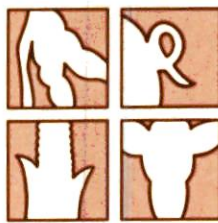




Cooperative
Extension Service
University of Illinois
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WEEKLY OUTLOOK

Department of Agricultural Economics
College of Agriculture
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May 17, 1989

SMALL WHEAT CROP, LARGE CORN AND SOYBEAN CROPS

On May 11, the USDA released the first estimate of the size of the 1989 winter wheat crop. The USDA also released revised projections of the level of use and carryover stocks for the current marketing year of corn, soybeans, and wheat. Finally, the USDA released the first projections of supply, demand, and price for the 1989-90 marketing year for each of these commodities.

WHEAT. The 1989 winter wheat crop is expected to total only 1.43 billion bushels, 8.4 percent below last year's production and the smallest crop since 1978. Production of hard red winter wheat is estimated at 696 million bushels, 21 percent less than was produced last year and the smallest crop since 1966. The soft wheat crop is estimated at 552 million bushels, 26 percent above last year's production and the third largest on record. The white wheat crop is estimated at 182 million bushels, down 12 percent from last year and the smallest since 1973. The potential U.S. average winter wheat yield is 34.9 bushels per acre, 4.3 bushels below last year's yield, nearly 7 bushels below the record yield of 1983, and the lowest yield since 1978.

With normal yields, the spring wheat crop is expected to reach 620 million bushels, 2.5 times the size of the 1988 crop. This year, production of all classes of wheat is expected to be 2.05 billion bushels, 13 percent larger than last year's crop but the second smallest since 1978. Stocks of wheat at the beginning of the marketing year (June 1, 1989) are expected to total 591 million bushels. That figure is 45 million bushels larger than last month's estimate, primarily because of a smaller export projection for the current year. Stocks at the end of the 1989-90 marketing year are expected to be a scant 500 million bushels. The average price of wheat for the 1989-90 marketing year is expected to fall in a range of \$3.80 to \$4.20 per bushel, compared with the \$3.75 average of the current year.

CORN. No changes were made in the USDA's projections of use or carryover stocks for the current corn marketing year. Stocks on September 1, 1989, are still expected to total 1.83 billion bushels. Based on the report of corn planting intentions and a normal or trend yield, the 1989 corn harvest is projected at 7.85 billion bushels; that projection implies a U.S. average yield near 118 bushels per acre. The record yield was 119.4 bushels, achieved in 1987.

Domestic use of corn is expected to increase by about 5 percent, to a total of 5.5 billion bushels, during the 1989-90 marketing year. Exports are expected to decline by 7 percent to 1.95 billion bushels. Corn used for all purposes is expected to

increase by only 95 million bushels, or 1.3 percent. Carryover stocks are projected at 2.232 billion bushels, and the average price for the 1989-90 marketing year is expected to be between \$1.65 and \$2.05 per bushel, compared with this year's average near \$2.60 per bushel.

SOYBEANS. For the current marketing year, the USDA's projection of soybean meal exports was increased by 250,000 tons, resulting in a 10-million-bushel increase in the projection of domestic crush and an equal reduction in the expected size of carryover stocks. Stocks on September 1, 1989, are expected to total only 135 million bushels.

Based on farmers' planting intentions and a "normal" yield of 32 bushels per acre, the 1989 soybean crop is expected to reach 1.95 billion bushels, 411 million bushels larger than the 1988 crop and about equal to the crops of 1986 and 1987. The domestic soybean crush is expected to increase 5 percent and exports are projected to increase by 9 percent during the 1989-90 marketing year. Soybeans used for all purposes are projected at 1.8 billion bushels, an increase of 5.5 percent. Stocks at the end of the 1989-90 marketing year are projected at 285 million bushels, and the average price for the year is expected to fall between \$4.75 and \$6.25 per bushel, compared with \$7.35 for the current year.

In summary, the projections for the 1989-90 marketing year for corn and soybeans reflect good yields, very weak demand, and sharply lower prices. Given current weather conditions, the production figures seem too generous. The projections of corn and soybean use are stingy, and price expectations appear to be too low. A 1.0 percent increase in corn use associated with a 28 percent reduction in corn price appears to be especially inconsistent. The current price projections for the 1989-90 marketing year may be the lowest of the year.



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