

## Commodity Spotlight



Photo courtesy of USDA/NRCS

# Stable Field Crop Supplies Forecast For 2002/03

Supplies of most of the eight major U.S. field crops (corn, soybeans, wheat, cotton, rice, sorghum, barley, and oats) are expected to rise in 2002/03, according to USDA's first projection of production and prices for the next marketing year. Bountiful production is projected despite similar or lower planted acres for most crops this year, although production gains for corn and oats are driven by large projected planted acreage increases in of 4 and 16 percent, respectively. Sorghum and barley production are expected to rise slightly in 2002/03, and the output of soybeans and rice are projected to be only marginally lower than in the current season. However, the production of wheat and cotton are expected to show substantial declines—over 7 and 12 percent, respectively. Wheat production for 2002/03 is projected at the lowest level since 1990/91. Downward pressure on the season-average farm prices of some crops may be offset by higher use, as relatively low prices are expected to encourage domestic consumption and exports.

**Corn** acreage in 2002 is expected to increase to 79 million acres, up from the 75.8 million acres planted in 2001, according to survey responses in USDA's March 2002 *Prospective Plantings* report. While the assumed trend yield for the coming

season is below the 138.2 bushels per acre realized last year, production is still projected to jump 5 percent to 9,935 million bushels. However, total domestic supplies are anticipated to rise only slightly because lower beginning stocks are expected to partially offset higher production.

Domestic corn use in 2002/03 is expected to rise only 2 percent, with higher food, seed, and industrial (FSI) use accounting for all of the increase. Much of the change in the FSI category is due to higher expected industrial alcohol production. Feed and residual uses are anticipated down next season because of fewer cattle on feed. U.S. corn exports are expected to climb 9 percent because of less competi-

Planted area for field crops, excluding winter wheat, is based on USDA's *Prospective Plantings* report for 2002, released on March 28. Harvested area is based on historical averages for harvested-to-planted ratios. Yields are derived from historical trends or averages, except for winter wheat where survey results are used. With planting still underway and harvest several months away for most crops, growing conditions could alter final production levels. U.S. crop prices are influenced not only by domestic and foreign weather, but also by changing U.S. and global demand conditions.

tion from foreign exporters. Analysts expect Argentina to have a smaller corn crop in 2002/03 because of the crop's relatively large use of inputs such as fertilizers, which have become more expensive as a result of the country's currency depreciation. With higher total use outweighing increased domestic supplies, the U.S. average farm price in 2002/03 is anticipated to be \$1.75-\$2.15 per bushel, with the midpoint averaging 5 cents per bushel higher than in 2001/02.

U.S. **soybean** production in 2002/03 is expected to be marginally lower than the current season's output, declining just over 1 percent to 2,850 million bushels. This projected drop matches the expected reduction in plantings, which are pegged at 73 million acres. The shift away from soybeans was partly attributable to disappointing yields in recent years, crop rotation considerations that favor corn, and an anticipated drop in the soybean loan rate. With lower domestic supplies and continued strong demand, the season-average farm price is anticipated to strengthen, reversing a 5-year decline. The 2002/03 farm price of soybeans is expected to be \$4.00-\$4.90 per bushel, with the average up 20 cents from the \$4.25 estimated for 2001/02.

A modest gain is projected for domestic soybean crush, reflecting growth in domestic meal use for pork and poultry production that more than offsets lower projected meal exports. USDA projects U.S. soybean exports to decline to 975 million bushels next season—down from estimated record exports of 1,020 million bushels in 2001/02—due mainly to competition from large South American soybean supplies and prospects for even larger crops there next spring. With total use declining slightly less than the anticipated drop in production, ending stocks for 2002/03 are projected to fall slightly from 2001/02 levels.

U.S. **wheat** plantings for the 2002/03 crop are expected to decline for the sixth consecutive year as producers continue to favor oilseeds in many parts of the Corn Belt and Northern Plains. Also, slightly lower yields are anticipated, dropping production next season to 1,886 million bushels, a decline of 4 percent. U.S. wheat exports will likely face intense competition in the world market in 2002/03. Wheat

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## U.S. Field Crops—Market Outlook

