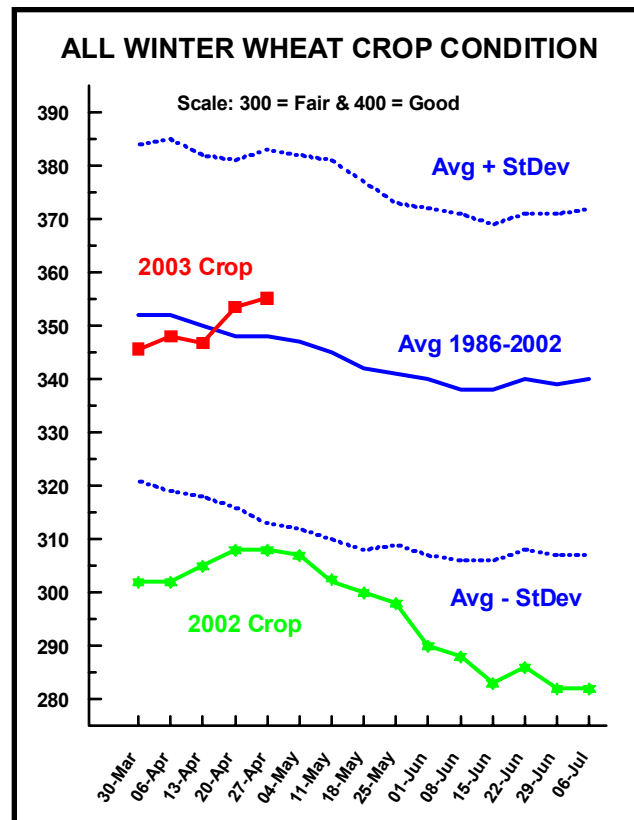


Figure 2

TABLE I. WINTER WHEAT PRODUCTION ESTIMATES VS. ANNUAL PRODUCTION

Year	-----Crop Estimates-----				Annl Prod.	Revised	Revised	Annual Production			
	MAY	JUN	JUL	AUG		Final Prod.	Final Yield	Relative to Monthly Estimate			
	------(Million Bushels)-----					(Mln Bu)	(Bu/Ac)	------(Percent)-----			
1950	690	710	721	741	751	741	14.1	9%	6%	4%	1%
1951	682	705	707	651	645	651	11.6	-5%	-9%	-9%	-1%
1952	987	1,060	1,048	1,063	1,052	1,065	18.7	7%	-1%	0%	-1%
1953	730	770	821	878	878	885	15.5	20%	14%	7%	0%
1954	707	740	758	776	791	801	17.2	12%	7%	4%	2%
1955	653	639	663	689	703	706	15.9	8%	10%	6%	2%
1956	681	670	717	722	735	741	16.7	8%	10%	3%	2%
1957	703	736	715	691	707	712	19.0	1%	-4%	-1%	2%
1958	1,010	1,069	1,130	1,171	1,180	1,175	26.9	17%	10%	4%	1%
1959	957	941	933	909	923	918	21.0	-4%	-2%	-1%	2%
1960	992	1,019	1,090	1,117	1,103	1,111	26.0	11%	8%	1%	-1%
1961	1,096	1,121	1,116	1,057	1,076	1,075	24.7	-2%	-4%	-4%	2%
1962	892	846	836	815	817	823	21.2	-8%	-3%	-2%	0%
1963	885	855	875	896	905	914	21.6	2%	6%	3%	1%
1964	1,013	981	1,016	1,012	1,025	1,021	23.4	1%	4%	1%	1%
1965	978	1,017	1,070	1,048	1,024	1,017	27.1	5%	1%	-4%	-2%
1966	1,091	975	983	1,033	1,057	1,057	27.4	-3%	8%	8%	2%
1967	1,195	1,237	1,274	1,236	1,212	1,194	26.5	1%	-2%	-5%	-2%
1968	1,194	1,230	1,265	1,256	1,229	1,218	29.0	3%	-0%	-3%	-2%
1969	1,127	1,161	1,152	1,148	1,148	1,131	31.2	2%	-1%	-0%	0%
1970	1,094	1,076	1,095	1,112	1,118	1,092	33.4	2%	4%	2%	1%
1971	1,021	1,048	1,117	1,156	1,163	1,145	35.4	14%	11%	4%	1%
1972	1,149	1,192	1,195	1,196	1,186	1,186	34.0	3%	-1%	-1%	-1%
1973	1,282	1,316	1,320	1,293	1,270	1,278	33.0	-1%	-3%	-4%	-2%
1974	1,612	1,531	1,403	1,394	1,391	1,376	29.4	-14%	-9%	-1%	-0%
1975	1,620	1,619	1,637	1,634	1,651	1,643	32.0	2%	2%	1%	1%
1976	1,459	1,416	1,530	1,543	1,566	1,564	31.5	7%	11%	2%	1%
1977	1,478	1,526	1,539	1,526	1,527	1,540	31.6	3%	0%	-1%	0%
1978	1,284	1,308	1,277	1,248	1,248	1,222	31.8	-3%	-5%	-2%	0%
1979	1,391	1,427	1,561	1,603	1,609	1,601	36.9	16%	13%	3%	0%
1980	1,711	1,757	1,848	1,870	1,891	1,902	36.8	11%	8%	2%	1%
1981	2,078	2,014	2,093	2,065	2,099	2,097	35.9	1%	4%	0%	2%
1982	2,063	2,131	2,125	2,096	2,108	2,074	36.0	2%	-1%	-1%	1%
1983	1,893	1,883	1,937	1,963	1,988	1,988	41.8	5%	6%	3%	1%
1984	1,979	1,973	2,022	2,045	2,061	2,060	40.0	4%	4%	2%	1%
1985	1,974	1,892	1,854	1,843	1,827	1,827	38.1	-7%	-3%	-1%	-1%
1986	1,603	1,578	1,553	1,534	1,519	1,520	35.2	-5%	-4%	-2%	-1%
1987	1,549	1,577	1,574	1,567	1,563	1,565	39.8	1%	-1%	-1%	-0%
1988	1,620	1,570	1,568	1,554	1,561	1,562	39.2	-4%	-1%	-0%	0%
1989	1,430	1,408	1,461	1,466	1,454	1,455	35.0	2%	3%	-0%	-1%
1990	2,092	2,089	2,035	2,054	2,033	2,031	40.7	-3%	-3%	-0%	-1%
1991	1,496	1,449	1,361	1,372	1,372	1,373	34.8	-8%	-5%	1%	0%
1992	1,618	1,537	1,573	1,601	1,607	1,607	38.3	-1%	5%	2%	0%
1993	1,808	1,824	1,821	1,788	1,768	1,760	40.3	-2%	-3%	-3%	-1%
1994	1,658	1,674	1,658	1,670	1,665	1,662	40.2	0%	-1%	0%	-0%
1995	1,638	1,608	1,530	1,552	1,547	1,545	37.7	-6%	-4%	1%	-0%
1996	1,364	1,370	1,485	1,495	1,478	1,470	37.1	8%	8%	-0%	-1%
1997	1,561	1,604	1,781	1,855	1,883	1,846	44.6	21%	17%	6%	1%
1998	1,706	1,743	1,899	1,914	1,887	1,881	46.9	11%	8%	-1%	-1%
1999	1,615	1,612	1,673	1,689	1,700	1,697	47.8	5%	6%	2%	1%
2000	1,649	1,622	1,588	1,594	1,563	1,566	44.7	-5%	-4%	-2%	-2%
2001	1,341	1,321	1,366	1,385	1,361	1,361	43.5	2%	3%	-0%	-2%
2002	1,301	1,238	1,178	1,159	1,143	1,361	38.5	-12%	-8%	-3%	-1%
1950-03			Average					2%	2%	1%	0%
			Std Dev					7%	6%	3%	1%
			Maximum					21%	17%	8%	2%
			Minimum					-14%	-9%	-9%	-2%

2003

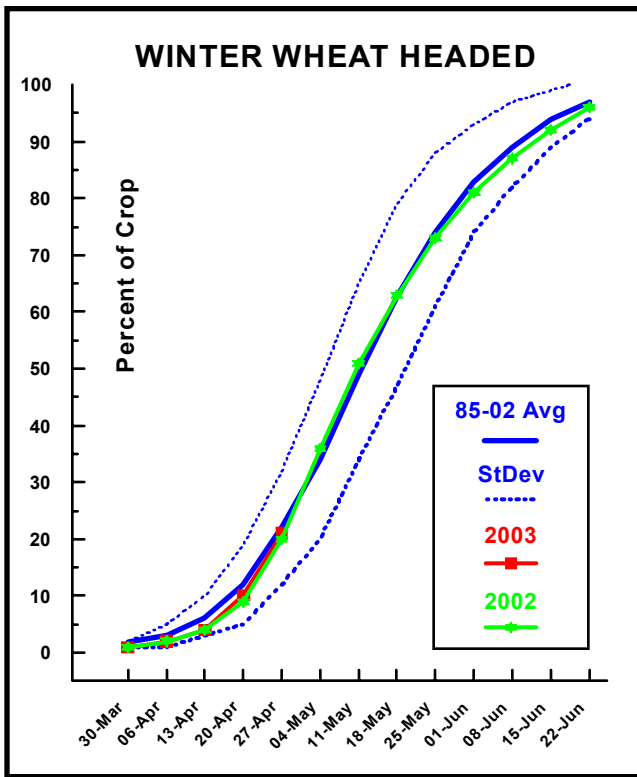


Figure 3
Winter Wheat Crop Conditions Much Better Than Last Year's and Above Average.

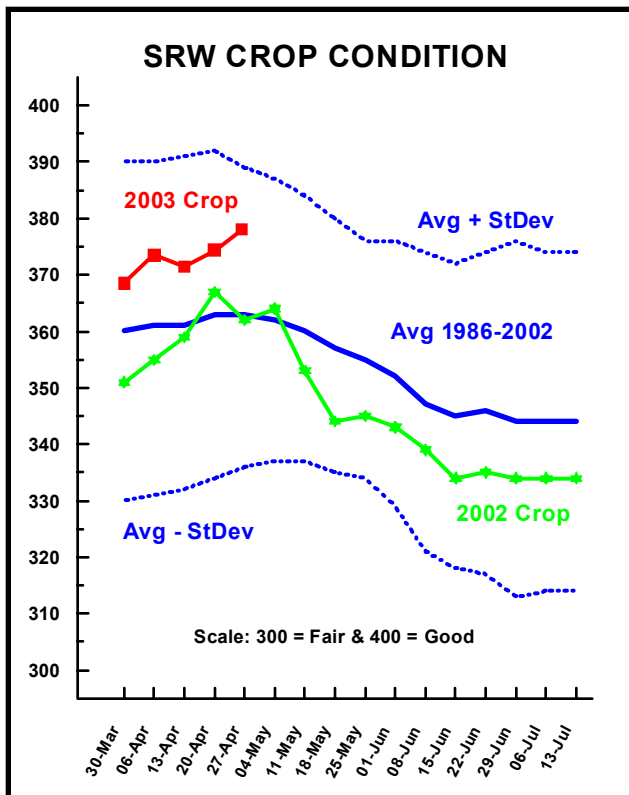


Figure 4

The USDA will release its first estimate of the 2003 winter wheat crop on Monday, May 12. On average, there is a tendency for the USDA's May report to underestimate the size of the final winter wheat crop (see Table I). Since 1950, the May report underestimated the final size of the crop in thirty-five out of fifty-three years. At the time this publication went to press, there was no information available on the industry's pre-release expectations. However, the Wheat Quality Council had completed its annual winter wheat tour and had estimated the Kansas crop at 364 million bushels. That's up 67 million bushels from

