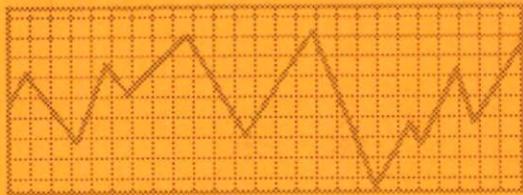




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# WEEKLY OUTLOOK

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## USDA RELEASES THE FIRST PROJECTIONS FOR THE 1991-92 MARKETING YEAR

On May 9, the USDA released its first supply and demand projections for the 1991-92 marketing year. Following is a summary of these projections and their implications for wheat, corn, and soybeans.

**WHEAT.** The 1991 U.S. winter wheat crop is estimated at 1.496 billion bushels, down 26 percent from the 1990 harvest. Winter wheat seedings were down almost 6 million acres, but harvested acreage is expected to decline by almost 9.5 million acres. Average yield potential is estimated at 37 bushels per acres, 3.7 bushels below the yield of a year ago. White winter wheat production is expected to be 43 percent less than a year ago, hard red production is off 27 percent, and soft red is down an estimated 16 percent.

Spring wheat production has not yet been estimated. Planting intentions, however, showed a 2.3 million acre reduction in seedings. The USDA sees a crop of 585 million bushels, 17 percent smaller than last year's crop. Production of all wheat is projected at 2.071 billion bushels, 24 percent less than the 1990 harvest.

Wheat production in the rest of the world is expected to decline by nearly 4 percent. Crops are expected to be significantly smaller in Australia, Canada and the USSR. A larger crop is projected for the European Community.

Exports of U.S. wheat are projected to increase by only 50 million bushels during the 1991-92 marketing year. Feed use of wheat is expected to decline by 225 million bushels and domestic food use is projected to increase by 25 million bushels. Stocks of wheat in the U.S. at the end of the 1991-92 marketing year are projected at 652 million bushels, a decline of 204 million from the level of stocks expected to be on hand at the end of the current marketing year (June 1, 1991). On a world wide basis, wheat stocks are expected to be down only slightly by the end of the 1991-92 marketing year, due to a sharp reduction in wheat feeding.

**CORN.** The USDA sees a potential 1991 U.S. corn crop of 8.275 billion bushels, about 4 percent larger than the 1990 harvest, and the largest crop in 6 years. Based on planting intentions of 76.1 million acres, about 68.5 million acres of corn will be harvested for grain in 1991. A crop of 8.275 billion bushels will require a record average yield of 120.8 bushels per acres, 2.3 bushels above last year's average.

Corn production in the rest of the world is expected to increase by nearly 6 percent. The Chinese crop is expected to decline, while the crops in the USSR and the European Community are

projected to increase by 58 percent and 30 percent, respectively. Foreign production of all coarse grains is expected to decline slightly in 1991-92.

For the 1991-92 U.S. marketing year, the USDA projects a 130 million bushel increase in domestic corn use and only a 50 million bushel increase in exports. Total use is expected to total 8.06 billion bushels and September 1 stocks are expected to grow from 1.4 billion bushels in 1991 to 1.62 billion in 1992. World stock levels are projected to increase slightly.

**SOYBEANS.** The USDA now estimates the 1991 Brazilian soybean crop at only 588 million bushels, 21 percent smaller than last year's harvest. The Argentine crop is estimated at 404 million bushels, 2 percent larger than last year's crop.

Production potential for the 1991 U.S. crop is pegged at 1.875 billion bushels, 2.5 percent smaller than the 1990 harvest. That projection reflects a national average yield of about 33.5 bushels per acre, 0.5 bushels below the 1990 average. Exports of U.S. soybeans are expected to increase 60 million bushels and domestic use is projected to increase by 17 million bushels during the 1991-92 marketing year. Ending stocks are projected at 350 million bushels, about unchanged from the projection for the current year.

The smaller than expected U.S. wheat production estimate put some life back in the wheat market. Strength will be limited, however, by low corn prices and the approach of harvest. For the time being, July futures at Chicago will have difficulty moving above the early April high of \$3.03. Longer term price prospects, however, have improved. The development of crops outside the U.S. will now be the key to how high prices can go.

The projection of large ending stocks of corn and soybeans sent those markets in a tailspin. For the near term, July corn futures could test and perhaps take out the contract low of \$2.41½ per bushel. July soybean futures established a new contract low of \$5.70. A further decline to the \$5.50 area is possible. Price weakness this early in the year, however, makes the market very vulnerable to a weather rally later in the summer. The market is behaving as though large crops are assured.

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