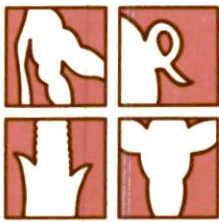




Cooperative
Extension Service
University of Illinois
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WEEKLY OUTLOOK

Department of Agricultural Economics
College of Agriculture
University of Illinois at Urbana-Champaign

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USDA REPORTS PUSH CORN AND SOYBEAN PRICES HIGHER

On January 14 the USDA released its annual *Crop Production*, quarterly *Grain Stocks*, monthly *Supply and Demand*, and annual *Winter Wheat Seedings* reports. These reports were quite favorable for corn and soybean price prospects and neutral to slightly bearish for wheat price prospects. Following is a summary of the reports and their implications for each of the three commodities.

CORN. The estimated size of the 1987 corn harvest was reduced by 102 million bushels, to 7.064 billion bushels. The reduction reflected a lowering of the estimates of harvested acreage and average yield per acre. The U.S. average yield is 119.4 bushels per acre, 0.9 bushels less than the previous estimate and about equal to the 1986 yield.

Stocks of corn on hand on December 1 were estimated at 9.767 billion bushels, down 5 percent from last year's inventory. The stocks figure implies that a record 2.181 billion bushels of corn were used during the first quarter of the marketing year. Based on monthly reports from the Commerce Department, corn exports (including corn products) during that time period totaled about 399 million bushels. It should be noted that weekly corn inspection figures have apparently overstated cumulative corn exports to date by about 20 million bushels. Processing uses of corn during the first quarter were thought to have reached 290 million bushels. The remaining quantity of corn, 1.492 billion bushels, is allocated to the feed and residual category. That figure is almost 8 percent larger than the record figure of a year ago. Based on the seasonal pattern of the last two years, feed and residual use of corn to date projects the use of an unbelievable 5.05 billion bushels for the entire year.

Based on the stocks figure, the USDA raised its feed and residual projection for the year to 4.9 billion bushels. Other estimates of use were unchanged. Stocks at the end of the marketing year are now projected at 4.123 billion bushels, a six-month supply at the projected level of use.

SOYBEANS. The estimated size of the 1987 crop was reduced by 55 million bushels, to 1.905 billion bushels. The U.S. average yield estimate was lowered by 0.4 bushels, to 33.7 bushels per acre. The big surprise, however, was the 1.2 million acre reduction in the estimate of harvested acreage. The relatively large reduction in the estimated crop size was spread over several states.

Stocks of soybeans on December 1 were estimated at 1.755 billion bushels, 202 million bushels less than the stocks of a year ago. The amount of soybeans crushed during the first quarter of the marketing year was about the same as a year ago and exports were up 36 million bushels. Weekly export inspection figures have overstated exports by 8 million bushels to date. The

calculation of seed and residual use of soybeans for the first quarter is 40 million bushels, suggesting that the 1987 crop may still be overestimated.

Based on the new production and stocks figures, the USDA lowered its projection of stocks at the end of the marketing year by 40 million bushels, to 295 million bushels. Stocks at that level represent less than a two-month supply. Based on current favorable crop prospects in South America, however, the projection of U.S. soybean use may be too optimistic.

WHEAT. December 1 stocks of wheat were estimated at 2.506 billion bushels, 168 million bushels less than a year ago, but about 60 million bushels more than expected. As a result, the USDA lowered its wheat feeding projection for the 1987-88 marketing year by 100 million bushels. Stocks at the end of the marketing year are now projected at 1.381 billion bushels, down 440 million bushels from last year, but 95 million bushels above last month's projection.

Winter wheat seedings for harvest in 1988 were estimated at 48.349 million acres, only 432,000 acres less than seeded a year ago. Although not estimated separately, it appears that acreage of soft red winter wheat is up about 12 percent from a year ago.

As a result of this new information, corn and soybean prices for the 1988 crop reached new highs. Whether such rallies can be sustained will depend primarily on production prospects for 1988. We suspect that corn and soybean acreage will increase significantly if current prices hold into the planting season.



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