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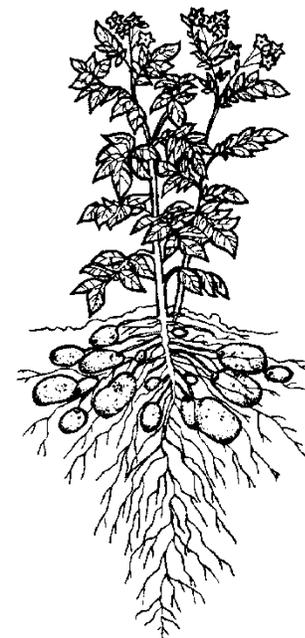
## POTATO STOCKS

**N**orth Dakota Growers, dealers and processors held 2.80 million hundredweight (cwt) of potatoes in storage May 1, 2010, down 33 percent from a year ago and May 1, 2008. Current stocks represent 15 percent of production, down from 19 percent last year, and 18 percent two years ago. Total stocks are defined as all potatoes on hand, regardless of use, including those that will be lost through future shrinkage and dumping.

Disappearance from the start of harvest to May 1 totaled 16.3 million cwt, down from 18.5 million cwt a year ago and 19.5 million cwt two years ago. April disappearance totaled 2.20 million cwt, up from 2.10 million cwt a year ago and 1.8 million cwt two years ago.

**U**nited States The 13 major potato States held 87.0 million cwt of potatoes in storage May 1, 2010, up 11 percent from a year ago. Potatoes in storage accounted for 23 percent of the 2009 fall storage States' production, 2 percentage points above May 1, 2009.

Potato disappearance, at 297 million cwt, was 2 percent above May 1, 2009. Season-to-date shrink and loss, at 26.6 million cwt, was up 19 percent from the same date in 2009. Processors in the 9 major States have used 142 million cwt of potatoes this season, down 5 percent from the same period last year. Dehydrating usage accounted for 26.6 million cwt of the total processing, down 6 percent from last year.



**Fall Potatoes: Production and Stocks  
13 Major States and United States, May 1, 2009-2010**

State	Crop of 2008		Crop of 2009		
	Production 1,000 Cwt	Stocks May 1, 2009 1,000 Cwt	Production 1,000 Cwt	Stocks	
				April 1, 2010 1,000 Cwt	May 1, 2010 1,000 Cwt
<b>North Dakota</b>	22,680	4,200	19,125	5,000	2,800
California <sup>1</sup>	3,948	500	4,158	800	600
Colorado	21,907	5,900	22,080	8,100	4,900
Idaho	116,475	32,500	131,000	51,000	36,500
Maine	14,769	3,700	15,263	6,000	3,900
Michigan	14,875	700	15,660	1,200	<sup>2</sup>
Minnesota	20,400	4,400	20,700	7,300	4,900
Montana	3,465	<sup>2</sup>	3,347	2,000	600
Nebraska	8,245	1,200	8,756	2,200	1,100
New York	5,696	<sup>2</sup>	4,950	500	<sup>2</sup>
Oregon	18,676	5,300	21,460	8,000	5,300
Washington	93,000	16,500	88,450	28,300	21,300
Wisconsin	25,730	2,200	28,980	8,600	4,900
Other States		1,000			230
<b>13 State Total<sup>1</sup></b>	<b>369,866</b>	<b>78,100</b>	<b>383,929</b>	<b>129,000</b>	<b>87,030</b>

<sup>1</sup> April 1, 2010 revised.

<sup>2</sup> Combined into "Other States" to avoid disclosure of individual operations.

**Challenges Facing USDA's Conservation Reserve Program**

USDA's Conservation Reserve Program (CRP) pays rural landowners to convert environmentally sensitive cropland to long-term grass, tree, and wetland covers. To help maximize the CRP's effectiveness, program managers use an Environmental Benefits Index (EBI) that factors in cost and environmental attributes when ranking competing offers to enroll land in the program's periodic general signups. Scientific literature clearly documents the benefits of the CRP, including reduced erosion, increased wildlife abundance, and improved water quality. ERS research conservatively estimates CRP benefits of \$1.3 billion per year, excluding carbon sequestration, ecosystem protection, and other less easily quantified benefits.