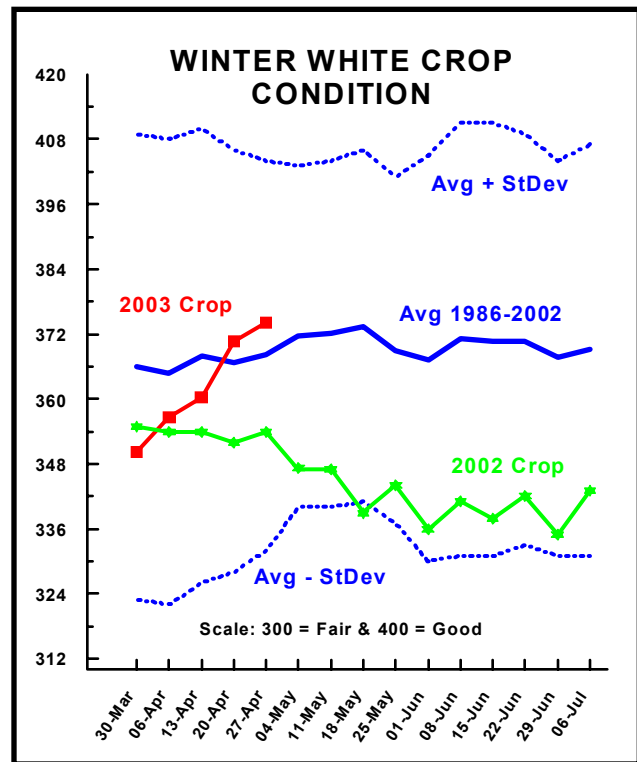


Figure 5
last year's estimate and up 36 percent from last year's final crop. On average, the tour's median estimate of the Kansas wheat crop is two percent less than the actual crop. However, the tour's accuracy has varied widely. Based on the history since 1960, two-thirds of the time the tour's median estimate for the Kansas crop fell within 14 percent (plus or minus) of the final crop. At the extreme, the tour's median estimate was 34 percent too low in 1997 and it was 35 percent too high in 1995.

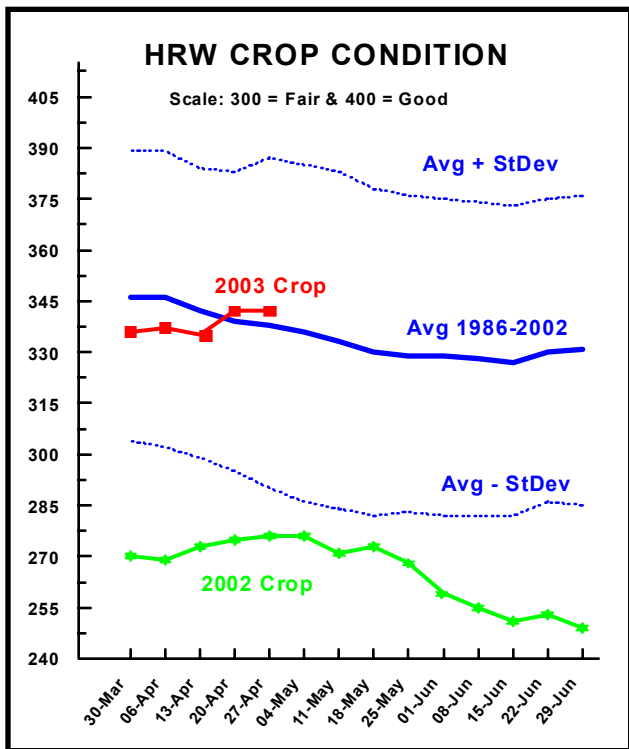


Figure 6

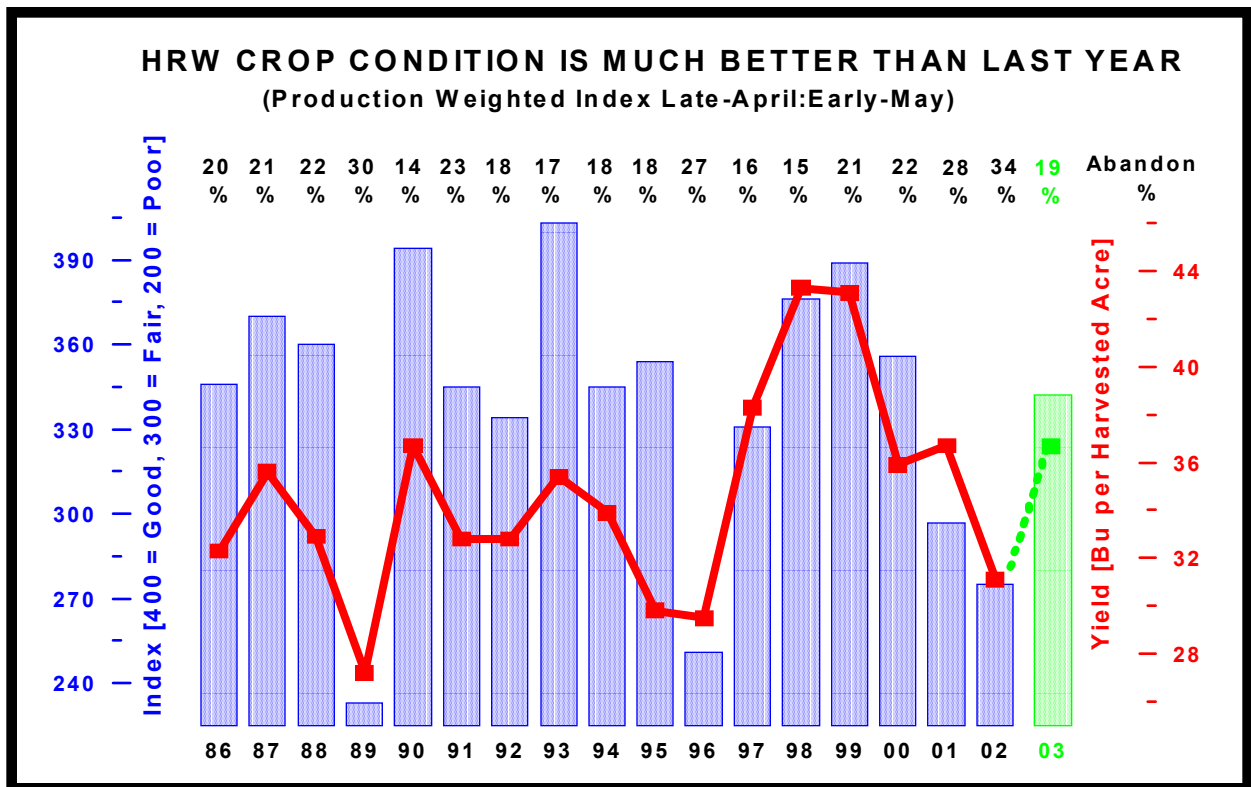
As of April 27, total winter wheat crop conditions were slightly above "average" and well above last year. This year, the winter wheat crop's weighted crop condition index value was 355, above the average of 348 and more than last year's 306 (see Figure 2). Winter wheat

crop progress is about average for this time of year (see Figure 3). On a by-class basis, SRW crop conditions are about half-a-standard-deviation above average for this time of year (see Figure 4). However, if conditions stay wet and cool in the Eastern Cornbelt, there could be some yield reduction due to increased risk for foliar diseases in this region. SRW production has the potential to increase if the weather should improve.

Crop conditions in the Pacific Northwest improved slightly this past week and are now above average. Despite improved supplies of moisture, the region's crop has not fully recovered from the drought last Fall and early Winter. If conditions continue to improve yields could exceed "trend" (see Figure 5).

Crop conditions, along with other factors such as soil moisture supplies, cattle and wheat prices, have been found to have a strong relationship to winter wheat abandonment -- particularly in the Central and Southern Plains. Based on current HRW crop conditions (see Figure 6), HRW abandonment is projected to be 19 percent, down from last year's 34 percent. HRW

Figure 7



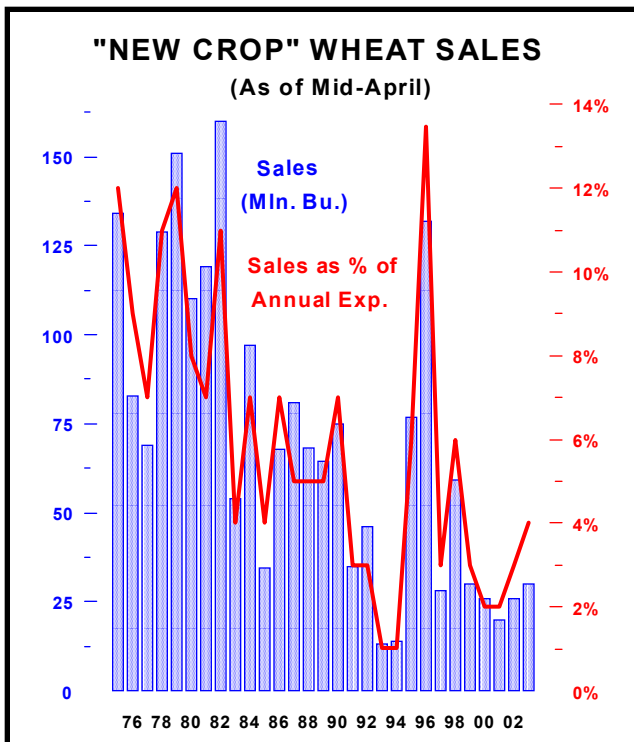


Figure 8

yields are projected to be 36.7 bu., 5.6 bu. more than last year's yield. That would produce a HRW crop of around 947 million bushels. That's up 56 per-

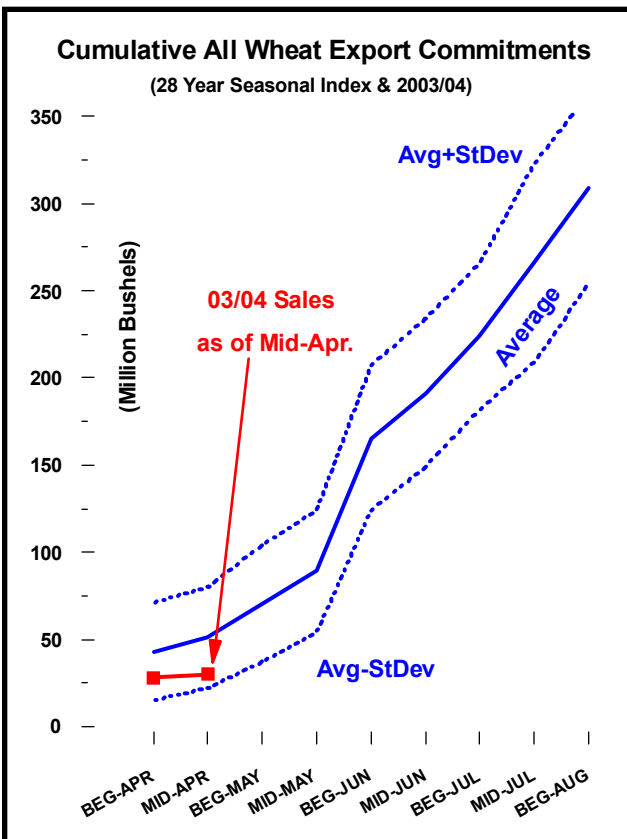


Figure 9

TABLE II. U.S. WHEAT SUPPLY-DEMAND BALANCE — (Million Bushels)

JUN/MAY YEAR	— 02/03 —		USDA 03/04
	Apr	Mar	
Planted Acres	60.4	60.4	61.7
Harvested Acres	45.8	45.8	52.3
Yield	35.3	35.3	38.7
Production	1,616	1,616	2,025
Stocks	777	777	445
Imports	70	65	100
TOTAL SUPPLY	2,464	2,459	2,570
Seed	84	84	82
Food	935	935	938
Feed & Residual	125	100	225
DOM. USE	1,144	1,119	1,245
Grain Exports	835	835	850
Product Exports	30	30	25
EXPORTS	875	875	875
TOTAL USAGE	2,019	1,994	2,120
Ending Stocks	445	465	450
Free	331	336	---
Loan	55	55	---
CCC	59	74	---
Stocks/Use (%)	22%	24%	21%
US Wheat Price (\$)	3.60@	3.60#	3.20*
Loan Rate (\$)	2.80	2.80	2.80
Cash/Loan Rate (%)	129%	129%	114%

@ Midpoint of USDA's Apr price range \$3.55 - \$3.65
 # Midpoint USDA's Mar price range \$3.55 - \$3.65
 * USDA's Ag Outlook Forum price forecast \$3.20.

