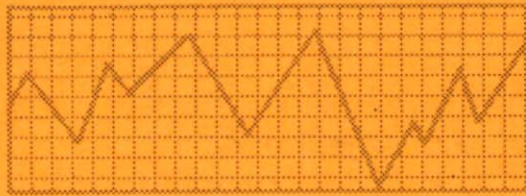




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WEEKLY OUTLOOK

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CORN AND SOYBEAN PRODUCTION ESTIMATES LOWERED, EXPORTS LACKING

The USDA's *October Crop Production* report contained a lower estimate for both the corn and soybean crops. The lower estimates are supportive for prices later in the year. For now, prices are being pressured by harvest progress and a very slow pace of export sales.

The 1990 corn crop is now estimated at 8.022 billion bushels, nearly 7 percent larger than last year's crop, but almost 100 million bushels less than estimated a month ago. The U.S. average yield is expected to be a record 120.3 bushels per acre, 1.4 bushels less than the September estimate. Compared to last month, the yield estimate was lowered by 4 bushels in Illinois and 2 bushels in Iowa, Nebraska, and Ohio.

On the demand side, the USDA increased its projection of processing use of corn by 20 million bushels, to a total of 1.32 billion. The use of corn for all purposes is projected at 8.095 billion bushels, down only 20 million from the record use of the past year. Domestic use is expected to increase by 265 million bushels and exports are expected to decline by 285 million bushels.

Stocks of corn at the end of the marketing year (September 1, 1991) are projected at 1.273 billion bushels, 71 million bushels below the level of stocks at the beginning of the year. Stocks have been at a lower level only 3 times in the past 15 years. The projected stocks level accounts for 15.7 percent of annual use. The ratio of stocks to use has been lower only one time since 1975-76 and that was the drought year of 1983-84.

The 1990 soybean crop is estimated at 1.823 billion bushels, 12 million bushels below the September estimate and 100 million bushels less than harvested a year ago. If that estimate holds, the crop will be the smallest for a non-drought year since 1977. The U.S. average yield is projected at 32.3 bushels per acre, the fifth highest on record and very close to last year's yield. Harvested acreage is estimated at 56.523 million, almost 2.9 million less than harvested last year and the smallest acreage since 1976.

The USDA's projection of soybean use was virtually unchanged from last month at 1.892 billion bushels, an increase of 22 million bushels from last year's use. Stocks at the end of the marketing year are projected at only 175 million bushels, 64 million bushels below the level of beginning stocks. The projected level of stocks is about equal to stocks following the drought years of 1983 and 1988. The projection of ending stocks represents 9.2 percent of projected

use, the lowest ratio in 14 years.

In spite of the potentially tight supply of corn and soybeans, prices remain relatively low. Corn futures are about 10 cents per bushel lower than a year ago. Soybean futures are about 60 cents higher than the extremely low level of last year. The price weakness is partially explained by harvest pressure. In addition, however, the market is concerned that corn and soybean export projections may be too optimistic. Grain crops outside of the United States are expected to be record large this year. The combined production of wheat and coarse grains in the rest of the world is projected at nearly 1.11 billion tons, 4.5 percent larger than last year's crops. Very large crops were produced in Canada, China, and the USSR. Soybean production in the rest of the world is forecast at a record 2.007 billion bushels, up 2 percent from last year's harvest. South American production represents nearly 60 percent of that total. That crop is just being planted.

For the 1990-91 marketing year, U.S. corn exports are expected to decline by 12 percent. Through October 4, sales were 29 percent less than a year ago. Exports averaged only 24 million bushels per week during the first 5 weeks of the year. A 40 million bushel average is needed to reach the projected level of exports. Through October 4, soybean export sales were one-third less than a year ago. The weekly export pace is only half of that required to reach the projection of 615 million bushels.

Corn and soybean prices are expected to remain under pressure through harvest. Higher prices after harvest will require a significant increase in the export pace. If the USDA projections are correct, a substantial price rally is likely later in the year. Prospects for a soybean rally are better than for corn. Even so, the price of corn is expected to increase enough to pay the cost of storage.

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