



WEEKLY OUTLOOK

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CORN AND SOYBEAN PRODUCTION ESTIMATES NEAR EXPECTED LEVEL

The USDA's estimates of the 1991 corn and soybean crops, as revealed in the September 12 *Crop Production* report, were close to trade expectations. The smaller estimates resulted in a decline in the projection of stocks at the end of the 1991-92 marketing year.

The 1991 corn crop is now estimated at 7.295 billion bushels, reflecting a national average yield of 106.1 bushels per acre. The production estimate is 122 million bushels smaller than the August estimate and 638 million smaller than the 1990 harvest. Compared to the August estimate, the largest production declines were registered for Ohio, Indiana, and Minnesota. The estimates for Illinois and Iowa were unchanged.

1.725 The USDA did not change its projection of corn stocks as of September 1, 1991, even though export inspection figures for the 1990-91 marketing year were larger than the export projection of 4.725 billion bushels. September 1 stock will be revealed in the September 30 *Grain Stocks* report. The projection of corn use during the 1991-92 marketing year was unchanged at 7.725 billion bushels. Stocks of corn on September 1, 1992 are now projected at 1.102 billion bushels, the smallest inventory in 8 years. The projection represents a 7-week supply of corn. As discussed in last week's letter, the magnitude of export demand will be largely determined by the size of the Soviet market.

Unless an early killing frost damages the crop in the northern Corn Belt, the October production estimate may be slightly larger than the September estimate. That larger estimate is expected to be mostly offset by a smaller September 1, 1991 stocks figure than currently projected. Corn supplies are tight, suggesting that prices will remain volatile. December futures are expected to remain above \$2.40, but are not expected to exceed the recent high of \$2.72 unless an early frost does occur.

The 1991 soybean crop is estimated at 1.817 billion bushels, reflecting a national average yield of 31 bushels per acre. The production estimate is 52 million bushels below the August estimate and 105 million less than the 1990 crop. Production estimates were lowered for a number of states, with the largest declines registered in Minnesota, Illinois, and Missouri. Estimates were above the August figures for Alabama, Louisiana, and Texas.

The projection of September 1, 1991 soybean stocks was lowered by 5 million bushels, to a total of 320 million. The reduction reflected a larger crush projection for the 1990-91 marketing year ended on August 31, 1991. For the 1991-92 marketing year, the USDA decreased projected use by 7 million bushels and lowered the ending stocks projection by 50 million bushels, to a total of 250 million. Ending stocks represent a 7-week supply at the projected rate of use. Expectations of declining stocks could increase the volatility of soybean prices during the 1991-92 marketing year. For the near term, the biggest uncertainty is the potential of frost damage in the northern Corn Belt. Longer term, uncertainty centers around potential export demand for U.S. soybean products, particularly in light of the small South American harvest. The midpoint of the USDA's projection of the 1991-92 season's average price is \$6.00 per bushel. In that context, cash prices should move as high as \$6.50 to \$6.75 at some point in the season. Deferred futures contracts are rapidly approaching that level.

For wheat, the USDA lowered the 1991 production estimate by 20 million bushels. The projection of stocks on June 1, 1992 was lowered by an equal amount. Those stocks are now projected at 553 million bushels, representing a 12-week supply at the projected rate of use. Chicago wheat futures reached new contract highs on September 16. December futures are expected to challenge the \$3.50 area as the USDA maintains an aggressive export bonus program. Higher prices and a lower set aside requirement, however, will likely lead to expanded winter wheat seedings this fall.

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