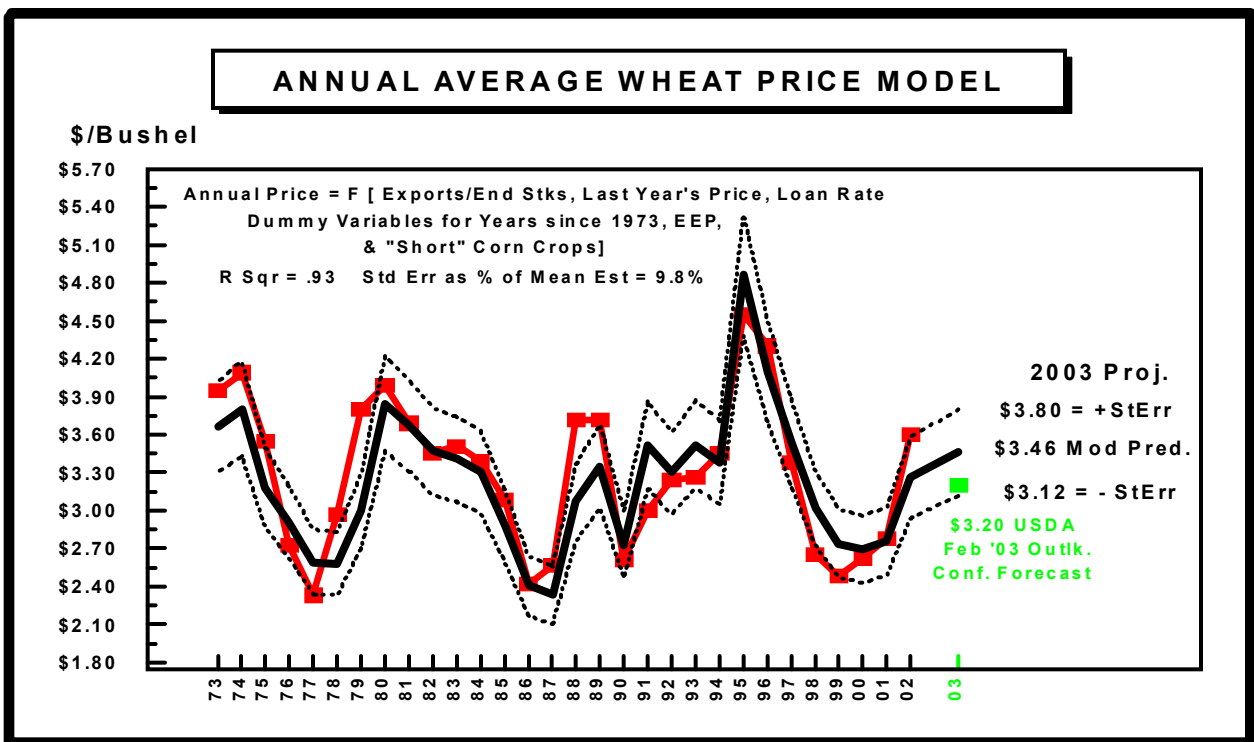
April 10, 2003

cent from last year's crop of 609 million bushels (see Figure 7).

World Wheat Crop Pegged at 590 MMT But Stocks Could Decline Further.

Also on May 12, the USDA's World Board (a group of USDA economists that forecasts commodity prices) will release their projections for next year's U.S. and world wheat supply and demand. Generally speak-

Figure 10



ing, industry analysts expect world wheat production to be up 24-28 MMT from last year's crop of 564 MMT. If world wheat consumption grows in a larger than trend manner, then world wheat ending stocks could fall to less than 25 percent of usage, which would be the lowest levels seen since 1974/75 (which was 22.8 percent).

Lower Average Prices Projected in 2003. Futures Much Lower Than Expected Based on USDA's February Fundamental Outlook.

As of mid-April, new crop wheat export sales were only 30 million bushels, up from last year's 26 million but the seventh lowest figure on record for this date (see Figure 8). While low, sales represent 4 percent of the USDA's implied wheat grain export projection of 840 million bushels (see Figure 9). This export projection is based on the USDA's February Outlook Conference export projection of 875 million bushels (grain plus product exports). This figure also includes an "estimate" of food aid that has been tendered for by the CCC but that won't be shipped until after May 31.

While it is too early to project annual exports with strong confidence, some analysts expect exports to be unchanged or up slightly. The uncertainty is due to a variety of factors: (1) serious problems with

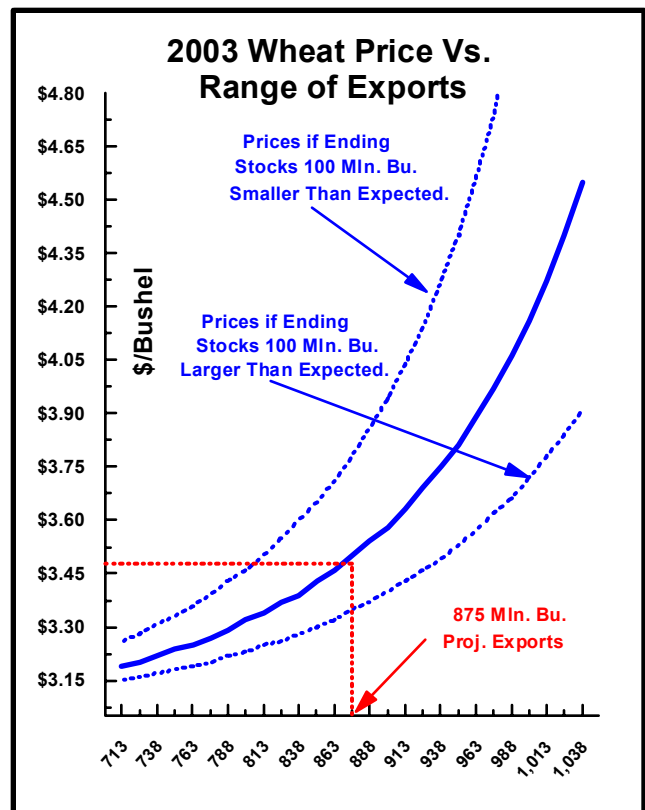
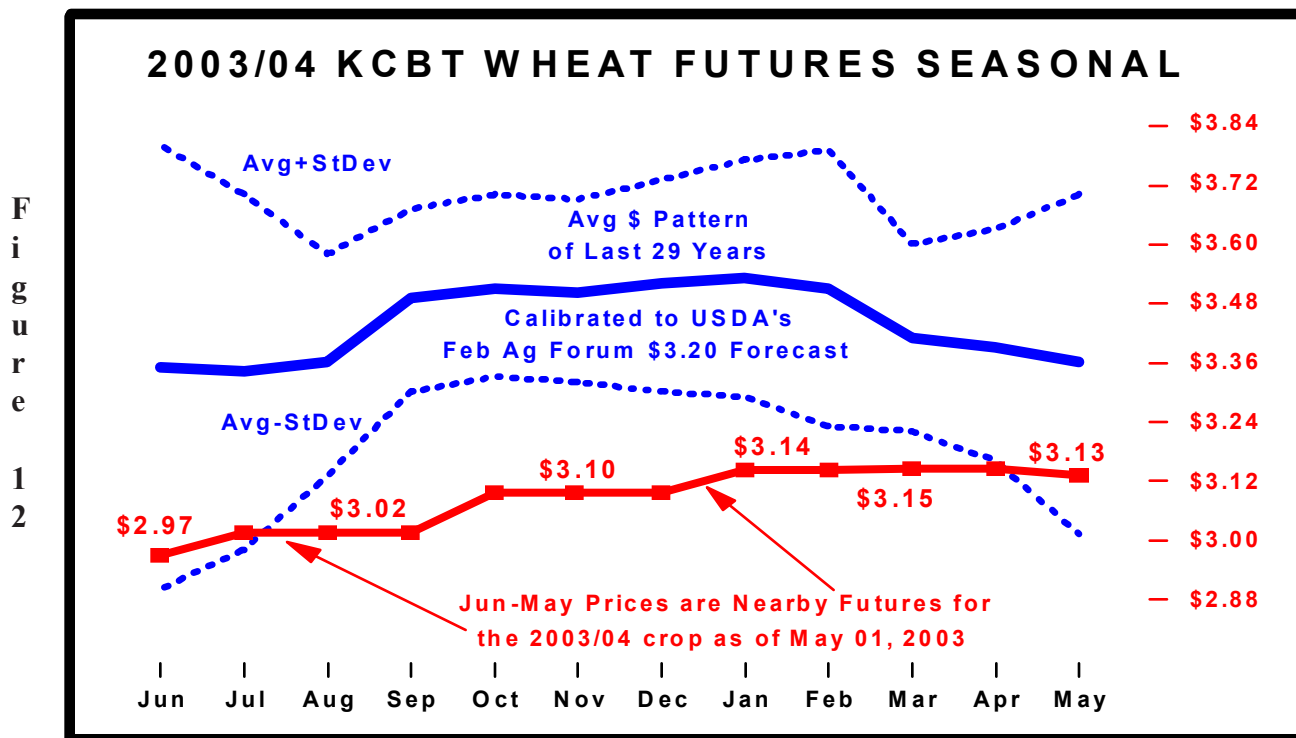


Figure 11



the Russian and Ukrainian wheat crops; (2) potential problems in Argentina arising from that country's ongoing economic crisis; and (3) possibly smaller exports by India and perhaps larger imports by China. Regardless of what happens to exports, some analysts expected that there will be a 100-150 million bushel increase in wheat feeding. As a consequence, it's possible that 2003/04 wheat usage will increase by more than the 101 million bushels projected by the USDA.

Because of the favorable condition of the U.S. winter wheat crop and good progress in planting the spring wheat crop, U.S. wheat production could be up more than 550 million bushels. In addition, U.S. exports could be up (not unchanged as projected by the USDA). A model of U.S. annual average wheat prices (using the USDA's February projected supply:demand fundamentals) is projecting a 2003 season average price of \$3.46 (plus or minus \$.34 -- see Figure 10). That's \$.26 more than the USDA's February Outlook Conference wheat price forecast but just \$.14 lower than prices in 2002/03.

An influential determinant of wheat prices is the ratio of wheat exports to wheat ending stocks. If we hold the other price determinants constant and vary the projection for exports, wheat prices will experience a moderate decline if exports are lower than expected (see Figure 11). However, prices could increase sharply if exports are larger than expected. The upper and lower bounds illustrate the kind of price changes that could occur if ending stocks are 100 million bushels higher or lower than expected (due either to changes in the USDA's projected 2003 production or domestic use).

At present, new crop futures prices fall short of the prices that would be expected given the USDA's forecast of \$3.20 forecast for a season average price (see Figure 12). In fact, the December 2003 and March 2004 futures prices, are about 2 standard deviations below the "seasonal expected" price.