	Area		Yield	Production	Total supply	Domestic use	Exports	Ending stocks	Farm price
	Planted	Harvested							
	—Mil. acres—	Bu/acre							
<b>Wheat</b>									
2001/02	59.6	48.7	40.2	1,958	2,939	1,226	975	738	2.78
2002/03	59	47.1	40.1	1,886	2,729	1,235	875	619	2.50-3.10
<b>Corn</b>									
2001/02	75.8	68.8	138.2	9,507	11,416	7,870	1,925	1,621	1.85-1.95
2002/03	79	72	137.9	9,935	11,571	7,910	2,100	1,561	1.75-2.15
<b>Sorghum</b>									
2001/02	10.3	8.6	59.9	515	556	260	250	46	1.80-1.90
2002/03	9	7.7	69	533	579	275	250	54	1.60-2.00
<b>Barley</b>									
2001/02	5	4.3	58.2	250	379	267	28	84	2.23
2002/03	5.1	4.5	62.1	278	392	282	25	85	1.95-2.35
<b>Oats</b>									
2001/02	4.4	1.9	61.3	117	285	227	3	55	1.55
2002/03	5.1	2.5	61.2	155	310	247	2	61	0.90-1.30
<b>Soybeans</b>									
2001/02	74.1	73	39.6	2,891	3,141	1,861	1,020	260	4.25
2002/03	73	71.7	39.7	2,850	3,114	1,883	975	255	4.00-4.90
<b>Rice</b>			Lbs./acre		Mil. cwt (rough equiv.)				\$/cwt
2001/02	3.34	3.31	6,429	213.0	254.5	123.1	90.0	41.4	4.15-4.25
2002/03	3.32	3.30	6,299	208.0	262.7	126.1	92.0	44.6	3.95-4.45
<b>Cotton</b>			Lbs./acre		Mil. bales				c/lb.
2001/02	15.77	13.83	705	20.30	26.33	7.6	11.0	7.7	31.3 <sup>1</sup>
2002/03	14.77	13.35	640	17.80	25.52	7.8	11.0	6.7	*

Based on May 10, 2002 *World Agricultural Supply and Demand Estimates*. <sup>1</sup>Weighted average August-April. \*USDA is prohibited from publishing cotton price projections.

Economic Research Service, USDA

exports are anticipated to decline substantially, dropping 10 percent to 875 million bushels—the lowest level in 30 years. One factor is the projected growth of global wheat production. Excellent crop prospects and potentially larger exports from the European Union and other major exporters, plus India and the former Soviet Union, could constrain U.S. wheat exports. With global wheat imports expected to decline, the U.S. share of world exports is anticipated to drop to 22 percent, compared with 25 percent in 2001/02.

The smaller projected wheat crop and the lowest beginning stocks since 1998/99 are expected to result in 2002/03 supplies that are 7 percent below a year earlier. In addition, domestic use is expected to be slightly higher due to a 1-percent increase in food use. However, bleak export prospects dampen potential price gains that may have arisen due to the anticipated lower supplies and higher domestic use. The expected price range for wheat in 2002/03 is \$2.50-\$3.10 per bushel, compared with an estimated \$2.78 per bushel for 2001/02.

U.S. **rice** plantings are expected to be 3.32 million acres in 2002, down less than 1 percent from last season despite considerably lower prices. The first projection for the 2002/03 rice crop pegs U.S. production at 208 million cwt (rough basis), down 2 percent from the current year's record, but still the second highest on record. Forecast yield, projected by trend, is also expected to be 2 percent lower next season. Lower production of long grain rice—projected at 160 million cwt—accounts for the decline in total production. Combined medium/ short grain production is projected at 48 million cwt, up fractionally from 2001/02. Despite a smaller crop, total supplies are projected at nearly 263 million cwt, up 3 percent from 2001/02—a record number if realized. An anticipated increase in beginning stocks of over 50 percent and fractionally higher imports are expected to more than offset the smaller crop.

U.S. total rice use is projected at a record 218 million cwt, up 2 percent from a year earlier. Domestic use is forecast at a

record 126 million cwt, with food and residual uses accounting for all of the increase. Exports are projected to increase 2 million cwt to 92 million, the largest since 1994/95. Competitive U.S. prices and expectations of larger global rice trade are behind the stronger export forecast. Ending stocks are anticipated at 45 million cwt, up nearly 8 percent from a year earlier. The season-average farm price is projected at \$3.95-\$4.45 per cwt, with the midpoint being the same as in the previous marketing year.

**Cotton** production is projected to plummet 12 percent to 17.8 million bales next season due to a 1-million-acre decline in anticipated plantings and yields that are expected to be more in line with trend. Acreage is expected to fall as a result of low cotton prices and relatively more attractive returns from competing crops. The yield in 2002/03 is projected to be 604 pounds per acre, substantially lower than the previous year's 705 pounds. Larger beginning stocks are expected to partially offset the lower forecasted production, with total supply pegged at 25.5 million bales—a 3-percent decline from last year. Ending stocks are projected to fall 1 million bales, lowering the stocks-to-use ratio, from 41 percent in 2001/02 to 36 percent next season.

Domestic mill use is anticipated to rebound slightly in 2002/03 as the economy recovers from the recession and inventories are restocked. U.S. exports of raw cotton next season are projected to equal the current marketing year's 11 million bales, the largest level of exports since 1926/27. The U.S. share of world trade is expected to remain high because of lower world production and increasing foreign demand, combined with continued large U.S. supplies. Foreign production is expected to fall 4.5 million bales, due primarily to low cotton prices. Much of the decline in foreign output is the result of China's anticipated double-digit percentage decline in acreage. In contrast, foreign consumption is expected to be 2 percent higher in 2002/03, with improved economic growth and competitive cotton prices stimulating demand. **AO**

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