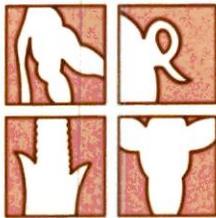




Cooperative  
Extension Service  
University of Illinois  
at Urbana-Champaign



# WEEKLY OUTLOOK

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

September 14, 1988

## CROP PRODUCTION ESTIMATES UNCHANGED

**Surprisingly large estimates of the 1988 corn and soybean crops appeared in the USDA's September *Crop Production* report. Those estimates were essentially unchanged from a month ago although many analysts had expected smaller figures.**

The 1988 corn crop is expected to total 4.462 billion bushels, only 17 million fewer bushels than the August estimate. The national average yield estimate was unchanged at 78.5 bushels per acre, but the harvested acreage figure was lowered by 250,000 acres. The average guess among analysts surveyed prior to the release of the report was a crop of about 4.2 billion bushels. Compared to August figures, crop conditions deteriorated in Iowa, Minnesota, Nebraska, and Wisconsin; but they improved in Indiana, Kentucky, Missouri, Ohio, and Pennsylvania.

Revised supply and demand estimates showed no changes from last month's estimates in the projection of corn use for the 1988-89 marketing year. Use for all purposes is projected at 7.26 billion bushels--339 million fewer bushels than use during the 1987-88 marketing year. Stocks of corn on September 1, 1989, are projected at 1.559 billion bushels, or about a 2.5-month supply. Corn supplies are adequate. The market's attention will now turn more to demand considerations. Unless additional export buying surfaces, prices will continue to drift lower. December futures may approach \$2.80. Export buying will have to be significant in order to make December futures rally back up near \$3.15.

The U.S. soybean crop was estimated at 1.472 billion bushels, a figure that is almost identical to the August estimate. The September report contained marginal changes in the estimates of the U.S. average yield and harvested acreage. At 25.9 bushels per acre, the U.S. average yield is expected to be very close to the level of the 3 previous drought years of 1976, 1980, and 1983. Compared to August estimates, soybean crop conditions declined in Iowa, Kansas, Minnesota, and Nebraska; but they improved in Indiana, Louisiana, Mississippi, Ohio, South Carolina, and South Dakota. A survey of analysts prior to the release of the report showed an average crop estimate of 1.42 billion bushels, 50 million fewer bushels than the USDA figure.

Revised supply and demand figures for soybeans and soybean products contained small changes from last month's projections. Bean exports are projected at 550 million bushels, down 10 million from last month's figures, whereas the domestic crush is projected at 1.01 billion bushels, up 10 million from the projection given a month ago. Carryover stocks of soybeans at the end of the 1988-89 marketing year are projected at a pipeline level of 100 million bushels, less than a 1-month supply.

For soybean meal, the projection of domestic use was increased by 350,000 tons to 19.5 million tons, whereas the export projection was lowered by 100,000 tons to 4.5 million. Domestic oil use is forecast at 10.9 billion pounds, up 50 million pounds over the August figure. Oil exports are forecast at 1.25 billion pounds and unchanged from the August projection.

The majority of the adjustment to the small 1988 soybean crop is expected to be made in the export market. Compared to the 1987-88 marketing year, exports of beans, meal, and oil are expected to decline by 30 percent, 32 percent, and 34 percent, respectively. The domestic crush is expected to decline by 14 percent. Domestic meal use is forecast to decline by only 9 percent, and oil use is expected to be unchanged.

The market's attention will now turn to export demand for U.S. soybeans and weather conditions in South America. Poor exports and good weather could see November futures decline to about \$8.20. Poor South American weather and good export buying could push that contract to about \$9.30.

Revised production and supply and demand estimates for wheat were generally constructive. Smaller spring wheat figures resulted in a production estimate of 1.81 billion bushels, or 11 million fewer bushels than the August figure. The export projection was increased by 50 million bushels to 1.45 billion bushels. The increase reflects smaller estimates for the wheat crop in Canada and Argentina and expectations of increased Soviet purchases of wheat. Stocks at the end of the marketing year are projected at 536 million bushels, a 2.5-month supply. Soft red winter wheat inventories are expected to be reduced to a 2-week supply. Chicago wheat futures should remain firm to higher, with a test of contract highs possible.



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