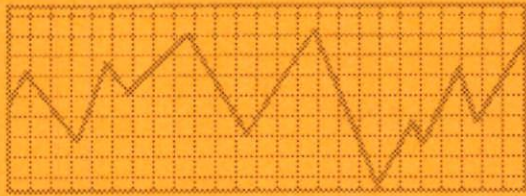




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WEEKLY OUTLOOK

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CROP PLANTING PROGRESS CONTINUES TO LAG, BUT SO DO EXPORTS

The USDA's weekly crop progress report is issued on Mondays. New data will be available by the time you receive this letter. As of May 12, 51 percent of the corn crop had been planted in the 17 major corn producing states. That figure compared to 67 percent planted on that date last year, and 71 percent for the 5 year average. Delays are the most severe in Iowa, where only 33 percent of the crop had been planted versus 80 percent for the 5 year average. Planting progress continues slow in Michigan, Minnesota, Nebraska, and Ohio. With good weather, it is possible to see a state's planting progress increase over 40 percent in one week's time.

Loss of potential corn yield occurs with delayed planting. The magnitude of the loss is very dependent upon weather conditions for the remainder of the growing season. With favorable weather it is possible to have "good" yields with late planting. However, yields will be less than would have occurred with timely planting. We rely upon guidelines provided by agronomists in predicting yield loss. Rules-of-thumb for the eastern corn belt indicate potential losses of 1 bushel per acre per day from May 12 through May 20. After May 20, losses tend to be about 2 bushels per acre per day. In the western corn belt, agronomists tend to express yield losses as a percent of the May 1 yield. By May 20, the potential loss is 8 percent, by June 1, 16 percent, and by June 10, 30 percent.

Working the ground and planting when the soil is wet causes compaction, which may also reduce yields. While we know it is occurring, data is not available to quantify the loss. An offsetting factor is reflected in an adage of the grain trade -- "Rain Makes Grain".

Potential production losses for the U.S. must be tempered by a weighted average yield for all the states, as over one half of the corn was planted near the optimum time. Still the planting delays and less than optimum planting conditions cast doubt on achieving the record corn yield of 121 bushels per acre assumed in an early production estimate for the 1991 corn crop of 8.275 billion bushels. While the futures market is focusing on the potential of a large crop, and continued sluggish demand, neither situation is certain at this time. The U.S. production is very dependent upon favorable weather during the next 2-3 months. Exports for 1991-92 depend upon foreign crop production.

Soybean producers are experiencing similar planting delays. On May 12, producers in the 19 major producing states had 11 percent of the crop planted. That is the same percentage as was

completed last year, but 8 percent lower than the 5 year average. At this time, there is no cause for alarm -- but we will continue to monitor soybean planting progress.

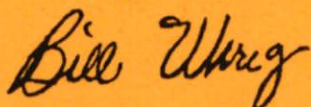
The weekly report on grains inspected for export is the means used to monitor export shipments. Comparisons are made with shipments during the previous week, the same week a year earlier, and the cumulative shipment for the marketing year to date versus a similar figure for the previous year.

For the week ending May 9, cumulative corn exports were 28 percent, or almost 500 million bushels, less than the previous year-to-date exports. Weekly corn exports of 26 to 27 million bushels are likely without Soviet business. Shipments averaging 29.2 million bushels per week for the remainder of the marketing year are needed to achieve the USDA export projection of 1.7 billion bushels.

While it is possible to achieve this goal, additional export credit for the USSR would help the grain markets. The Senate has passed a non-binding bill authorizing \$1.5 billion in export credit guarantees to the Soviet Union. The USDA has sent a team of agricultural specialists to USSR to assess the problems of food production and distribution. Final approval of the export credit hinges on this team's report.

Through May 9, soybean exports totaled 419 million bushels, nearly 20 percent less than on the same date last year. To reach the USDA projection of 540 million bushels by the end of August, exports will have to average 7.5 million bushels per week. During the same period last year, exports averaged 6.4 million bushels per week.

Unless planting delays become more severe, or summer weather problems occur, corn and soybean price declines will continue. Prices are expected to go at least as low as during the fall of the past 2 years, although the lows could occur earlier than in those years.



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