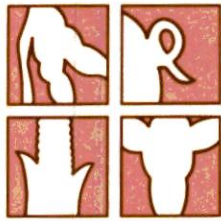




Cooperative  
Extension Service  
University of Illinois  
at Urbana-Champaign



# WEEKLY OUTLOOK

Department of Agricultural Economics  
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November 15, 1989

## LARGER PRODUCTION ESTIMATES FOR CORN AND SOYBEANS

The USDA's November production estimates showed larger corn and soybean crops than estimated last month. The corn crop is expected to total 7.59 billion bushels, 141 million bushels larger than the October figure. The national average yield is pegged at 116.6 bushels per acre, 2.2 bushels above last month's estimate and 4.2 bushels above the September estimate. The increase in the yield figure since September is the largest increase since 1979 when the yield figure grew by 4.6 bushels. This year the yield estimate in Iowa has increased by 11 bushels since September, while the Minnesota yield estimate is 10 bushels higher.

Over the past 14 years, the November production estimate has exceeded the September estimate 11 times. In eight of those years, the January estimate exceeded the November estimate. The average increase was 2.3 percent in a range of 0.8 to 5.4 percent. There is a high probability that the 1989 crop was larger than the November estimate.

The USDA also raised its forecast of total grain imports by the USSR and corn exports from the United States. U.S. corn exports during the 1989-90 marketing year are projected at 2.15 billion bushels, 150 million bushels above last month's projection and 90 million bushels above the exports of last year. The projection of domestic processing uses of corn was lowered by 25 million bushels to 1.275 billion bushels.

The net effect of all the changes was an increase of 16 million bushels in the projected level of stocks at the end of the marketing year. At 1.898 billion bushels, that projection is 32 million bushels below the level of stocks at the beginning of the year.

For the next two months, the rate of corn export sales will be the predominant focus of the market. With large sales already on the books and large exports already projected, it is unlikely that export sales will be a source of further price strength. Cash and futures prices are expected to remain in a very narrow range through December and perhaps through the entire winter. The December 1 estimate of corn stocks will be available in early January. That estimate will provide the first check on the rate of domestic feed and residual use of corn.

The November soybean production estimate was 1.937 billion bushels, 11 million bushels larger than the October figure and in line with expectations. The production

estimate reflects a national average yield of 32.8 bushels, only 1.3 bushels below the record yield of 1985. Compared with estimates of two months ago, yield estimates were generally lower in the Southeast and higher in the western Corn Belt. Of the major producing states, the yield estimate was highest for Illinois at 40 bushels per acre. As with corn, there is a strong historical pattern for the final soybean production estimate to exceed the November figure.

In the USDA's revised supply and demand estimates, all of the production increase showed up as a larger projection of carryover stocks. Stocks at the end of the 1989-90 marketing year are projected at a burdensome 335 million bushels. While it is still early in the marketing year, there is growing evidence that current soybean prices may result in more use and smaller carryover stocks than projected by the USDA. Statistics from the National Oilseed Processors Association showed that during the first week of November the domestic crush exceeded 20 million bushels for the first time in almost a year. Soybean export commitments have increased by nearly 18 million bushels per week since the middle of September. Planting delays in Brazil and improving export prospects for soybean meal and oil all contribute to a more positive outlook for soybean use.

At current prices, the demand base for soybeans will be strengthened, setting up the possibility of higher prices later in the marketing year. Significantly higher prices in the short run, however, would likely reduce the rate of use. The market will focus on South American crop prospects. An early season price recovery based on crop concerns would provide the opportunity to price additional 1989 crop soybeans and some 1990 crop soybeans.



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Prices and Outlook

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