After a period of relative stability, the CRP faces a number of changes. The 2008 Farm Act reduced the CRP's maximum enrollment to 32 million acres - 4.6 million acres less than the program's peak acreage in 2007. Moreover, increases in agricultural commodity prices since 2006 not only increase CRP costs, but may decrease landowner interest in the CRP if further increases are expected in the future. And, if program goals evolve in response to emerging environmental concerns, such as climate change, the location and types of practices installed on CRP lands may change, possibly affecting wildlife habitat and other environmental services provided by the program.

These factors create additional incentives for USDA to pursue efforts focusing on improved targeting, encouraging the use of better conservation practices, and heightening competition among bidders -- steps that hold promise for increasing the environmental benefits and lowering the cost of the CRP. Such efforts would benefit from better -- even if still imperfect -- scientific information.

**Acreage Limit Has Reduced CRP Enrollment**

As of October 1, 2009, the CRP is capped at 32 million acres -- nearly 20 percent below the cap of 39.2 million acres allowed under the 2002 Farm Act. To meet the new cap, USDA allowed approximately 2 million acres in contracts that expired on or before September 30, 2009, to leave the program without an offer to renew or extend the contracts. However, even under the lower CRP acreage cap, USDA will have continuing opportunities to add new enrollments or to seek modifications on currently enrolled acres, since contracts on 3.3 million to 6.5 million acres are scheduled to expire annually between 2010 and 2014.

**Higher Crop Prices Could Raise Program Costs and Influence CRP Enrollment**

Beginning in 2006, prices for many commodity crops rose, nearly doubling by the summer of 2008. While prices have since dropped, they are still high by historical standards, which will increase program costs as CRP rental rates increase to remain competitive with market returns.

High price expectations may also affect incentives to enroll. While CRP rental rates on new enrollments are based on yearly estimates of market rates provided by USDA's National Agricultural Statistics Service (NASS), to the extent that these estimates fail to capture expectations of future price increases, offered acreage could decline. On the other hand, many landowners may value the certainty of CRP rental payments and may appreciate the environmental benefits their retired cropland provides. These landowners may be willing to remain in the program even when crop production would provide higher revenues.

In 2006, contract holders of approximately 83 percent of the 28 million acres set to expire from the CRP between 2007 and 2010 accepted offers to reenroll or extend their contracts for 2 to 5 years. While this high rate of renewal came at the beginning of the surge in crop prices, very few landowners who reenrolled in 2006 elected to withdraw from the program in 2008. Many current CRP participants, therefore, may be relatively unresponsive to changes in commodity prices, or may view higher prices as temporary.

Eventually, however, if higher commodity prices (net of input costs) persist, CRP rental rates must increase to maintain landowner interest in the program. Thus, relative to the program's status as of February 2010, either costs will increase or environmental benefits will likely decrease.

**Economists Estimate Impact of Alternative Prices and Acreage Scenarios**

Simulation models can highlight the relationships between crop prices, CRP rental rates, and environmental benefits. ERS analysts conducted several simulations using a data-rich model that incorporates information from USDA's Natural Resources Inventory, agricultural commodity prices, and EBI weights.

After calibrating the model against contracts and conditions existing in 2005, researchers simulated a 30-million-acre general signup, focusing on enrollment levels and environmental benefits under a baseline and two projected scenarios. The baseline uses 2007 commodity prices (which were similar to 2009 prices) and holds CRP rental rates at 2007 levels. The two projected scenarios incorporate likely changes in CRP rental rates to illustrate possible program costs and benefits -- as measured by the EBI -- if (1) 2007 commodity prices persist in the long run and (2) summer 2008 prices return and persist for the long run.

