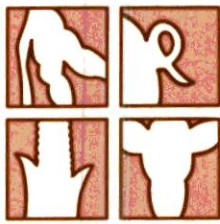




Cooperative  
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# WEEKLY OUTLOOK

Department of Agricultural Economics  
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August 14, 1987

## **CROPS ARE LARGER THAN EXPECTED**

Based on an August 1 survey, the USDA estimates the 1987 soybean crop will reach 2 billion bushels and the corn crop will reach 7.23 billion bushels. Both estimates, which were released on August 11, exceed the figures released earlier by private forecasters and reflect record national average yields--34.7 bushels for soybeans and 121.4 bushels for corn. If the estimated crop of soybeans materializes, it will be almost identical to the 1986 crop, in spite of a 1.8 million acre reduction in area harvested. The corn crop would be about 1 billion bushels smaller due to a 9.6 million acre reduction in area harvested for grain.

Production of all feed grains (corn, sorghum, oats and barley) is expected to total 8.9 billion bushels, compared with 10.2 billion bushels a year ago. Only the crop of oats is expected to exceed the 1986 harvest. Production of all classes of wheat is estimated at 2.125 billion bushels, which is up 38 million bushels in spite of a 5.3 million acre reduction in area harvested. The average yield is up about 4 bushels per acre, at 38 bushels.

The USDA also released revised supply and demand estimates. The 1986-87 marketing year for corn and soybeans ends on August 31. Ending stocks of corn are projected at 4.929 billion bushels, down 25 million bushels from last month's projection due to an equivalent increase in the export projection. Although ending stocks are considerably smaller than what was projected six months ago, they are record large and represent about 8 months supply.

Ending stocks of soybeans are projected at 505 million bushels, 55 million less than last month's figures and about 100 million less than the peak forecast of several months ago. The lower carryover estimate is accounted for by a continuation of a high level of soybean exports into the summer months, strong soybean meal demand, and an apparent overestimate of the 1988 crop. Soybean exports are expected to reach 740 million bushels--identical to exports of a year ago. Soybean meal exports are expected to reach 7.4 million tons, and domestic use is projected at 20.4 million tons, resulting in a record crush of 1.18 billion bushels of soybeans. The USDA shows a large "residual" use of soybeans, admitting to a 28 million bushel overestimate of the 1986 harvest.

For the 1987-88 marketing year, the USDA sees a modest increase in corn use in all three major categories--processing, feed, and exports. Domestic use is expected to increase by 1 percent. At the same time, exports are projected to increase by 5 percent, to 1.6

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billion bushels. Carryover stocks at the end of the 1987-88 marketing year are projected at 4.66 billion bushels.

In the case of soybeans, product use is expected to continue to expand during the 1987-88 marketing year. Meal exports are projected at 7.25 million tons, down 150 thousand tons, but domestic use is expected to increase by 700 thousand tons. Oil exports are projected at 1.4 billion pounds--up 300 million pounds; and domestic use is projected at 11.15 billion pounds--up 400 million pounds. As a result, the domestic crush of soybeans is expected to increase by 20 million bushels to 1.2 billion bushels.

Exports of soybeans are expected to decline by 70 million bushels during the year ahead. That magnitude of decline is equal to the expected increase in soybean production outside of the United States. In light of the recent growth in soybean meal consumption outside of the United States (6 percent this year and 15 percent over the past three years), the projection for soybean exports appears too pessimistic. Part of the caution reflects increased competition from other protein meals during the year ahead.

Price reaction to the *Crop Production* report was modest, as recent price declines reflected market anticipation of relatively large crops. Prices will remain under pressure through harvest. The best strategy now is to put 1987 crops under a Commodity Credit Corporation loan and to wait. The prospects for a postharvest price recovery are good, and the downside risk is minimal.



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