Nearby KCBT wheat futures will probably trade lower with the onset of harvest. However, if winter wheat crop conditions worsen and/or if further problems arise to threaten the quantity and/or quality of the Russian and Ukrainian wheat

crops, prices could rise. Any significant reduction in the world's projected exportable supplies of wheat could lead to sharply higher wheat prices. Furthermore, any significant threat to the U.S. corn and soybean crops could lend some "spill over" support to the wheat market.

As of May 1, most Kansas wheat producers would have found that new crop wheat bids were below the 2003 loan rate. As a consequence, most producers face no downside "financial risk" from not making sales at this time. Producers who priced 2003 wheat earlier (via futures or options), may want to consider exit strategies should the market show signs of a sustained rally -- particularly if the May Crop report is less than expected or if the winter wheat crop deteriorates in May or June.

FEED GRAIN COMMENTS

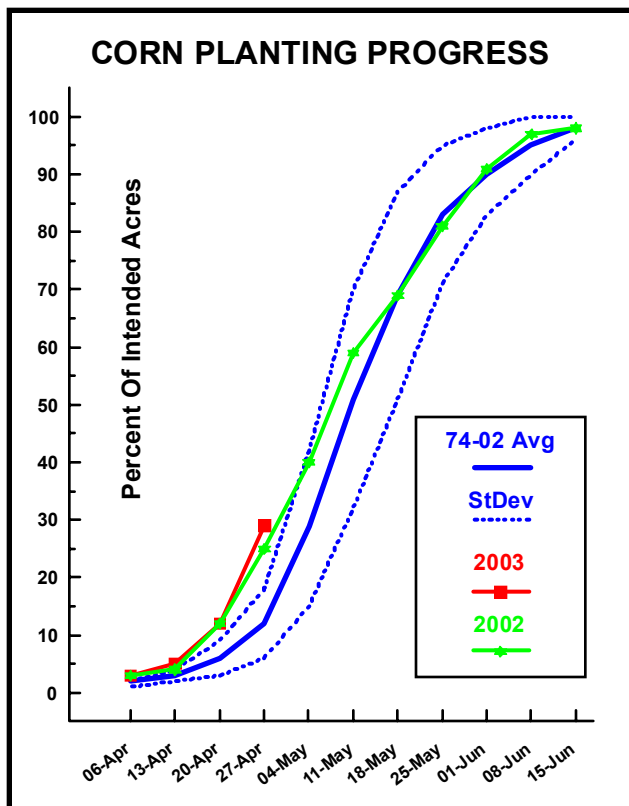


Figure 13

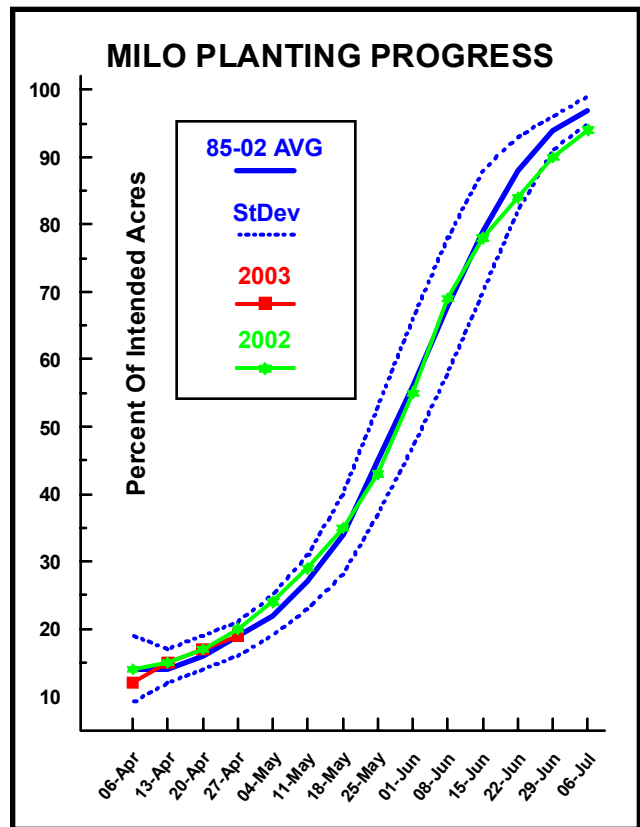


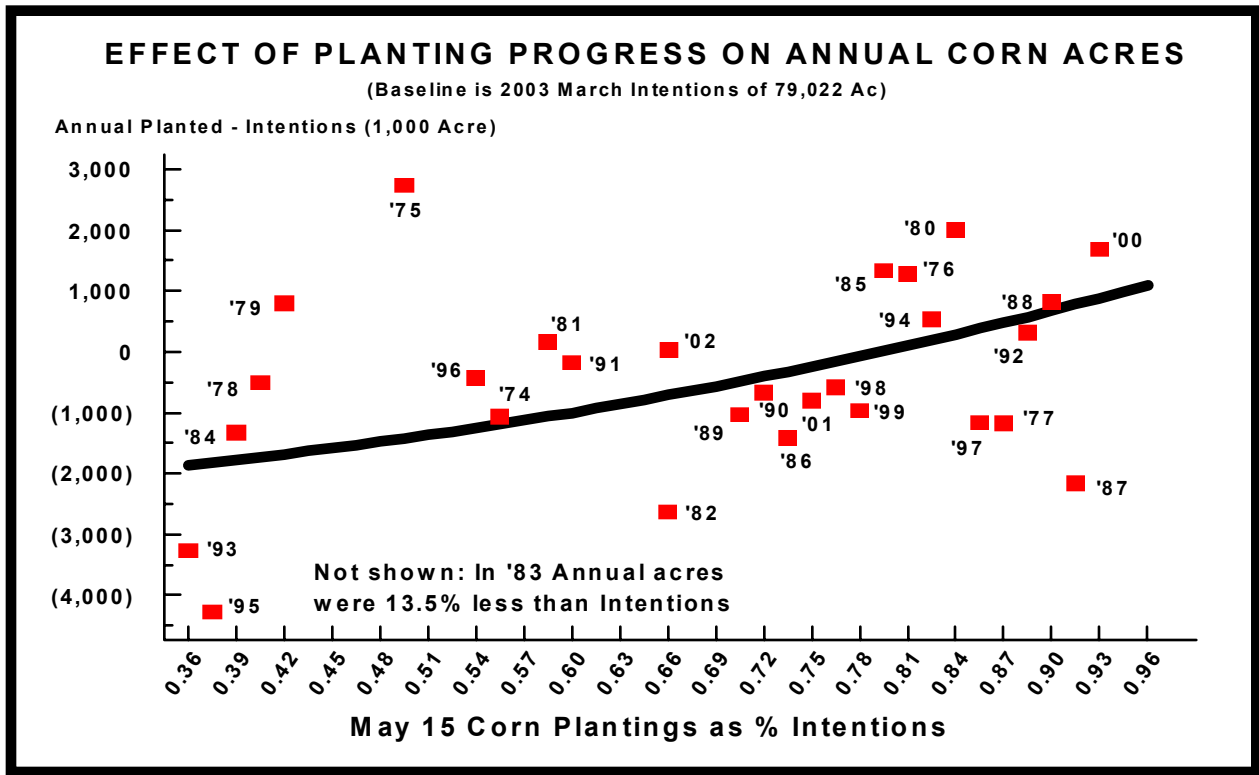
Figure 14

Above Average Pace in Corn Planting. Milo Planting "On Schedule".

Farmers had planted 29 percent of their intended corn acres as of April 27 (see Figure 13). This is a bit more than last year's pace of 25 percent, but it is 13 percent above the twenty-nine year average of 16 percent. Milo plantings were 19 percent completed, less than last year's 20 percent but just slightly below the eighteen year average (see Figure 14). On average, 56 percent of the milo crop is planted by the first week of June.

There is a slight statistical relationship between planting progress and changes in corn plantings (relative to the farmer's intended prospective acres). The earlier the crop is planted the more likely that corn acres will be larger (see Figure 15). Milo acres tend to increase in years when HRW abandonment was large (see Figure 16). In addition, both corn and milo yields are sensitive to planting dates. Generally speaking, the earlier the crop gets planted, the higher the yield.

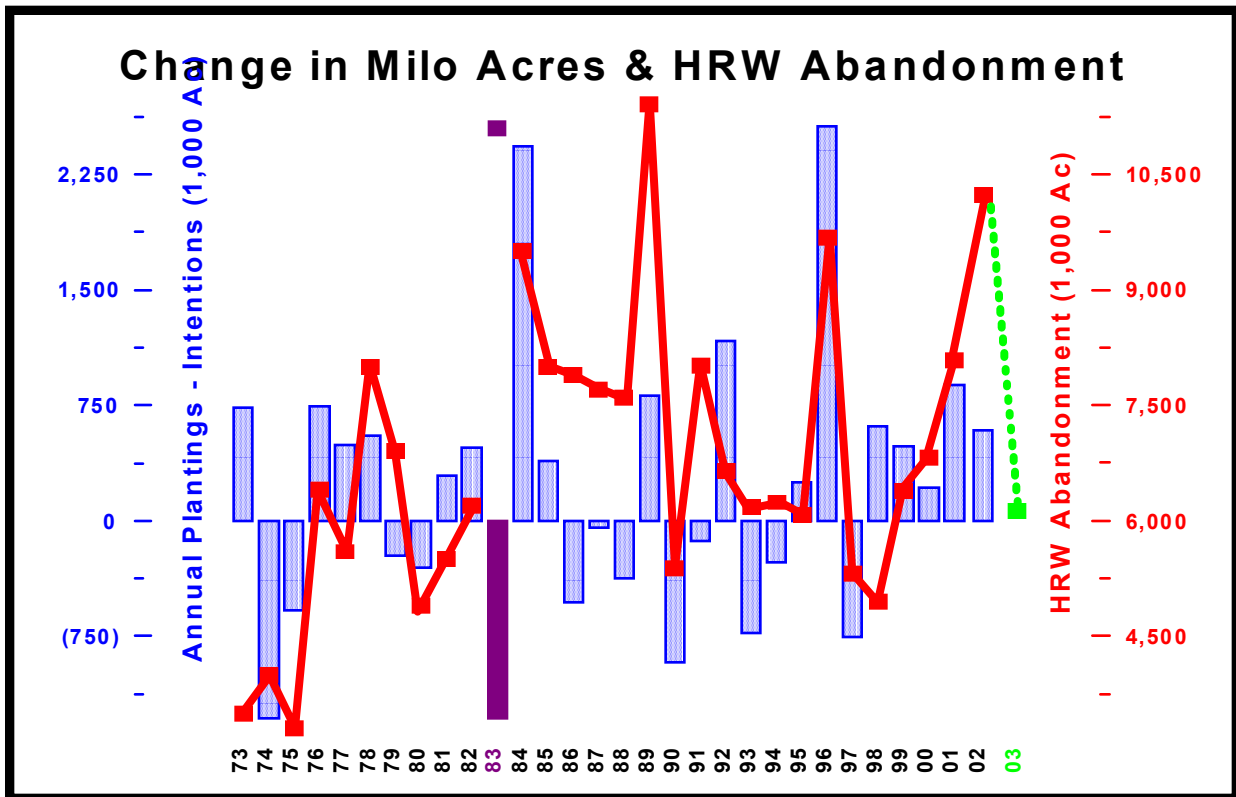
Figure 15



Given the pace of corn plantings this year, it seems reasonable to expect that final corn acres will match producers' intentions (79.02 million acres). Given the current soil moisture that is available to most of the

2003 corn crop, there is no strong reason, at this time, not to expect that this year's crop will not achieve its "trend" yield of 140.3 bushels (see Figure 17). However, the Central Plains and the Upper Midwest will