These illustrative scenarios highlight several possible outcomes. The baseline represents a "do nothing" scenario -- where rental rates are held constant. In this scenario, only 29 million acres would be offered for enrollment. Accepting all offers with no competitive pressure holding down bids results in a yearly cost of about \$1.8 billion. In comparison, CRP payments for the best 29 million general signup acres were about \$1.1 billion in 2008. Furthermore, under this scenario, average per acre environmental benefits (based on EBI scores) are below those of currently enrolled acres.

Since USDA periodically adjusts rental rates as market rates change, the first projection considers an across-the-board 60-percent increase in CRP rental rates, which allows the program to achieve 30 million acres with per acre environmental benefits similar to current contracts. This would lead to a further increase in annual rental payments to nearly \$2.5 billion.

The second projection shows that if crop prices return to the high levels of mid-2008, a 120-percent increase in per acre CRP rental rates would allow the quality and quantity of CRP acreage to be largely retained, but yearly program costs would increase to \$3.0 billion.

While these scenarios focus on price increases, the overall conclusion holds even after factoring in USDA projections of near-term minor price declines. Since overall prices are still likely to be higher than average prices when most current contracts were accepted, higher program payments will be needed to maintain the program's environmental benefits as these contracts expire and are replaced with new enrollments.

**Source: Amber Waves, USDA-ERS, June 2010**

## CORN HARVESTED FOR GRAIN ESTIMATE UPDATE

Survey respondents who reported unharvested corn for grain in North Dakota and South Dakota during the annual December survey were re-contacted to determine final acreage and production. Based on this updated information, the following are changes to the 2009 Annual Crop Production Summary published January 12, 2010. Because unharvested production is a component of on-farm stocks, changes were made to the December 1 on-farm stocks levels comparable with the production adjustments as well.

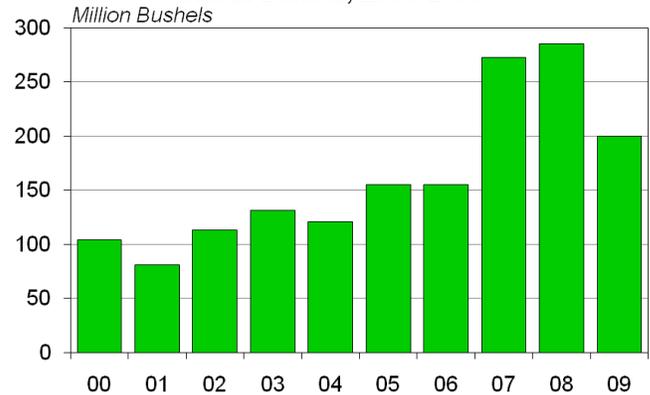
### North Dakota

Total corn for grain production fell 8.15 million bushels to 200 million bushels from the previous estimate. Corn harvested for grain, at 1.74 million acres, decreased 10,000 acres and average yield decreased 4 bushels to 115 bushels per acre. The corn for grain on-farm stocks as of December 1, 2009 dropped 10.0 million bushels to 140 million bushels.

### United States

Corn production in the U.S. is estimated at 13.1 billion bushels, down fractionally from the previous estimate. The U.S. average yield per acre, of 164.7, is down 0.2 bushel from the previous estimate.

**Corn for Grain: Production  
North Dakota, 2000-2009**



**Corn: Area Planted for All Purposes, Area Harvested, Yield and Production for Grain  
North Dakota and United States, 2008-2009**

State	Area Planted		Area Harvested	
	2008 <i>1,000 Acres</i>	2009 <i>1,000 Acres</i>	2008 <i>1,000 Acres</i>	2009 <sup>1</sup> <i>1,000 Acres</i>
North Dakota	2,550	1,950	2,300	1,740
United States	85,982	86,482	78,570	79,590
	Yield		Production	
	2008 <i>Bushels</i>	2009 <sup>1</sup> <i>Bushels</i>	2008 <i>1,000 Bushels</i>	2009 <sup>1</sup> <i>1,000 Bushels</i>
North Dakota	124.0	115.0	285,200	200,100
United States	153.9	164.7	12,091,648	13,110,062

<sup>1</sup> Revised.

