



WEEKLY OUTLOOK

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CORN PRODUCTION ESTIMATE REDUCED, SOYBEANS INCREASED

The USDA's November *Crop Production* report confirmed expectations of a smaller corn crop and larger soybean crop than estimated last month. The changes, however, were much larger than expected.

The 1990 corn crop is now estimated at 7.935 billion bushels, down 87 million bushels from the October estimate and 183 million below the September estimate. At 119 bushels per acre, the estimate of the national average yield declined 1.3 bushels from October and 2.7 bushels from September. The 1990 crop is about 400 million bushels larger than the 1989 crop.

The Illinois average yield is estimated at 127 bushels per acre, 3 bushels below the October estimate and 7 bushels below the September figure. At 129 bushels, the Iowa yield estimate is down 4 and 6 bushels from October and September, respectively. The average yield in Indiana is estimated at 130 bushels, 2 bushels less than both the October and September estimates.

The impact of a lower production estimate was partially offset by a 50 million bushel reduction in the USDA's projection of corn exports. Exports are now forecast at 2.025 billion bushels, 342 million bushels less than exported last year. Stocks of corn on September 1, 1991 are projected at 1.236 billion bushels, 37 million less than projected last month and 109 million bushels less than the September 1, 1990 inventory. The USDA's projections of domestic and export use, however, are still very generous. Unless export credits are granted to the USSR, exports will likely fall short of the current projection. Feed use may also be overestimated by about 100 million bushels. Stocks at the end of the current marketing year could be 150 million bushels above the current projection. Even so, stocks would represent only about a 2-month supply.

The 1990 soybean crop is now estimated at 1.904 billion bushels, about 80 million bushels larger than the October estimate and about 60 million bushels larger than the average trade guess. The estimate is close to the estimate of two prominent private crop forecasters. The 1990 crop is only 20 million bushels smaller than the 1989 crop, even though harvested acreage declined by 3 million acres.

The U.S. average yield is estimated at 33.7 bushels per acre, 1.4 bushels above both the October estimate and the 1989 average. The yield is the third highest on record, only 0.4 bushel below the 1985 record yield. Compared to the October estimate, average yields increased by 3 bushels in Arkansas, Minnesota, and Wisconsin; by 2 bushels in Indiana, Iowa, Missouri, North Dakota, Ohio, South Dakota and Tennessee; and by 1 bushel in Illinois, Kentucky and Nebraska. Yield estimates were lowered in Alabama, Georgia and South Carolina.

The USDA's projection of soybean use during the 1990-91 marketing year was virtually unchanged - a 3 million bushel increase in the projection of domestic use and a 5 million bushel reduction in the export projection. Stocks of soybeans on September 1, 1991 are now projected at 255 million bushels, 80 million bushels above last month's projection and 16 million bushels larger than stocks on September 1, 1990. Stocks represent a 1.6 month supply at the projected rate of use.

The estimated size of the 1990 U.S. wheat crop was unchanged at 2.744 billion bushels. The projection of domestic use of wheat during the current marketing year was increased by 30 million bushels. The projection of exports was reduced by 50 million bushels. Stocks of wheat on June 1, 1991 are projected at 945 million bushels, a 4.8 month supply at the projected rate of use.

The changes in the USDA's supply and demand estimates were obviously most negative for soybean prices. Prices moved to new lows for the season following the report. The lower prices, however, should insure a decrease in soybean acreage in Brazil, encourage export buying, and reduce expectations about increased acreage in the United States in 1991. Seasonal price recovery in both corn and soybeans is expected. The rate of export sales will determine the timing and magnitude of price increases.

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