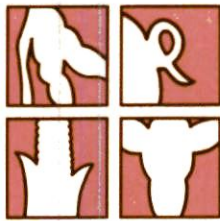




Cooperative
Extension Service
University of Illinois
at Urbana-Champaign



WEEKLY OUTLOOK

Department of Agricultural Economics
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August 16, 1989

CORN AND SOYBEAN CROPS SMALLER THAN EXPECTED

The first USDA estimates of the potential size of the 1989 corn and soybean crops were released on August 11. In addition, the wheat crop estimate was revised, and new supply and demand estimates were released. Following is a summary of those reports and the implication for prices.

Corn. Based on crop conditions near the first of the month, the 1989 corn crop is expected to total 7.348 billion bushels. That estimate is 49 percent larger than last year's crop but about 200 million bushels below the average trade guess. The estimate of planted acreage was reduced by 470,000 acres, and the harvested acreage figure declined 690,000 acres from the July estimate. The declines came in Ohio, Indiana, and Pennsylvania. The U.S. average yield is expected to be 112.8 bushels, per acre, near the average of nondrought years since 1978. With a crop of 7.348 billion bushels, beginning stocks of 1.83 billion bushels, and small imports, the supply of corn for the 1989-90 marketing year will total 9.181 billion bushels. That figure is almost identical to last year's supply.

The use of corn is expected to increase by 145 million bushels during the upcoming marketing year. Exports are projected at 2 billion bushels, only 100 million bushels less than exports this year and 50 million bushels more than projected last month. A lower crop production estimate for the USSR accounts for the larger projection. Domestic use of corn is expected to increase by 245 million bushels. Ending stocks are projected at 1.681 billion bushels. The quick rebound in the corn surplus following the short crops of 1980 and 1983 will apparently not occur following the 1988 drought.

Soybeans. Planted acreage of soybeans is estimated at 60.475 million, 850,000 acres less than indicated in the June report and 1.245 million acres below intentions reported in March. With harvested acreage of 59.073 million acres and a U.S. average yield of 32.3 bushels per acre, the 1989 crop is expected to total 1.905 billion bushels. That estimate is 24 percent larger than last year's crop but about 40 million bushels below the average trade guess.

The positive price impact of the small crop estimate will be at least partially offset by reductions in the estimates of use. For the current marketing year, the estimates of use were reduced by 30 million bushels and the projections for the upcoming year were reduced by 35 million bushels. Use during the 1989-90 marketing year is

expected to be only 5 percent larger than use during the current year. Stocks of soybeans on September 1 are expected to be 155 million bushels and to increase to 285 million bushels by September 1, 1990.

Wheat. The 1989 wheat crop is estimated at 2.044 billion bushels, 73 million bushels below the July estimate and only 233 million bushels larger than the 1988 crop. The lower production figure reflected a deterioration in the spring wheat crop. Compared to last year, however, that crop is up by 328 million bushels. The soft red winter wheat crop is 87 million bushels larger and the hard red winter wheat crop is 164.5 million bushels smaller.

The USDA also increased its forecast of wheat exports by 50 million bushels to 1.275 billion bushels. Stocks of wheat at the end of the 1989-90 marketing year are projected at 474 million bushels. In recent history, ending stocks were lower only in 1974 and 1975. Prior to those two years, stocks were not at such low levels since 1952.

The USDA also revised its projections of the season's average prices. The ranges are \$1.85 to \$2.30, \$3.85 to \$4.25, and \$4.75 to \$6.00, for corn, wheat, and soybeans, respectively. Prices moved higher following these reports, and corn and soybean prices were near the high end of the USDA's projection of average prices. The rally should be used to price additional quantities of those crops.



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