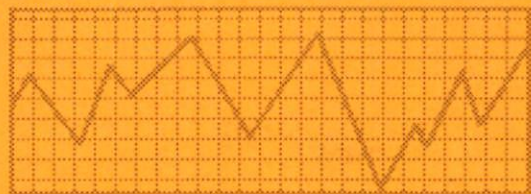




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WEEKLY OUTLOOK

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USDA REPORTS - SUPPORT FOR CORN PRICES, BUT NOT SOYBEANS AND WHEAT

On January 11, the USDA released four important grain reports -- the final production estimates for the 1990 grain and oilseed crops, December 1 stocks estimates for grains and oilseeds, an estimate of winter wheat seedings, and revised supply and demand estimates for the major grain and oilseed crops. Following is a summary of these estimates and implications for corn, soybean, and wheat prices.

CORN - The final estimate of the 1990 U.S. corn crop stands at 7.933 billion bushels, essentially unchanged from the November estimate. Last year's average yield was estimated at 118.5 bushels per acre, down 0.5 bushels from the November figure. The estimate of harvested acreage was increased slightly.

Stocks of corn on December 1 totaled 6.94 billion bushels, about 160 million less than expected. Stocks are about 140 million bushels less than December 1 stocks of the past two years and are at the lowest level in six years. The production and stocks figures imply that 2.34 billion bushels of corn were used during the first quarter of the 1990-91 marketing year, down only 1.5 percent from use of a year ago. We estimate first quarter exports at 377 million bushels, down 35 percent from the high level of a year ago. Processing uses are estimated at 305 million bushels, up 2.5 percent from use of a year ago.

Feed and residual use of corn during the first quarter of the year totaled 1.658 billion bushels, 162 million bushels more than use of a year ago and 103 million above the 1987 record. As a result, the USDA raised its forecast of feed and residual use for the entire year by 150 million bushels, to a record 4.85 billion bushels. The projection of exports for the year was reduced by 100 million bushels. At 1.925 billion bushels, projected exports are nearly 20 percent less than exports of a year ago.

Stocks of corn at the end of the 1990-91 marketing year are projected at 1.185 billion bushels, the lowest level since 1984 and the second lowest level in 14 years. The revised supply and demand projections should support corn prices, but probably will not result in any significant rally. The market judges that the export projection is still too high and that corn acreage will increase in 1991.

SOYBEANS - The final estimate of the 1990 soybean crop was increased by 18 million bushels, to a total of 1.922 billion. The U.S. average yield estimate was increased by 0.3 bushels, to 34 bushels. Stocks of soybeans on December 1 totaled 1.684 billion bushels, very close to expectations when the revised production figure is factored in.

During the first quarter of the marketing year, the domestic soybean crush totaled a record 304 million bushels, up 11 percent from a year ago. We estimate exports at only 119 million bushels, down nearly 30 percent from a year ago and the lowest level in 23 years.

Due to the extremely slow pace of soybean and soybean meal sales and prospects for only a 5 percent reduction in the size of the 1991 South American soybean crop, the USDA lowered its projection of exports for both beans and meal. Soybean exports are now projected at 580 million bushels. The USDA lowered its projection of domestic crush by 10 million bushels due to the lower meal export projection.

Stocks of soybeans at the end of the 1990-91 marketing year are projected at 300 million bushels, 35 million above the previous projection and 61 million above stocks at the beginning of the year. These revised projections will put additional pressure on soybean prices. March futures could move down to the \$5.40 to \$5.50 range. Price recovery will now depend on weather concerns in South America over the next six weeks or in the U.S. in the spring.

WHEAT - December 1 wheat stocks were estimated at 1.91 billion bushels, about 50 million bushels above expectations and 34 percent larger than last year's stocks. The stocks figure implies a negative 40 million bushel feed and residual use of wheat during the fall quarter.

The USDA lowered its projection of wheat exports by 50 million bushels to a total of only 1.025 billion. Carryover stocks on June 1, 1991 are now projected at 987 million bushels, or about 43 percent of the projected use of wheat.

Winter wheat seedings were estimated at 51 million acres, nearly 6 million acres less than was seeded last year. Percentagewise, the largest declines were in the soft red winter wheat states, particularly in the south. With a return to more normal yields, this report suggests that winter wheat production could decline by 300 million bushels, or about 15 percent, in 1991. Wheat prices will likely remain under pressure through the winter months, before recovering modestly during the 1991-92 marketing year.

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