The jury is still out on the size of the 2009 U.S. corn and soybean crops. The markets are still trying to decide if large crops will get larger or if late maturity will result in smaller than expected crops. The USDA will update acreage and yield forecasts on October 9, reducing the uncertainty about crop size. The sizes of the crops have obvious important implications for price levels and seasonal price patterns for corn and soybeans. Larger crops would likely put additional pressure on price. Under that scenario, the lowest prices might be expected at harvest with gradually improving prices during the storage season. On the other side, any substantial shortfall in production could result in a harvest time price rally and reduce the odds of a seasonal recovery in prices into 2010.

Of the many factors that could influence prices of corn and soybeans after the U.S. harvest, potential size of South American crops is one of the most important. In general, it is planting time in South America. The USDA is anticipating a decline in corn acreage in both Brazil and Argentina. Brazilian acreage is forecast at 33.3 million, down from 34.8 million last year and 36.3 million in 2007. Acreage in Argentina is expected to drop from 8.4 million in 2007 and 5.6 million in 2008 to 4.7 million this year. Conversely, Brazilian soybean acreage is forecast at 55.6 million acres, up from 53.6 million last year and 52.6 million in 2007. Soybean acreage in Argentina is forecast at 44.5 million, up from 39.5 million last year and 40.4 million in 2007.

Even though corn acreage in both Brazil and Argentina are expected to decline, production in 2010 is expected to be larger than in 2009 due to higher yields. Combined production in the two countries is forecast at 2.6 billion bushels compared to 2.46 billion in 2009. The current forecast, however, is 118 million bushels below the August forecast and 575 million smaller than the 2008 harvest. Soybean production is expected to be substantially higher in 2010 than in 2009, particularly in Argentina where drought conditions reduced yields in 2009. Combined production in the two countries in 2010 is forecast at 4.15 billion bushels, 880 million bushels larger than the 2009 harvest and 210 million larger than the 2008 harvest.

The size of the 2010 South American crops will have implications for U.S. corn and soybean exports during the last half of the 2009-10 marketing year. Currently, the USDA projects 2009-10 marketing year U.S. soybean exports at 1.28 billion bushels, equal to the record exports of 2008-09. Corn exports are expected to rebound from a four year low of 1.85 billion bushels in 2008-09 to 2.2 billion in 2009-10. The larger corn export forecast comes in spite of an expected increase of nearly 100 million bushels in South American exports. While Argentine soybean exports are expected to increase by 137 million bushels, Brazilian exports are expected to decline by 180 million bushels.
The market will closely monitor crop progress in South America to judge U.S.
export potential. The developing ElNino weather pattern, particularly if it strengthens,
bodes well for South American prospects.