



WEEKLY OUTLOOK

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PRODUCTION FORECASTS INCREASED FOR ARGENTINA

The USDA's December report of *World Agricultural Supply and Demand Estimates* contained only a few changes for the balance sheet for U.S. crops. However, forecasts of South American corn, soybean, and wheat production exceeded the November forecasts.

For the 2006-07 U.S. wheat marketing year, the USDA increased the forecast of domestic food use by 5 million bushels, reduced the forecast of exports by 25 million bushels, increased the forecast of year ending stocks by 20 million bushels, and reduced the midpoint of the forecast of the marketing year average price by \$.05. At 900 million bushels, U.S. wheat exports are expected to be 109 million less than exported last year, at the lowest level since 2002-03, and at the second lowest level since 1971-72. As of December 7, 27 weeks into the marketing year, cumulative U.S. wheat export inspections totaled 441 million bushels, 102 million less than the total of a year ago. Unshipped export sales as of November 30 totaled 162 million bushels, compared to 184 million bushels on the same date last year. The year-over-year decline in exports is distributed among most major buyers, with only Egypt buying more U.S. wheat than at this time last year. By class, the largest decline is for hard red winter wheat, while sales of soft red winter wheat are larger than those of a year ago.

For feed grains, the USDA made no changes in the 2006-07 marketing year projection of consumption of U.S. corn, but increased the midpoint of the projection of the marketing year average farm price by \$.10, to \$3.10. Similarly, no changes were made in sorghum consumption forecasts, but the average price forecast was also increased by \$.10. The projection of barley exports was increased by 5 million bushels and no changes were made in the oats balance sheet.

For soybeans, the balance sheet projections were unchanged from November, but the midpoint of the projection of the marketing year average farm price was increased by \$.20, to \$6.10. For soybean oil, the estimate of stocks at the beginning of the 2006-07 marketing year (October 1, 2006) was increased by 48 million pounds, to 3.019 billion pounds. The forecast of soybean oil production was increased by 90 million pounds, to a total of 20.205 billion pounds, reflecting a slightly larger oil yield expectation. The projection of marketing year oil exports was increased by 100 million pounds and the projection of year-ending stocks was increased by 41 million pounds. The marketing year average price is projected

in a range of \$.26 to \$.29 per pound, compared to the November projection of \$.24 to \$.28. The only changes in the soybean meal balance sheet were a 6,000 ton reduction in the estimate of stocks on October 1, 2006 and an equal increase in the projection of meal production for the current marketing year.

More significant changes were registered for production prospects outside of the United States, particularly for Argentina. The current Argentine wheat crop is now forecast at 522 million bushels, 35 million larger than the November forecast and 16 million larger than last year's crop. The projection of Argentine wheat exports was increased by 37 million bushels. The Argentine corn crop is forecast at 748 million bushels, 59 million larger than the November forecast and 126 million larger than the 2006 harvest. Finally, the 2007 Argentine soybean crop is forecast at 1.543 billion bushels, 26 million larger than the November forecast and 55 million larger than the 2006 crop.

Other significant changes included a 37 million bushels increase in the estimated size of the Canadian wheat crop and a 39 million bushel increase in the projected size of the 2007 Brazilian corn crop. The projections of world stocks were increased for wheat, coarse grains, and oilseeds.

The changes observed in the U.S. world production and consumption forecasts were generally expected, with no surprises observed. The changes in world production forecasts and the related changes in forecasts of year-ending stocks do not alter the fundamental picture significantly, but do reflect a marginally more abundant supply situation. The markets will continue to monitor the rate of U.S. exports and export sales and anticipate the January 12, 2007 reports of December 1, 2006 grain stocks, 2006 winter wheat seedings, and final 2006 U.S. production estimates. Following the sharp increase in prices since mid-September, some consolidation would not be surprising over the next 4 weeks. The major issue will continue to be U.S. producer planting intentions for 2007.

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