Figure 16



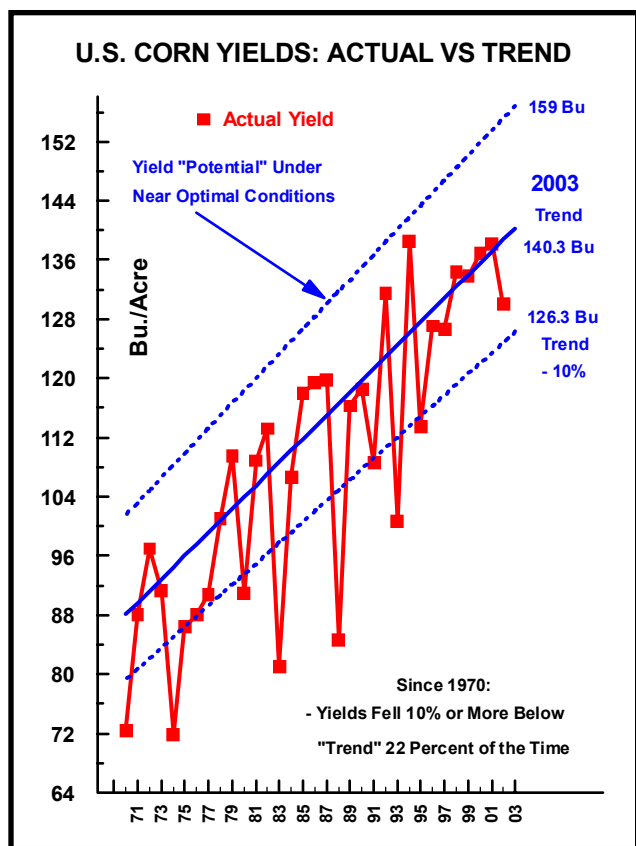


Figure 17

need regular precipitation to recharge the regions' soil moisture profiles. If that precipitation is not forthcoming, then the yield projection is in jeopardy.

Milo yields, however, have shown a disturbing downward trend in recent yields (see Figure 18). This is probably due to the back-to-back droughts that has afflicted the Central and Southern Plains but it could also be due to the tendency of farmers to switch their better producing ground to dryland corn or to soybeans. That, in turn, leaves the less productive areas producing grain sorghum.

Larger Feed Grain Stocks Expected in 2003.

The USDA's World Board will release their first projections for 2003/04 corn and grain sorghum crops on May 12. The Board probably will not change their planted acreage figures (from the March Prospective Plantings Report) until the June acreage report is released (June 30). However, the harvested acres fig-

ure will be an in-house projection and yields are expected to approximate "trend". A trend model of corn yields from 1970-2002 is projecting a yield of 140.3 bushels, about 10.3 bushels above last year's yield (see Figure 17). The USDA used a yield of 139.7 in their February Outlook Conference but the USDA may change that in their May S&D report.

Prospective milo plantings, which were down 1 percent from last year, could be up slightly depending on the availability of soil moisture and the extent of winter wheat abandonment (graze out) in the Central and Southern Plains.

The assumption of trend yields is expected to produce a 10 billion bushel corn crop, up about 12 percent from last year. In addition, if final milo plantings are around 9.5 million acres and if yields are "trend" (66.5 bu.), 2003 milo production could be 530 million bushels, up 160 million bushels from last year.

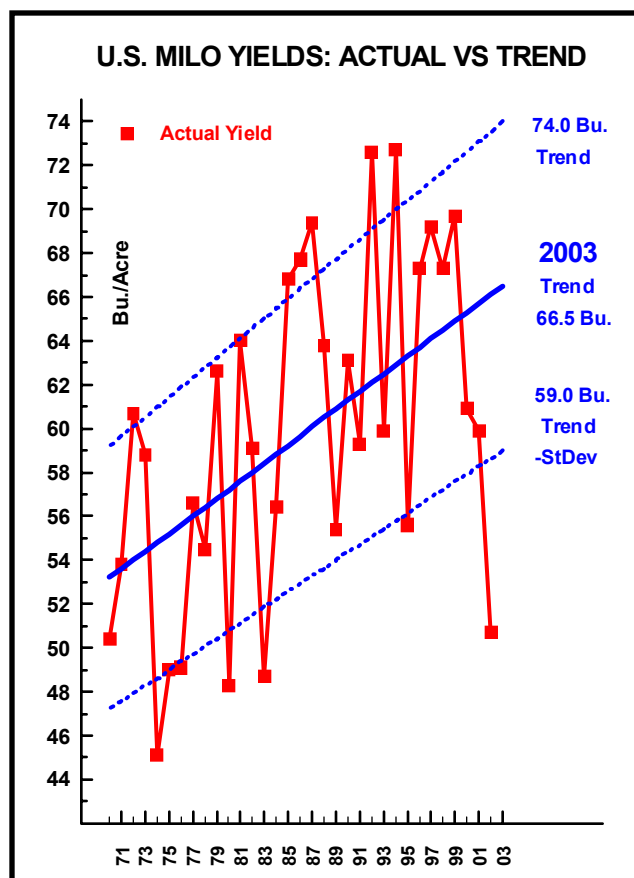


Figure 18

TABLE III. U.S. CORN SUPPLY-DEMAND BALANCE — (Million Bushels)

SEP/AUG YEAR	—02/03—		USDA
	Apr	Mar	03/04
Planted Acres	79.1	79.1	79.0
Harvested Acres	69.3	69.3	72.1
Yield	130.0	130.0	139.7
Production	9,008	9,008	10,080
Stocks	1,596	1,596	1,009
Imports	15	15	10
TOTAL SUPPLY	10,619	10,619	11,099
FIS/1	2,285	2,265	2,360
Feed & Residual	5,650	5,600	5,650
Total Exports	1,675	1,750	1,925
TOTAL USAGE	9,610	9,615	9,935
Ending Stocks	1,009	1,004	1,164
Free Stocks	779	799	---
CCC	5	5	---
Loan	225	200	---
Stocks/Use (%)	11%	10%	12%
US Corn Price (\$)	2.30@	2.30#	2.15*
Loan Rate (\$)	1.98	1.98	1.98
Cash/Loan (%)	116%	119%	109%

1) FIS = Food, Industry and Seed

@ Midpoint of USDA's Apr price range \$2.25 - \$2.35

Midpoint USDA's Mar price range \$2.20 - \$2.40

* USDA's Ag Outlook Forum price forecast \$2.15.

April 10, 2003

It's likely that the USDA's economists will maintain their projections for larger domestic corn use and larger corn exports. If these projections are correct, 2003/04 corn ending stocks (measured as a percent of usage) will increase modestly from the current 2002/03 projected level of 1,004 million bushels (about 11% of usage).

Feed Grain Exports Lagging.

Corn export commitments as of mid-April were 1,203 million bushels, down 13 percent from a year ago. Based on the USDA's April export projection of 1,675 million bushels, we need nearly 472 million bushels of

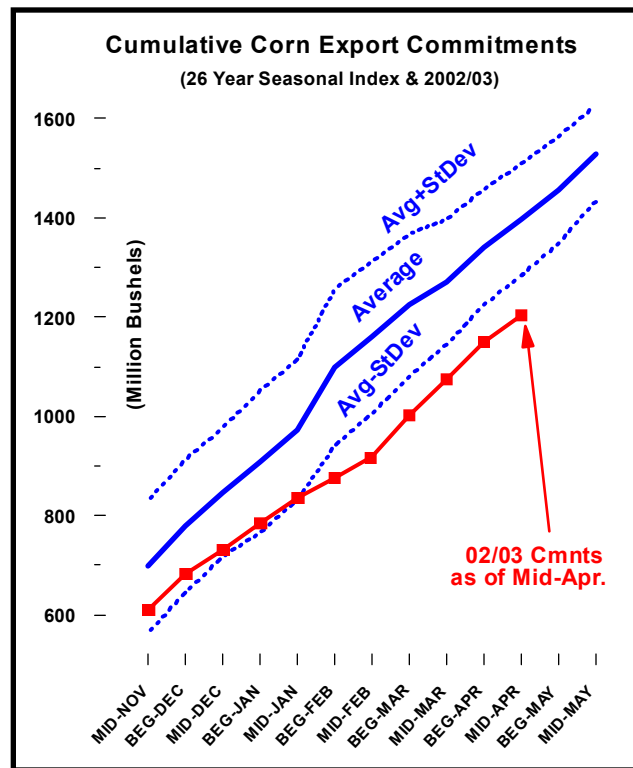


Figure 19

sales during the 140 days that are left in the corn marketing year. However, there is some doubt about

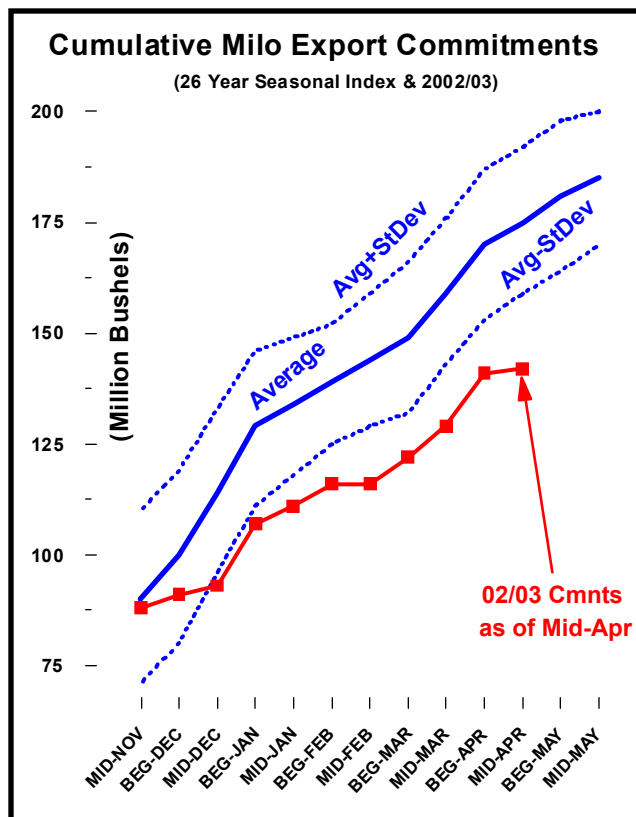


Figure 20

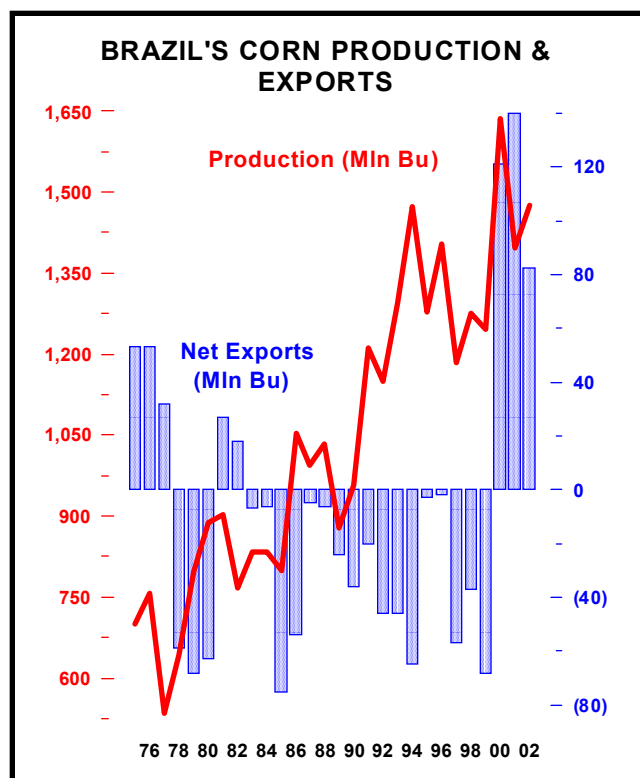


Figure 21

whether all those sales will materialize. To date, only 72 percent of this year's exports have been booked. On average, export commitments of corn on this date account for 83 percent of total annual sales. If we apply the average ratio of commitments/annual exports, that would suggest that the USDA's export projection is 225 million bushels too large (see Figure 19).

