

**June 2013 – Crop Market Update**  
**Public Policy Department**  
**Budget & Economic Analysis Team**



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The jobs report for May has been out for a few days and in general, it fell right within most analysts' expectations. At 175,000 new slots, it was right in line with where we've been for most of the last 8-9 months. We have had about as many observations in the last year jump over the 200,000 mark as we have had come in under 100,000. It is also important to recognize that these early estimates of job creation can go through substantial revision over the next few months. Take August of last year for example. The initial estimate was for only 96,000 new jobs having been created. When the final estimates were put out they boosted that level to 165,000 positions. So do not be at all surprised if this figure gets adjusted two or three times, possibly by a significant percentage.

Overall, we think there are 135,637,000 people employed off the farm in the United States. This is almost the exact level of employment we had in March 2006, over 7 years ago. You may remember we hit our peak of employment in the country in January 2008 at 138,056,000 jobs. We still have a way to go to get back to that figure. In fact, at this month's pace, we will return to that level about August 2014 – almost 6 years since we last had that many jobs in the nation.

	Jan 2008	May 2013	Change
<b>Total</b>	<b>138,042</b>	<b>135,637</b>	<b>-2,405</b>
<b>Total Private</b>	<b>115,666</b>	<b>113,789</b>	<b>-1,877</b>
<b>Construction</b>	<b>7,490</b>	<b>5,804</b>	<b>-1,686</b>
<b>Manufacturing</b>	<b>13,746</b>	<b>11,967</b>	<b>-1,779</b>
<b>Private Services</b>	<b>93,690</b>	<b>95,153</b>	<b>1,463</b>
<b>Government</b>	<b>22,376</b>	<b>21,848</b>	<b>-528</b>
<b>Federal</b>	<b>2,756</b>	<b>2,748</b>	<b>-8</b>
<b>State and Local</b>	<b>19,620</b>	<b>19,100</b>	<b>-520</b>

The job market, however, is going to look a lot different than it did in January, 2008. Just look at the changes that have occurred since January 2008. While the construction sector is picking up, it still has a long way to go to get back to the level observed in early 2008. Down over 1.6 million jobs since then, it is very doubtful that this sector can get back to even the 7 million job mark in the foreseeable future. Late in 2005, for example, we were issuing over 1.7 million new home permits on an annual basis. Today we're issuing only slightly more than 600,000.

Manufacturing positions, while moving up nicely for almost the last two and a half years, is simply not growing at the rate of most of the past recoveries. At current trends it would take 8 more years to get back to 2006 employment levels.

The main area of growth remains that of the private services sector. This includes health care, from brain surgeons to nurse's assistants, financial services, legal services as well as fast food workers. This has been and continues to be the major growth sector.

Another drag on overall employment levels has been in the government sector. For all of the gnashing of teeth and rending of sackcloth, we are only down 8,000 federal employees from January 2008 levels. Essentially all of the cutbacks in government employment have occurred at the state and local level. There we are down over 500,000 slots from January 2008 figures.

We will eventually get back to the January 2008 employment level. Probably even some time next year, but we will be ever more concentrated in the service sector and not in the good producing sectors when that finally happens. That means a very different work force than was the case even ten years ago. Are your kids going to be ready?

## Crop Update

In late May I was visiting home in Iowa in hopes of doing some recreational farming with my older brother. Instead, we spent the week watching it rain and heard a lot of discussion on the effect of late planted corn on yields and the farm management decision to decide to plant soybeans versus taking the prevented planting insurance for corn. The 2013 corn crop is still struggling to get into the ground and a strict interpretation of the USDA *Crop Progress* and *Prospective Plantings* reports suggests that over 4 million acres intended for corn have yet to be planted

	Corn Planting Progress		
	Progress	Prospective	Acres
	6/10/13	Plantings	Remainig
	%	-----1000 Acres-----	
COLORADO	100	1,250	0
ILLINOIS	96	12,200	488
INDIANA	98	6,100	122
IOWA	92	14,200	1,136
KANSAS	98	4,600	92
KENTUCKY	96	1,600	64
MICHIGAN	98	2,600	52
MINNESOTA	90	9,000	900
MISSOURI	93	3,400	238
NEBRASKA	100	9,900	0
NORTH CAROLINA	100	890	0
NORTH DAKOTA	89	4,100	451
OHIO	100	3,950	0
PENNSYLVANIA	97	1,480	44
SOUTH DAKOTA	99	5,900	59
TENNESSEE	98	970	19
TEXAS	98	2,100	42
WISCONSIN	81	4,350	827
US TOTAL	95	97,282	4,864

by June 10. The Western Corn Belt is lagging with a potential 1.1 million corn acres in Iowa not yet planted and 900 thousand corn acres in Minnesota yet to be planted. These acres will likely go towards prevented planting or soybeans as the corn crop will have significant yield loss if planted this late.