**Corn Stocks: By Position, Current and Previous Quarter  
North Dakota and United States, December 2008-March 2010**

Crop	Date	North Dakota			United States		
		On Farm <i>1,000 Bushels</i>	Off Farm <sup>1</sup> <i>1,000 Bushels</i>	Total All Positions <i>1,000 Bushels</i>	On Farm <i>1,000 Bushels</i>	Off Farm <sup>1</sup> <i>1,000 Bushels</i>	Total All Positions <i>1,000 Bushels</i>
Corn	Dec 1, 2008	170,000	57,300	227,300	6,482,000	3,590,106	10,072,106
	March 1, 2009	93,000	50,000	143,000	4,085,000	2,869,145	6,954,145
	Dec 1, 2009 <sup>2</sup>	140,000	32,462	172,462	7,405,000	3,497,460	10,902,460
	March 1, 2010	100,000	34,121	134,121	4,548,000	3,145,940	7,693,940

<sup>1</sup> Includes stocks at mills, elevators, warehouses, terminals and processors.

<sup>2</sup> On farm stocks revised.



## WINTER WHEAT PRODUCTION & HAY STOCKS

### North Dakota

Winter wheat producers reported they expect to harvest 16.6 million bushels from the 2010 North Dakota winter wheat crop. This is down 36 percent from last year and 26 percent below the 2008 level. Yield for this year's crop is forecast at a record high 52 bushels per harvested acre, up 4 bushels from last year and 3 bushels above the record set in 2007. A total of 320,000 acres of winter wheat are expected to be harvested, down from 545,000 last year and 550,000 in 2008.

Hay stocks on North Dakota farms totaled 1.31 million tons on May 1, up 87 percent from last year and 4 percent above the 2008 level. Disappearance for the period December 2009 through April 2010 was 4.2 million tons, compared with 3.3 million tons a year earlier.

### United States

Winter wheat production is forecast at 1.46 billion bushels, down 4 percent from 2009. Expected area for harvest as grain or seed totals 31.8 million acres, down 8 percent from last year. Based on May 1 conditions, the U.S. yield is forecast at 45.9 bushels per acre, up 1.7 bushels from the previous year.

All hay stored on farms May 1, 2010 totaled 20.9 million tons, down 5 percent from a year ago. Disappearance from December 1, 2009-May 1, 2010 totaled 86.3 million tons, compared with 81.6 million tons for the same period a year ago.

### Winter Wheat Production and Hay Stocks North Dakota and United States, 2008-2010

Item	Unit	2008	2009	2010
<b>Winter Wheat <sup>1</sup></b>				
<b>North Dakota</b>				
Harvested for Grain	1,000 Acres	550	545	320
Yield Per Acre	Bushels	41.0	48.0	52.0
Production	1,000 Bushels	22,550	26,160	16,640
<b>United States</b>				
Harvested for Grain	1,000 Acres	39,608	34,485	31,786
Yield Per Acre	Bushels	47.1	44.2	45.9
Production	1,000 Bushels	1,867,333	1,522,718	1,458,350
<b>Hay Stocks</b>				
<b>North Dakota</b>				
Quantity, May 1	1,000 Tons	1,260	700	1,310
Quantity, December 1	1,000 Tons	4,032	5,500	
<b>United States</b>				
Quantity, May 1	1,000 Tons	21,585	22,065	20,913
Quantity, December 1	1,000 Tons	103,658	107,222	

<sup>1</sup> 2010 winter wheat forecasted yield and production.

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