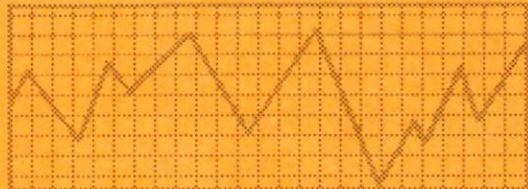




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WEEKLY OUTLOOK

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CORN PRODUCTION ESTIMATE INCREASED, SOYBEANS UNCHANGED

The USDA's September *Crop Production* report, released on September 12, estimated the 1990 corn harvest at 8.118 billion bushels. The soybean crop is expected to total 1.835 billion bushels.

The corn crop estimate is 268 million bushels larger than the August estimate and 591 million bushels larger than last year's crop. The national average yield is estimated at a record 121.7 bushels per acre, 4 bushels above last month's figure. The average yield estimate increased by 7 bushels in Iowa and 6 bushels in Illinois. With carryover stocks estimated at 1.33 billion bushels and imports projected at 2 million bushels, the total supply of corn for the 1990-91 marketing year is projected at 9.45 billion bushels, the same as a year ago.

The USDA expects U.S. corn exports to decline by 275 million bushels, or about 12 percent, during the current marketing year. The lower figure reflects increased competition stemming from larger grain crops in the rest of the world. Coarse grain production outside of the United States is estimated at 586 million tons, 2 percent larger than last year's crop. Wheat production, at 512 million tons, is 6 percent larger than last year. The 10 percent larger grain crop in the USSR is expected to result in a decline in U.S. corn shipments to the USSR. The Chinese corn crop is 1 million tons larger than a year ago. Exports from China are expected to reduce Asian demand for U.S. corn.

Domestic processing uses of corn are expected to increase by 20 million bushels to a total of 1.3 billion. Domestic feed and residual use of corn is expected to increase by 200 million bushels to a total of 4.7 billion. Last year's feed and residual use will not be known until the September 1 stocks figure is released on September 27. That information will allow a better projection of feed and residual use for the current year. The current projection is generous.

Stocks of corn at the end of the 1990-91 marketing year are projected at 1.375 billion bushels. That is 170 million bushels larger than last month's projection. It is not a large carryover, representing about a 2-month supply. The price of corn is about 10 cents lower than a year ago when carryover stocks were projected at 1.7 billion bushels. The market appears to be skeptical of the USDA's demand projections. Carryover stocks may be closer to 1.5 billion bushels.

Corn prices will likely establish a seasonal low this month. Prices are expected to remain relatively low through the end of the year due to slack export demand. If the USDA's demand projections are close, prices could rebound sharply in the late winter, early spring months. The rate of export sales and the rate of domestic use as revealed in the December stocks report, to be released in January, will

determine the timing and magnitude of price recovery. The season's average price is expected to be near \$2.30.

The soybean crop estimate is unchanged from last month's estimate and 91 million bushels smaller than last year's crop. Higher yields in the Midwest were offset by lower estimates for some Delta states. The national average yield is estimated at 32.4 bushels per acre, equal to last year's average.

The estimate of soybean stocks as of September 1, 1990 was lowered by 15 million bushels to a total of 250 million bushels because of the large domestic crush in August. Actual stock levels will be revealed on September 27. The projection of the domestic crush for the current year was increased by 10 million bushels. Soybean meal exports are expected to be larger than projected last month. The expectation is based on a lower production estimate for the 1991 Brazilian crop. That crop is projected at 698 million bushels, 55 million bushels below last months projection and 11 million bushels less than last year's crop. Combined production in Brazil and Argentina is projected at 1.1 billion bushels, equal to the 1990 harvest.

USDA's projection of soybean exports was unchanged at 615 million bushels, 5 million below exports of the past year. Carryover stocks on September 1, 1991 are expected to be reduced to 200 million bushels, or about a 1.3 month supply at the projected rate of use. It would not be surprising to see soybean use exceed and stocks to fall below the current projections.

Soybean prices rebounded by about 50 cents per bushel from the early August low as the market anticipated the changes made in the USDA's *Supply and Demand* report. Further increases will be difficult in the face of harvest pressure and low corn and wheat prices. Another 50 cent improvement in prices, however, will likely occur as the marketing year progresses. The season's average price may be near \$6.50 per bushel.

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