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WEEKLY OUTLOOK

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

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LARGER CORN AND SOYBEAN PRODUCTION ESTIMATES

The USDA's October *Crop Production* report contained larger estimates for corn and soybeans, but the wheat crop estimate was smaller. These new estimates, along with last month's stocks estimates, were the basis for revising supply and demand projections for the 1989-90 marketing year. A summary of the changes for corn, soybeans, and wheat follows.

Corn

The 1989 corn harvest is now expected to reach 7.449 billion bushels, 128 million bushels above the September estimate. The national average yield is estimated at 114.4 bushels per acre, 2 bushels above the previous estimate. Increases in crop size came mainly in the western Corn Belt--Iowa, Minnesota, and Nebraska. The yield estimate for Iowa increased by 6 bushels. The total supply of corn (production plus carryover stocks) is estimated at 9.38 billion bushels, about 200 million bushels larger than last year's supply.

Projected corn use for the 1989-90 marketing year was unchanged at 7.5 billion bushels. Stocks at the end of the marketing year are now projected at 1.882 billion bushels, a decline of 48 million bushels from the level of beginning stocks but 203 million bushels above last month's projection.

In 12 of the past 15 years, the November corn production estimate was larger than the October estimate. The November figure was unchanged in two years and smaller only one time--in 1983. The average October to November increase was 1.25 percent. A similar increase this year would result in a crop estimate near 7.54 billion bushels.

With an abundant supply of corn confirmed and an increase in use already projected, it will be difficult for the corn market to rally. December futures will likely move toward \$2.20 and perhaps a bit lower as harvest is completed. Rallies will have difficulty moving above \$2.45.

Soybeans

The October soybean production estimate was for a crop of 1.926 billion bushels, nearly 2 percent larger than the September figure. The largest September to October increase of the past 15 years came in 1985 when the estimate increased by 2.2 percent. The larger October estimate this year reflected increases in the size of the crops in Iowa, Minnesota, Illinois, and Arkansas.

With beginning stocks of 182 million bushels, the supply of soybeans for the 1989-90 marketing year totals 2.108 billion bushels, an increase of 258 million bushels from last year's supply. Even with sharply lower prices, the USDA projects that soybean use during the 1989-90 marketing year will be only 7 percent larger than last year's use. Use last year was at the lowest level in 12 years. The inventory of soybeans at the end of the current marketing year is projected at 325 million bushels.

The soybean situation remains bearish. New lows were established after the report, and prices will remain under pressure through the remainder of harvest. History suggests that the soybean production estimate might be 20 million bushels larger next month. Unless demand surfaces in the form of an increase in the crush rate or additional export sales, November futures will likely decline to \$5.30 or lower and any postharvest price recovery will be small.

Wheat

The estimated size of the 1989 wheat crop dropped 22 million bushels to 2.042 billion. At the same time, the USDA increased the projection of domestic wheat use by 32 million bushels. Stocks of wheat at the end of the marketing year (May 31, 1990) are projected at 443 million bushels, a decline of 255 million bushels from the level of beginning stocks; however, the USDA's projection of 200 million bushels for feed use of wheat appears too high. Prospects of a substantial increase in wheat production in 1990 will keep a lid on prices. A rapid sell-off is not expected until winter wheat seedings are confirmed. A severe winter would provide the ingredients for a rally in new crop prices.



**Issued by Darrel Good
Extension specialist
Prices and Outlook**

Cooperative Extension Service
United States Department of Agriculture
University of Illinois
At Urbana-Champaign
Urbana, Illinois 61801