One possible source of demand for corn in the coming months is South Korea and other countries that normally switch to Argentine corn at this time of year. In mid-April, U.S. export commitments of corn to Korea were 8 million bushels, down 35 million bushels from a year ago. On average, Korea books 73 percent of their U.S. corn purchases by mid-April. However, if Korea (and other countries) shy away from Argentine corn, Korea (and other countries) may end up purchasing more corn from the U.S.

Milo export commitments were 142 million bushels, 44 million bushels less than last year and below the pace needed to achieve the USDA's export projection of 190 million bushels (see Figure 20). On aver-

age, export commitments as of this date account for 97 percent of total annual exports -- this year they account for only 75 percent.

S. Hemisphere Corn Exports Mixed.

S. Africa, where the corn harvest is well underway, should produce a crop about 7 percent smaller than last year's crop. S. Africa is expected to have net exports of 24 million bushels of corn this trade year (October-September) compared to net exports of 18 million bushels last year. In recent years Brazil has become a net exporter of corn -- despite the fact that the country imports corn at the end of their marketing

TABLE IV. U.S. SORGHUM SUPPLY DEMAND BALANCE — (Million Bushels)

SEP/AUG YEAR	—02/03—		
	Apr	Mar	01/02
Planted Acres	9.6	9.6	10.3
Harvested Acres	7.3	7.3	8.6
Yield	50.7	50.7	59.9
Production	370	370	515
Stocks	61	61	42
Imports	—	—	—
TOTAL SUPPLY	431	431	556
FIS/1	45	45	45
Feed & Residual	160	160	210
Exports	190	200	241
TOTAL USAGE	395	405	495
Ending Stocks	36	26	61
Free Stocks	33	24	58
CCC	---	---	---
Loan	3	2	3
Stocks/Use (%)	9%	6%	12%
US Milo Price(\$)	2.35@	2.35#	1.94
Loan Rate (\$)	1.98	1.98	1.71
Cash/Loan (%)	119 %	119%	113%

1) FIS = Food, Industry and Seed.

@ Midpoint of USDA's Apr price range \$2.30 - \$2.40

Midpoint USDA's Mar price range \$2.25 - \$2.45

April 10, 2003

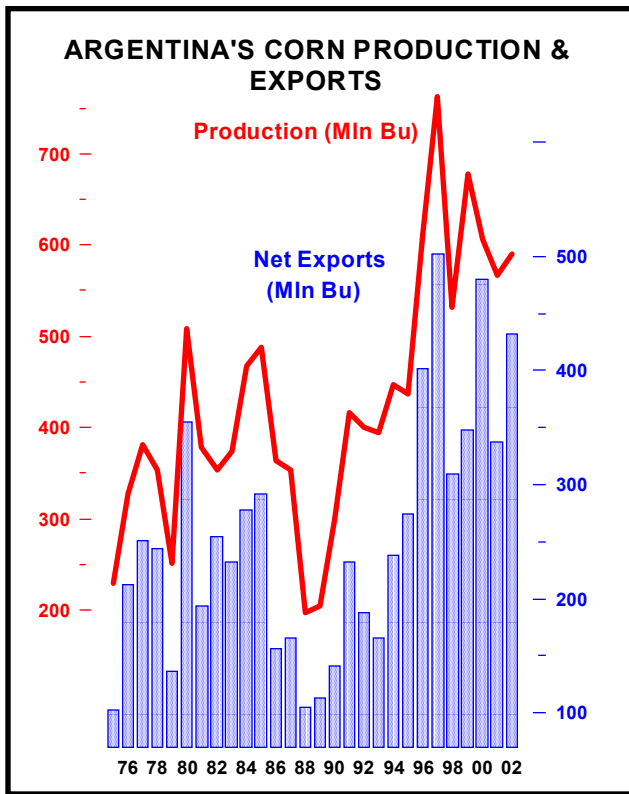


Figure 22

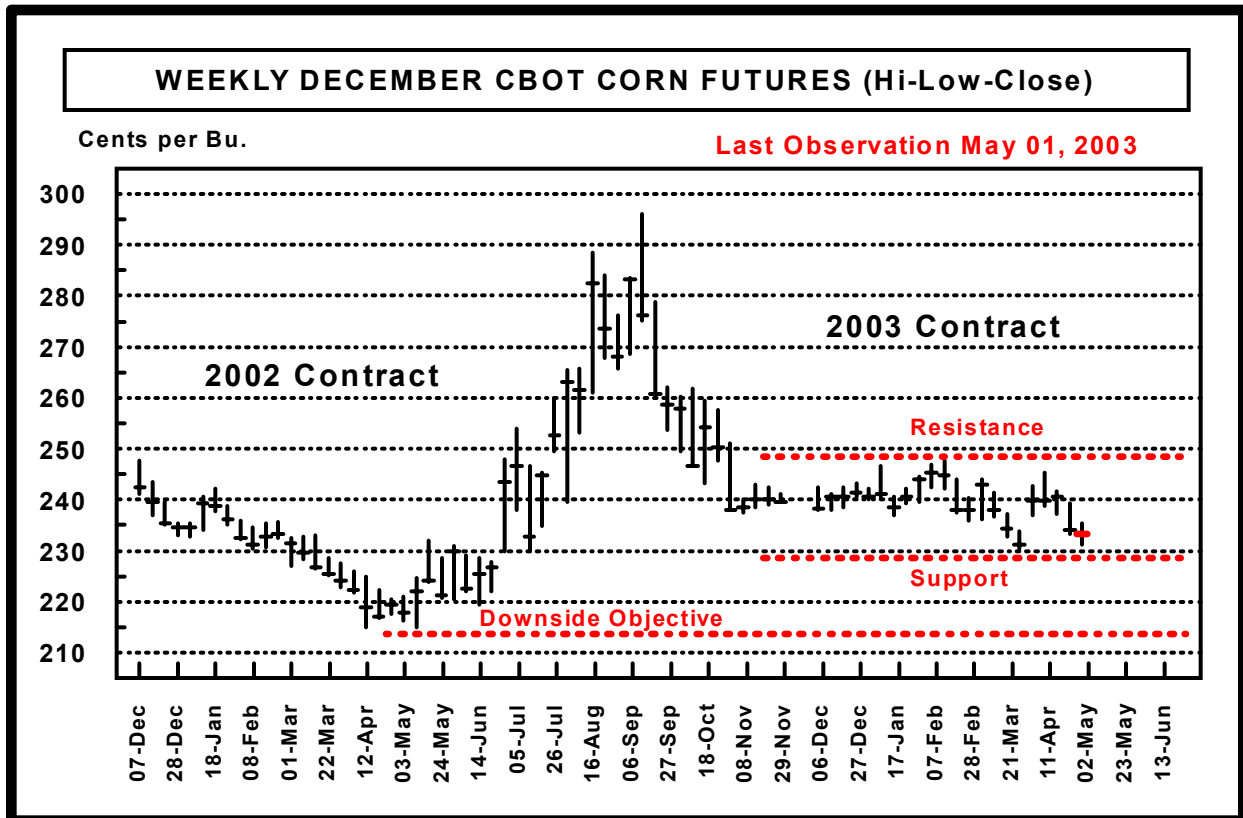
year. This year, Brazil's crop is projected to be up slightly but exports are projected to fall to 83 million

bushels, down from the previous year's 140 million bushels (see Figure 21). Argentina, where the corn harvest is one-third completed, is expected to produce a crop 4 percent larger than last year's. As a consequence, exports are expected to be up 94 million bushels during the current October-September marketing year (see Figure 22).

December Futures Could Strengthen If Crop Conditions Deteriorate.

After coming with \$.04 of testing it "life of contract" lows in late March and again in late April, the December corn futures contract may have found "support" at the \$2.30 level but can be expected to encounter "resistance" at the \$2.50 level (see Figure 23). The stage is set for a strengthening in prices if wet soils in the Eastern Cornbelt cause serious delays in plating the corn crop. However, if old crop exports are lowered further and if domestic feeding in the March-June period is lower-than-expected, any strength in "new crop" could be dampened by the prospect of even larger carry-over stocks.

Figure 23



Nevertheless, if a significant problem develops which threatens the 2003 crop, December futures could rise sharply. The seasonal high for the December contract is still the June-July period and there is a possibility that the December futures contract could reach \$2.60-\$2.65. Beyond that, a rally to the \$2.95 level is possible if moderate damage (6-8 bushel loss) is done to corn yields.

As of May 1, many elevators in eastern Kansas were offering new crop cash bids for corn that were about \$.08 above the 2003 loan rates. In western Kansas the bids were about \$.27 above loan. Consequently, most producers (particularly those in western Kansas) face some downside financial risk from not pricing a portion of the their 2003 feed grain crops. However, while some sales are warranted, producers may want to consider postponing additional sales. Producers may want to consider making additional sales at \$2.50 and \$2.65 (if a rally occurs over the next 30-45 days).

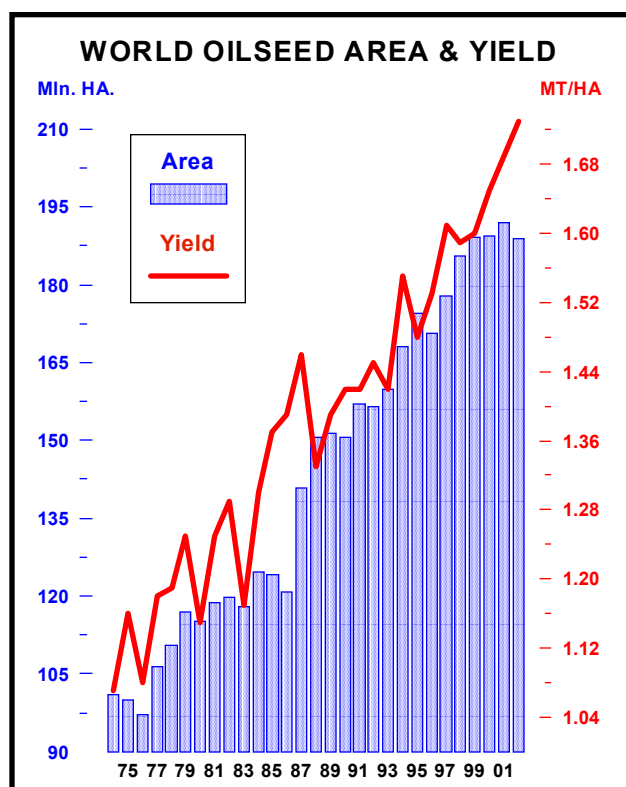


Figure 24

Larger Total World Oilseed Crop Cant's Stop Stocks/
Use Ratio Declining.

