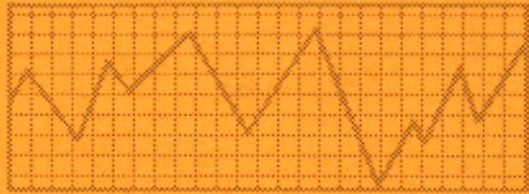




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WEEKLY OUTLOOK

A joint publication of the Departments of Agricultural Economics, Colleges of Agriculture of Purdue University, West Lafayette, Indiana, and the University of Illinois at Urbana-Champaign

September 5, 1990

YEAR-ENDING SOYBEAN STOCKS TO BE LESS THAN PROJECTED

The 1989-90 marketing year for corn and soybeans ended on August 31. While all of the numbers are not yet available, it appears that soybean use exceeded the USDA's projection released in early August. Corn exports were very close to the projection. The feed and residual use of corn for the summer quarter will not be known until the September 1 *Grain Stocks* report is released on September 27.

The domestic crush of soybeans during the first 11 months of the 1989-90 marketing year totaled 1.052 billion bushels, an increase of 7 percent from crush during the same period last year. Figures from the National Oilseed Processors Association indicate that the crush during August was 22.7 percent larger than a year ago. If the Census Bureau confirms that crush later this month, the crush for the 1989-90 marketing year will total 1.145 billion bushels. That is 15 million bushels above the USDA projection.

Based on USDA weekly export inspection figures, soybean exports from September 1, 1989 through August 30, 1990 totaled 619.5 million bushels. With 1 day left in the marketing year, exports appear to have equalled USDA's projection of 620 million bushels. Through June of this year, soybean export figures from the Census Bureau exceeded the USDA estimates by about 5.5 million bushels. This is a reversal of the pattern of the past 3 years when USDA figures exceeded those from the Census Bureau. It is possible that exports for the 1989-90 marketing year totaled 625 million bushels.

Seed, feed and residual use of soybeans during the first 3 quarters of the 1989-90 marketing year was unusually large, at 109 million bushels. For the entire year, the USDA projects that use in that category will total only 97 million bushels. The uncertainty about residual use during the summer quarter makes it difficult to anticipate the magnitude of soybean stocks on September 1, 1990. It is possible that stocks were 15 to 20 million bushels less than the USDA's projection of 265 million bushels. The stocks figure will be released on September 27.

Many analysts believe that the 1990 soybean crop is larger than the 1.836 billion bushels estimated last month. If that is the case, a smaller inventory of old crop soybeans could offset some of the impact of a larger crop estimate. Total soybean supplies for the 1990-91 marketing year will likely be very near the level of a year ago. Prices are expected to improve significantly as the marketing year progresses. The magnitude of increase will depend partly on the size of the South American crop.

Based on weekly inspection figures, corn exports for the 1989-90 marketing year totaled 2.36 billion bushels. Through June, Census Bureau export estimates were almost identical to USDA estimates. The final export figure should be very close to the current estimate of 2.35 billion bushels.

Feed and residual use of corn through the first 3 quarters of the 1989-90 marketing year totaled 3.812 billion bushels, nearly 16 percent more than used during the same period last year. The USDA expects that feed and residual use during the last quarter of the year was about unchanged from last year. The rapid pace of corn feeding was thought to have slowed as wheat feeding increased. In 5 of the past 6 years, the change in feed and residual use of corn during the summer months was inversely related to the change in wheat feeding. The correlation has not been strong, however, as the total of corn and wheat feeding for the summer months ranged from 796 million to 1.133 billion bushels. History does not provide much insight on what to expect this year. Stocks could be on either side of the USDA projection of 1.33 billion bushels.

The market expects the 1990 corn crop to be significantly larger than the August estimate of 7.85 billion bushels. Guesses seem to be centering on 8.1 billion bushels. A crop of that size would result in a total supply very close to that of a year ago. Weaker export demand would lead to an increase in the corn inventory by September 1, 1991. Corn prices are expected to be at their lowest level near harvest time. Recovery will depend on the rate of use. With a slow start on exports, prices may remain relatively low through the end of the calendar year, with the highest cash prices occurring next spring or summer. Those highs will likely be 50 to 60 cents above the harvest low.

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