The June *WASDE* was not expected to provide groundbreaking information about the effect of the late corn planting season on the corn and soybean market as the *Acreage* report will be released at the end of the month. Still, some of the pre-report chatter speculated that the World Agricultural Outlook Board who publishes the *WASDE* would do something to lower the corn production number to reflect the late planted crop.

### Corn

The June report reduced the projected corn yield 1.5 bushels per acre from the May estimate to a U.S. average yield of 156.5 bushels per acre. This adjustment reflects the risk that the late planted corn will enter pollination in late July at a time when there is seasonally hotter and drier weather. The June *WASDE* did not adjust planted or harvested acres; however, the market expects that 2 million acres will not be planted to corn this year.

The trimmed yield reduces the projected 2013 corn crop by 135 million bushels to a potential 14 billion bushel

crop which would be a record if achieved. The report reduced demand by 70 million bushels with a reduction in feed demand offset by an increase in ethanol and industrial processing. The projected exports were not changed from the May report but still may be overstated given the projected competition in exports from Brazil's winter corn crop.

Ending stocks are still projected to build significantly over the 2012-13 marketing-year levels. The June report projects ending stocks of 1.95 billion bushels which is a 1.18 billion bushel increase over the current marketing-year. If realized, the days of stocks would double from 25 days for the current marketing-year to over 55 days for the 2013-14 marketing-year. This projected increase in stocks will cause marketing-year prices to fall significantly to \$4.80 per bushel for 2013-14 compared to the 2012-13 marketing-year price of \$6.95.

U.S. Corn Supply and Use					
	2010-11	2011-12	2012-13	2013-14	Change from
	Actual	Actual	Estimated	June Forecast	2012-13
Million Acres					
Planted Acres	88.2	91.9	97.2	97.3	+0.1
Harvested Acres	81.4	84.0	87.4	89.5	+2.1
% Abandoned	-7.7%	-8.6%	-10.1%	-8.0%	+2.1%
Bushels per Acre					
Yield	152.8	147.2	123.4	156.5	+33.1
Million Bushels					
Beginning Stocks	1,708	1,128	989	769	-220.0
Production	12,447	12,360	10,780	14,005	+3,225.0
Imports	28	29	150	25	-125.0
Total Supply	14,182	13,516	11,919	14,799	+2,880.0
Feed & Residual	4,792	4,548	4,400	5,200	+800.0
Food, Seed & Industrial	6,428	6,437	6,050	6,350	+300.0
Ethanol for Fuel	5,021	5,011	4,650	4,900	+250.0
Exports	1,835	1,543	700	1,300	+600.0
Total Use	13,054	12,527	11,150	12,850	+1,700.0
Ending Stocks	1,128	989	769	1,949	+1,180.0
Avg. Farm Price	\$5.18	\$6.22	\$6.95	\$4.80	-\$2.15
Stocks-Use	8.6%	7.9%	6.9%	15.2%	+8.3%
Days of Ending Stocks	32	29	25	55	+30.2

## Soybeans

The June WASDE didn't make any changes to the 2013-14 supply and demand projections. While it is expected that soybean planted acres will increase due to farmers deciding to plant soybeans instead of late planted corn, the WAOB apparently decided to wait for the June 28 Acreage report. The U.S. soybean ending stocks are still projected to more than double from 125 million bushels in 2012-13 to 265 million bushels in 2013-14. This would sharply reduce the 2013-14 projected soybean price to \$10.80 per bushel down from \$14.35 for 2012-13.

<b>U.S. Soybean Supply and Use</b>					
	2010-11	2011-12	2012-13	2013-14	Change from
	Actual	Actual	Estimated	June Forecast	2012-13
Million Acres					
Planted Acres	77.4	75.0	77.2	77.1	-0.1
Harvested Acres	76.6	73.8	76.1	76.2	+0.1
% Abandoned	-1.0%	-1.6%	-1.4%	-1.2%	+0.3%
Bushels per Acre					
Yield	43.5	41.9	39.6	44.5	+4.9
Million Bushels					
Beginning Stocks	151	215	169	125	-44.0
Production	3,329	3,094	3,015	3,390	+375.0
Imports	<u>14</u>	<u>16</u>	<u>25</u>	<u>15</u>	-10.0
Total Supply	3,495	3,325	3,209	3,530	+321.0
Crushing	1,648	1,703	1,660	1,695	+35.0
Exports	1,501	1,362	1,330	1,450	+120.0
Seed & residual	<u>130</u>	<u>91</u>	<u>95</u>	<u>120</u>	+25.0
Total Use	3,280	3,155	3,085	3,264	+179.0
Ending Stocks	215	169	125	265	+140.0
Avg. Farm Price	\$11.30	\$12.50	\$14.35	\$10.75	-\$3.60
Stocks-Use	6.6%	5.4%	4.1%	8.1%	+4.1%
Days of Ending Stocks	24	20	15	30	+14.8

## Wheat

USDA surprised the wheat market by increasing the size of the Hard Red Winter crop by 2 percent from the May estimate by increasing the projected yield in Kansas and Texas. Given this crop was planted into a drought and then faced late season frost and snow, this increase was a surprise and caused the Futures market to sell wheat.