SOYBEAN COMMENTS

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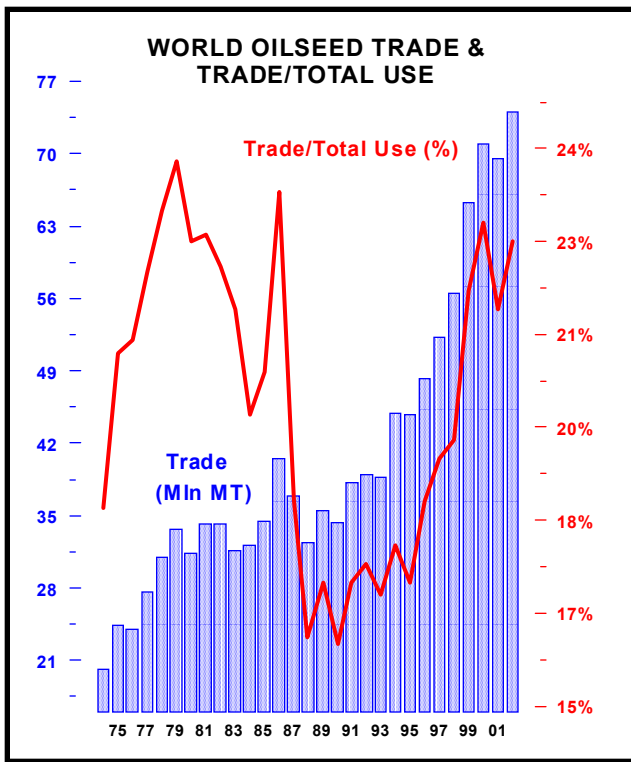


Figure 25

Record world oilseed yields more than offset a decline in world oilseed area and the result was a projected eight-tenths of a percent increase in the production of the world's major oilseed crops this year (see Figure 24). This increase in production came on the heels of a 3.5 percent increase last year and a 14 percent increase in world production in just the last five years. The growth in production was needed since the growth of world oilseed consumption has recently exceeded production.

If the sputtering U.S economy doesn't trigger similar occurrences in the world economy, world demand is expected to continue to improve. Furthermore, depending on which country is examined, the declining value of the U.S. dollar may have partially offset part of the recent increase in soybean prices for some importing countries (i.e. Japan, the EU, Canada, etc.). The 2002/03 world ending stocks of oilseeds (when measured as a percent of usage) are projected to decline. More significantly, the share of total world oilseed use met by imports will be 22.5 percent, about 1.1 percent more than last year (see Figure 25).

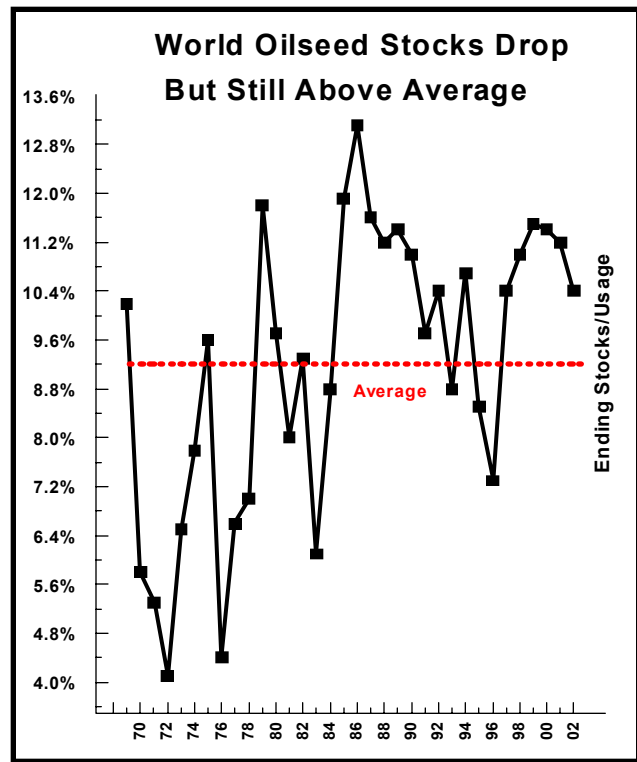


Figure 26

The world's consumption of major oilseeds is projected to rise 1.1 percent above last year's record of 324.6 million metric tons (MMT). Last year's in-

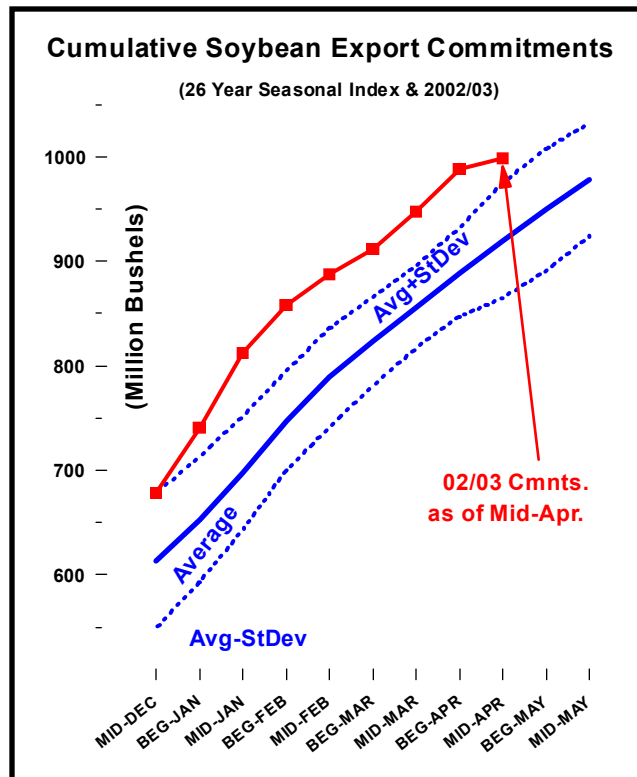


Figure 27

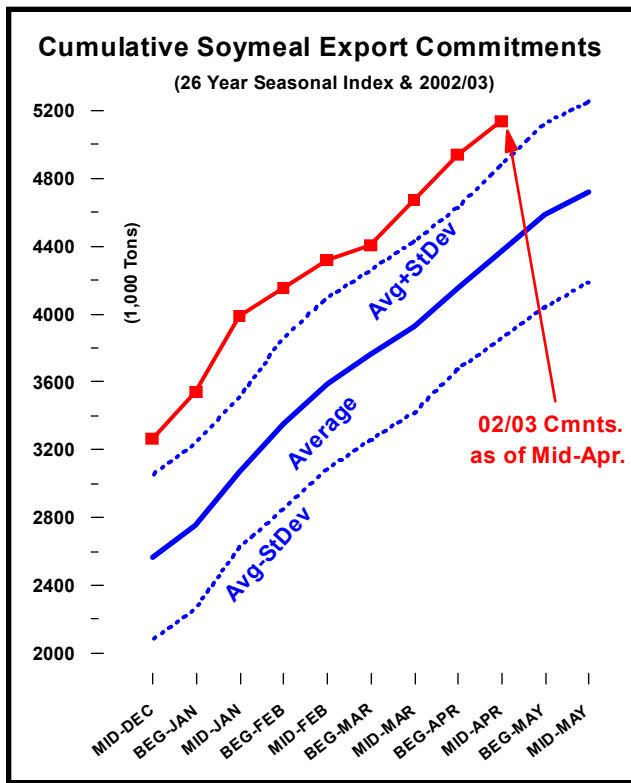


Figure 28
crease was somewhat larger at 4.1 percent. However, over the last ten years (1992/93 to 2001/02), world oilseed use had increased 46 percent. The net effect of this stunning growth in consumption was that world stocks fell to very low levels in 1996/97. However, since 1996, stocks have generally increased, though they have begun to decline over the last 3 years (see Figure 26).

The stocks/use situation for soybeans (the world's major oilseed) is similar. Because of increases in the soybean crop of the U.S. and S. America, the combined soybean supply of the U.S. and S. America (Brazil + Argentina) as of March 1 was 120.4 MMT, about 9.1 percent more than last year's supplies. This figure represents about 255 percent of total U.S. soybean disappearance for the previous six month period (September-February). On average, the March 1 combined supply of soybeans is 198 percent of first-half U.S. disappearance. This is a significant increase from last year, when the supply/use ratio was 225 percent.

Soy Complex Export Commitments "Ahead of Schedule" to Meet USDA Projections.

As of mid-April, soybean export commitments were 999 million bushels, up 31 million bushels from last year and a record for this date. On average, soybean export commitments as of this date account for approximately 89 percent of total annual export inspections. This year's commitments have already accounted for 97 percent of the 1,032 million bushels of **export inspections** that are expected based on the USDA's project for total annual **Census** exports, implying that the USDA's projection is too low (see Figure 27).

Soymeal export commitments were 14 percent less than last year. However, soymeal commitments were 87 percent of the USDA's annual projection of 5.9 million tons, more than the "average" ratio of commitments-to-annual-exports as of mid-April (see Figure

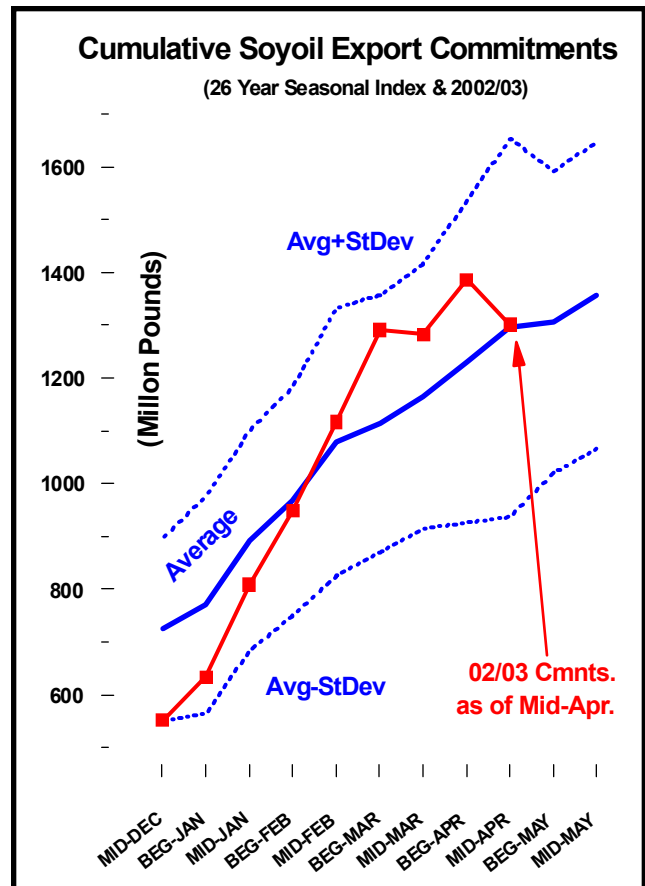


Figure 29

TABLE V. U.S. SOYBEAN SUPPLY-DEMAND BALANCE — (Million Bushels)

SEP/AUG YEAR	—02/03—		USDA 03/04
	Apr	Mar	
Planted Acres	73.8	73.8	73.2
Harvested Acres	72.2	72.2	71.9
Yield	37.8	37.8	39.7
Production	2,730	2,730	2,855
Stocks	208	208	145
Imports	2	2	5
TOTAL SUPPLY	2,940	2,940	3,005
Seed	87	87	90
Residual	93	93	80
Crushings	1,620	1,640	1,670
Exports	995	960	950
TOTAL USAGE	2,795	2,780	2,790
Ending Stocks	145	160	215
Free Stocks	123	138	---
CCC	2	2	---
Loan	20	20	---
Stocks/Use (%)	5%	6%	8%
US Bean Price (\$)	5.45@	5.40#	5.10*
Loan Rate (\$)	5.00	5.00	5.00
Cash/Loan (%)	109%	108%	102%

@ Midpoint of USDA's Apr price range \$5.30 - \$5.60
 # Midpoint USDA's Mar price range \$5.20 - \$5.60
 * USDA's Ag Outlook Forum price forecast \$5.10.

April 10, 2003

28).

Soyoil export commitments were down 18 percent from last year and but are on schedule to meet the USDA's April export projection of 2,100 million pounds (see Figure 29). Consequently, unlike the situation for soybean and soymeal, the current pace of soyoil exports suggests that the USDA soyoil export projection is not in need of any upward revision in the upcoming May supply and demand report.

USDA Assumptions about Soybean Disappearance For 2nd Half of 2002/03 Seem Too Low.

