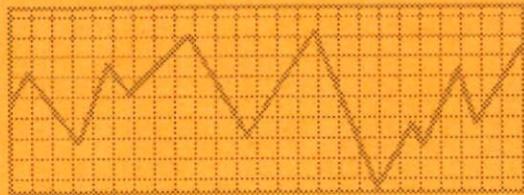




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# WEEKLY OUTLOOK

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## WINTER WHEAT CROP ESTIMATE LARGER THAN EXPECTED

The USDA's *Crop Production* report released on May 10 contained the first estimate of the size of the 1990 winter wheat crop. The *Supply and Demand* report contained revised demand estimates for the 1989-90 marketing year and the first projections for the 1990-91 marketing year. Production estimates for the 1990 crops of corn and soybeans were based on March planting intentions and normal yields. Following is a summary of the projections for wheat, corn, and soybeans.

**WHEAT.** Demand projections for the 1989-90 marketing year, which is completed at the end of this month, were unchanged from last month's projections. Ending stocks are expected to be small, at 442 million bushels.

The 1990 winter wheat crop is estimated at 2.092 billion bushels, 638 million bushels larger than the drought-reduced crop of 1989. The national average yield potential is pegged at 41.1 bushels per acre, 6 bushels better than last year's yield and only 0.7 bushels below the record 1983 yield. The crop in Kansas is estimated at 460 million bushels, more than double last year's production. Larger crops are expected in all of the major wheat producing states except Georgia, Kentucky, South Carolina, and Tennessee.

The yield potential for the spring wheat crop has not yet been evaluated, but the World Outlook Board made a projection of 600 million bushels. Production of all wheat is estimated at 2.692 billion bushels, 656 million bushels larger than last year's crop. The use of wheat for all purposes during the 1990-91 marketing year is expected to increase by about 70 million bushels, to a total of 2.39 billion bushels. If that projection is correct, stocks of wheat will grow to 765 million bushels by the end of the year. The USDA projects the 1990-91 season's average price in a range of \$2.90 to \$3.30 per bushel. The average for the current marketing year will be near \$3.70.

**CORN.** Demand estimates for the current marketing year were unchanged. Many analysts were looking for an increase, but the higher export projection of 2.3 billion bushels was offset by a reduction in the projection of domestic processing uses. At 1.33 billion bushels, ending stocks will represent about a 2-month supply.

The first projections for the 1990-91 marketing year by the World Outlook Board show a crop of 8.1 billion bushels and total consumption of 8.165 billion bushels. Ending stocks are projected at only 1.267 billion bushels. The season's average price is projected in a range of \$2.25 to \$2.65 per bushel.

The futures market is currently offering a price for the 1990 crop that exceeds the upper end of the USDA's projection. Many traders expect that a late, wet spring will result in a decline in corn acreage and an increase in soybean acreage. History suggests that the switch will not occur. In addition, history suggests that wet springs lead to large yields. The one notable exception was 1974, when an early frost severely reduced the crop size. It is likely that ending stocks will be larger than currently projected and that prices will be lower than currently offered.

**SOYBEANS.** The market was anticipating an increase in the soybean export projection for the current year and a lower projection of ending stocks. USDA projections were unchanged. For the 1990-91 marketing year, production is projected at 1.925 billion bushels, almost identical to the size of the 1989 crop. Use for all purposes is expected to increase by 70 million bushels, to a total of 1.878 billion bushels. Stocks at the end of the 1990-01 marketing year are projected at 355 million bushels, an increase of 50 million bushels from the level of beginning stocks. The season's average price is expected to be in a range of \$4.75 to \$6.25 per bushel. The mid point of that range is \$.15 lower than the average price expected for the current marketing year. The futures market is currently offering an average price well above the upper end of the USDA's projection.

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