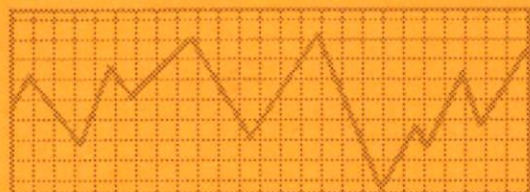




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WEEKLY OUTLOOK

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AUGUST REPORT CONFIRMS SMALLER CROPS

On August 12, the USDA released its first estimate of the size of the 1991 corn and soybean crops. In addition, revised supply and demand estimates for the U.S. and the world were released. Following is a summary of the estimates for corn, soybeans, and wheat.

CORN. Based on crop conditions as of August 1, the USDA judges 1991 corn production potential to be 7.418 billion bushels, reflecting a national average yield of 107.8 bushels per acre. The yield estimate is 10.7 bushels below the 1990 yield and the production estimate is 515 million bushels less than the 1990 crop. The production estimate is very close to pre-report guesses by the trade. The combined production of sorghum, oats, and barley is estimated 1.294 billion bushels, down 4 percent from last year's crop.

The projection of corn stocks on September 1, 1991 was increased by 55 million bushels, to a total of 1.53 billion, due to a smaller projection of domestic use. At 8.95 billion bushels, the projected supply of corn for the 1991-92 marketing year is down 3.6 percent from last year's supply and at the lowest level since 1984. Domestic corn use is expected to increase by a very modest 50 million bushels during the 1991-92 marketing year, while exports are expected to decline by 75 million bushels. The decline in exports is forecast in the face of a 3 percent reduction in wheat and coarse grain production in the rest of the world. The rest of the world is expected to reduce grain feeding by 2 percent. The USSR is expected to reduce feeding by 10 percent.

Stocks of corn on September 1, 1992 are projected at 1.225 billion bushels, representing only 8 weeks supply at the projected rate of use. The projected level of stocks is the smallest since 1984 and the second smallest since 1977.

SOYBEANS. The 1991 soybean crop is estimated at 1.869 billion bushels, 53 million bushels smaller than last year's crop, but about 40 million bushels larger than expected. Based on August 1 conditions, the national average yield is estimated at 31.8 bushels per acre, 2.2 bushels below last year's near record yield.

Stocks of soybeans on September 1, 1991 are projected at 325 million bushels, 25 million below last month's projection. At 2.199 billion bushels, supplies of soybeans for the 1991-92 marketing year would be 36 million bushels larger than last year's supply and the largest supply in 4 years.

for the 1991-92 marketing year, the soybean crush is expected to increase by 15 million bushels, or 1.3 percent, while exports are projected to increase by 50 million bushels, or 9 percent. Both projections are well below those of a month ago. Stocks at the end of the 1991-92 marketing year are expected to remain large, at 300 million bushels.

WHEAT. The 1991 U.S. wheat production estimate was unchanged at 2.033 billion bushels, 26 percent smaller than the 1990 harvest. The USDA, however, increased its forecast of feed and residual use of wheat by 75 million bushels, to a total of 350 million bushels. Exports are projected at 1.1 billion bushels, up 32 million bushels from last year's shipments. That projection was unchanged from a month ago. A 23 million ton reduction in foreign wheat production is expected to lead to only a 8.5 million ton increase in wheat imports.

Stocks of wheat at the end of the 1991-92 marketing year are projected at 574 million bushels, 292 million bushels less than stocks at the beginning of the year - June 1, 1991.

The new USDA figures were judged to be supportive for corn prices. The recent high of \$2.72 in the December futures contract, however, is not expected to be exceeded unless the September production estimate declines. The current price of new crop corn is near the mid-point of the USDA's projection of the average price for the year. Having a significant portion of the crop sold is probably a prudent strategy. If demand turns out better than projected, as we suspect, or if crop problems develop next spring, look for new highs to occur.

The current price of new crop soybeans is slightly below the mid-point of USDA's projection for the year. Additional sales should probably be minimal at current prices. However, favorable pricing opportunities may be scarce until spring, unless the production estimate is lowered.

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