



WEEKLY OUTLOOK

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CORN PRODUCTION UP, SOYBEANS DOWN

In its August *Crop Production* report, the USDA estimated the 1990 U.S. corn crop at 7.85 billion bushels, 4.3 percent larger than the 1989 crop. Soybean production is estimated at 1.836 billion bushels, 4.7 percent smaller than the 1989 crop.

Planted acreage of corn is estimated at 74.474 million acres, an increase of 2.18 million acres from last year's plantings but 100,000 acres less than estimated in June. Harvested acreage is expected to total 66.7 million. The U.S. average corn yield is expected to be 117.7 bushels per acre, an increase of 1.5 bushels from last year's yield and 2.1 bushels below the record yield of 1987.

Carryover stocks of old crop corn at the beginning of the 1990-91 marketing year (September 1) are projected at 1.33 billion bushels. That estimate is 50 million bushels above last month's projection due to a reduction in the expected level of corn feeding this summer. Large supplies of low priced and/or low quality wheat probably resulted in an increase in wheat feeding this summer.

The total supply of corn (carryover stocks plus production plus imports) at the beginning of the new marketing year is projected at 9.182 billion bushels. That figure is 278 million bushels less than last year's supply and identical to the supply in the drought year of 1988. The USDA expects the use of corn for all purposes during the 1990-91 marketing year to total 7.975 billion bushels, a decline of 155 million bushels from use during the current year. Domestic use is expected to increase by 120 million bushels, to a total of 5.9 billion bushels, while exports are expected to decline by 275 million bushels to 2.075 billion. The inventory of corn at the end of the 1990-91 marketing year is expected to decline to 1.207 billion bushels. The average price of corn during the 1990-91 marketing year is projected in a range of \$2.35 to \$2.75 per bushel. The price for the year ending August 31, 1990 is estimated at \$2.38.

While the supply and demand projections for corn are very constructive for prices, the market has two concerns. First, if the crop is not damaged by frost, the expectation is for the harvest to exceed the current estimate. Second, the projection of corn exports may be too optimistic. Combined production of wheat and coarse grains in the rest of the world is expected to be up by nearly 4 percent. For wheat the largest increases are in the USSR, China, and Canada. Coarse grain production is up sharply in the USSR, slightly larger in Canada, Argentina, Brazil and China, and lower in Europe and South Africa. The projection of domestic feed use, at 4.6 billion bushels, is also optimistic.

Planted acreage of soybeans is estimated at 57.725 million acres, 320,000 acres less than June intentions, 2.945 million less than planted last year, and the smallest acreage since 1976. Harvested acreage is projected at 56.553 million and the U.S. average yield is expected to reach 32.5 bushels, up fractionally from last year's average.

Stocks of soybeans on September 1, 1990 are projected at 265 million bushels, 10 million less than projected last month due to the very high rate of domestic soybean processing in July and August. The amount of soybeans used for all purposes during the 1990-91 marketing year is expected to increase by 34 million bushels, to a total of 1.881 billion bushels. Stocks of soybeans on September 1, 1991 are projected at 225 million bushels. The average price of soybeans during the 1990-91 marketing year is projected in a range of \$5.50 to \$7.00 per bushel.

The overall supply and demand fundamentals for soybeans have been improving for several months. Exports for the 1990-91 marketing year may still be underestimated. Many observers do not expect South American production to increase by the 60 million bushels projected by the USDA. However, if soybean prices move higher in the next few weeks, there will be incentive to plant soybeans in South America.

Corn prices will continue to struggle, as demand will now have to prove itself. Downside risk is probably limited, however, by the relatively tight supply and demand situation. Pricing opportunities will probably be better later in the marketing year. Prospects are good for continued strength in soybean prices due to the lateness of the crop and record domestic use of soybean products. Cash prices are expected to eventually move above \$7.00 per bushel. Substantially higher corn and soybean prices would result from damaging weather this fall, dry weather in the southern hemisphere this winter, or adverse weather in the northern hemisphere next spring.

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