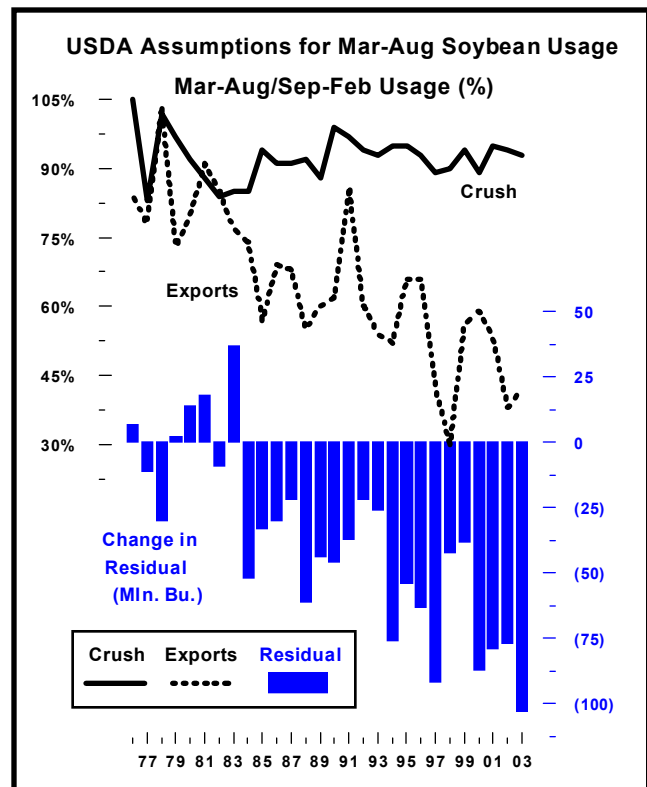


Figure 30

In order to achieve the projected ending stocks of 145 million bushels, crush in the second half of the

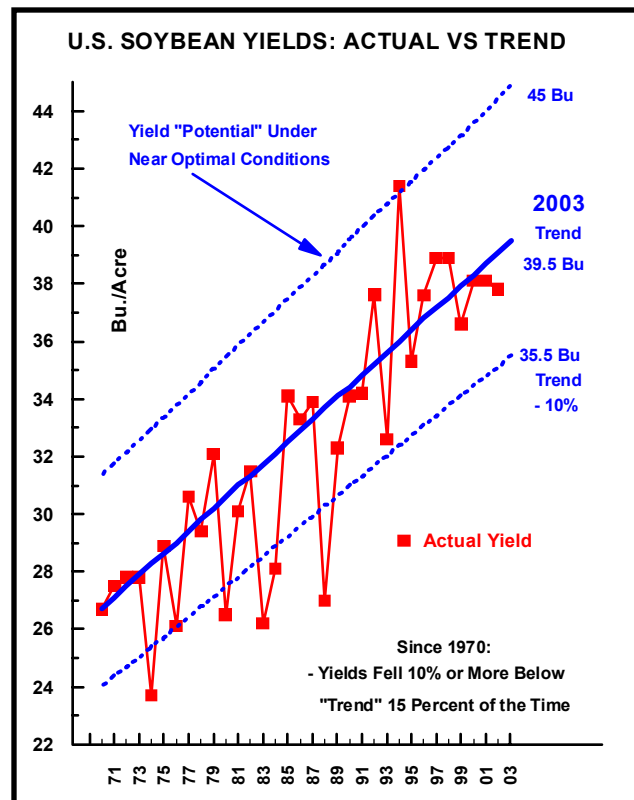


Figure 31

year can total no more than 93 percent of first half crush (see Figure 30). Since 1975, second half crush has averaged 92 percent of first half. Similarly, exports in the second half can total no more than 42 percent of first half exports. Finally, the statistical “residual” usage of soybeans must be a negative 103 million bushels — about 68 million bushels larger than the twenty-five year average of negative 35 million bushels. If the second half residual is not a large negative number, but is closer to the “average” of -35 million bushels, ending stocks of soybeans could end up being about 50-60 million bushels smaller than currently projected.

Farmers Should Consider Pricing a Portion of Their Expected New Crop Now While Old Crop Futures Prices are Near 5 Year Highs.

The USDA’s World Board will release their first projection for 2003/04 soybean supply-demand on May 12. The Board’s planted acreage figure will probably be taken directly from the March Planting Intentions

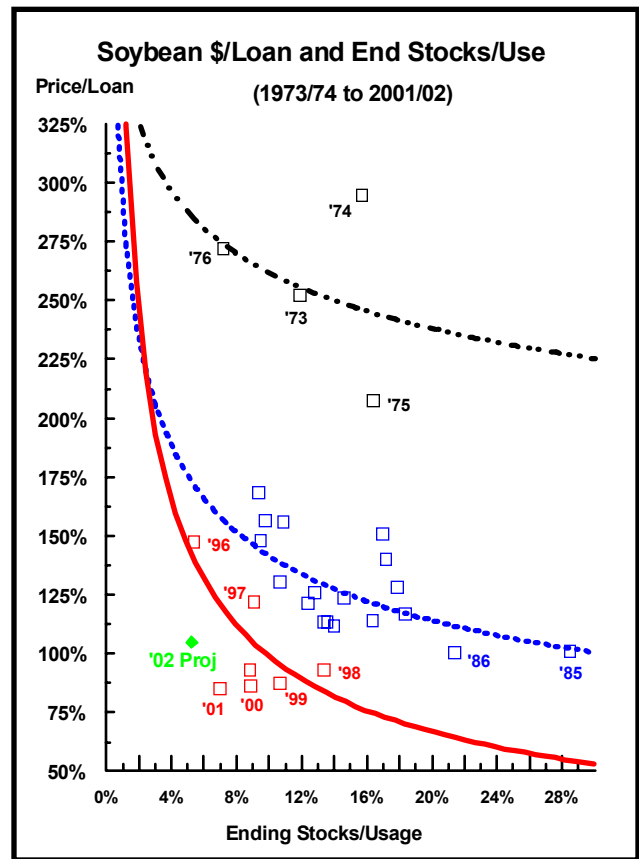
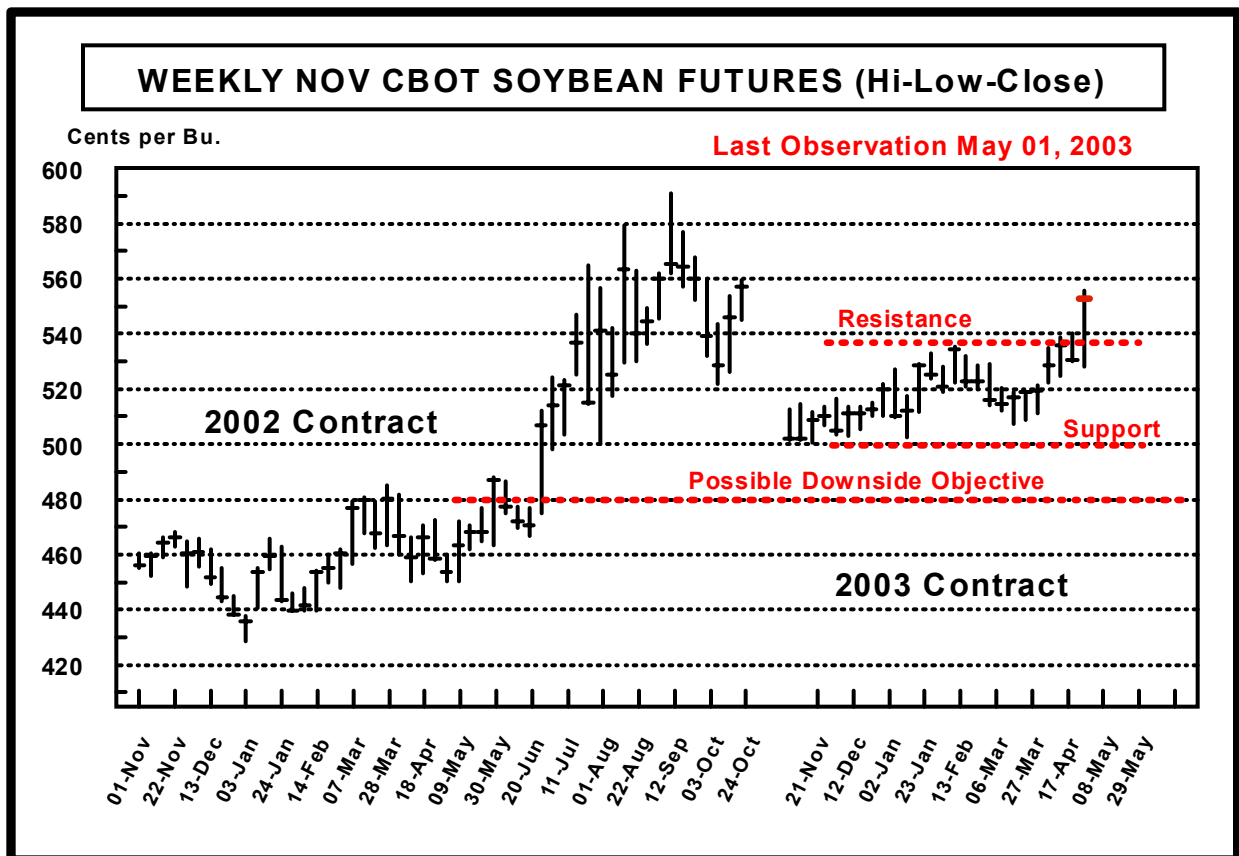


Figure 32

Figure 33



report (73.18 million acres) but the harvested acres and yield figures will be in-house projections. A trend model of soybean yields from 1970-2002 is projecting a yield of 39.5 bushels, about 1.7 bushels above last year's yield (see Figure 31). The USDA used a yield of 39.7 in their February Outlook Conference but the USDA may change that in their May S&D report. Consequently, the USDA's projection for 2003 soybean crop could be 2.855 billion bushels. That's 125 million bushels (4.5 percent) above last year's crop record.

A 125 million bushel increase in 2003 production combined with total consumption up only slightly could result in a 70 million bushel increase in 2003/04 ending stocks. Next year's stocks/use ratio is expected to be 7.7 percent, above this year's 5.2 percent. At this year's Agricultural Outlook Conference, the USDA's price projection for the 2003 season average soybean price was \$5.10. This would put prices just above the 2003 loan rate (\$5.00) for all of the marketing year.

A simple regression of annual average soybean prices (as a percent of the loan rate) suggests that a price forecast of \$5.10 seems to be about \$.45 below what would be expected (given historical relationships over the last six years — see red line in Figure 32).

With "old crop" futures prices at their highest levels in nearly 5 years, "new crop" cash price offers have strengthened considerably in the last month. As of May 1, price bids for 2003 soybeans were \$.20-\$.30 above loan in many areas of Kansas.

With new crop prices above loan, producers may want to consider pricing a portion of their expected new crop. However, they should carefully consider the basis bids that are being offered as part of their new crop bids. If new crop basis bids are well below the 3-5 year average, produc-

ers may want consider a "hedge-to-arrive" contract that will "fix" the futures but leave the basis to be established later.

Producers who are considering pricing a large portion of their expected crop should consider the possibility that prices could rise even further. Consequently, producers who wish to price more than a 35-40 percent of their expected crop may want to "cover" those additional sales with a "vertical call spread".

As of May 1, when November 2003 soybean futures closed at \$5.53, a \$5.60 call cost \$.32 while a \$6.60 call was \$.10. For the net cost of \$.22 [\$.60 call premium of \$.32 - the \$6.60 call premium of \$.10] a producer could purchase a \$5.60 call and sell a \$6.60 and then be in a position to capture up to a \$1 of any further rally in the soybean futures market.



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