The wheat crop is projected to be 189 million bushels less than the 2012 crop. To compensate, demand for feed and exports are projected to be 72 million and 35 million bushels less than the 2012-13 marketing-year, respectively. Ending stocks are projected to

<b>U.S. Wheat Supply and Use</b>					
	2010-11	2011-12	2012-13	2013-14	Change from
	Actual	Actual	Estimated	June Forecast	2012-13
Million Acres					
Planted Acres	53.6	54.4	55.7	56.4	+0.7
Harvested Acres	47.6	45.7	49.0	46.7	-2.3
% Abandoned	-11.2%	-16.0%	-12.0%	-17.2%	-5.2%
Bushels per Acre					
Yield	46.3	43.7	46.3	44.6	-1.7
Million Bushels					
Beginning Stocks	976	862	743	746	+3.0
Production	2,207	1,999	2,269	2,080	-189.0
Imports	<u>97</u>	<u>112</u>	<u>125</u>	<u>130</u>	+5.0
Total Supply	3,279	2,974	3,137	2,956	-181.0
Food	926	941	945	958	+13.0
Seed, Feed &	203	240	436	364	-72.0
Exports	<u>1,289</u>	<u>1,050</u>	<u>1,010</u>	<u>975</u>	-35.0
Total Use	2,417	2,231	2,391	2,297	-94.0
Ending Stocks	862	743	746	659	-87.0
Avg. Farm Price	\$5.70	\$7.24	\$7.80	\$6.90	-\$0.90
Stocks-Use	35.7%	33.3%	31.2%	28.7%	-2.5%
Days of Ending	130	122	114	105	-9.2

decline to 659 million bushels with a stock-use ratio of 28.7 percent. Wheat prices are projected to decline due to the lower corn prices.

The big story in wheat is the non-approved GMO wheat found in Oregon. Monsanto has tested 60 percent of the parent seed stock used in the region and did not find the unapproved glyphosate resistant trait. However the damage to white wheat export has happened with South Korea, Taiwan, and the European Union enacting their zero tolerance protocols for wheat. Monsanto has not stated how this seed that was last field tested in Oregon in 2001 showed up in a field in Eastern Oregon this May.

### ***Cotton***

Cotton received some bullish news with a reduction in harvested acres by 300 thousand from the May report. This reflects the extremely dry soils in the Texas panhandle and the expected increase in abandoned acres. This reduced area translates to a 500 thousand bale decrease in production with projected production declining to 13.5 million bales which is 3.8 million less than 2012. Exports were also reduced by 500 thousand bales reflecting strong global competition in exports. Ending stocks are projected to decline to 2.6 million bales due to fewer bales that are expected to be carried into the 2013-14 marketing-year. This reduction in stocks will give a boost to price with the expected marketing-year price at \$0.83 per pound.

<b>U.S. Cotton Supply and Use</b>					
	2010-11	2011-12	2012-13	2013-14	Change from
	Actual	Actual	Estimated	June Forecast	2012-13
Million Acres					
Planted Acres	9.15	10.97	12.31	10.03	-2.28
Harvested Acres	7.53	10.70	9.37	8.10	-1.27
% Abandoned	-18%	-2%	-24%	-19.2%	+4.6%
Pounds per Acre					
Yield	777.0	812.0	887.0	800.0	
Million Bales					
Beginning Stocks	6.34	2.95	3.35	3.60	+0.25
Production	12.19	18.10	17.32	13.50	-3.82
Imports	<u>0.00</u>	<u>0.01</u>	<u>0.01</u>	<u>0.01</u>	+0.00
Total Supply	18.53	21.06	20.67	17.11	-3.56
Domestic Use	3.46	3.90	3.45	3.50	+0.05
Exports	<u>12.04</u>	<u>14.38</u>	<u>13.60</u>	<u>11.00</u>	-2.60
Total Use	15.50	18.28	17.05	14.50	-2.55
Unaccounted	0.08	0.18	0.02	0.01	-0.01
Ending Stocks	2.95	2.60	3.60	2.60	-1.000
Avg. Farm Price	\$0.629	\$0.815	\$0.720	\$0.830	+\$0.1100
Stocks-Use	19.0%	14.2%	21.1%	17.9%	-3.2%
Days of Ending Stocks	69	52	77	65	-11.6