



WEEKLY OUTLOOK

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CORN AND SOYBEAN PRODUCTION FIGURES ARE LARGER THAN EXPECTED

The USDA's *October Crop Production* report showed larger than expected corn and soybean crops. The estimate of the 1991 wheat crop, however, was reduced again. The revised supply and demand estimates included larger projections for carryover stocks for corn and soybeans and a smaller projection for wheat.

CORN. The 1991 U.S. corn crop is now estimated at 7.479 billion bushels, 454 million bushels smaller than the 1990 crop, but 184 million larger than last month's estimate. The national average yield is pegged at 108.8 bushels per acre, 1.7 bushels larger than the September estimate. Only the Dakotas and Texas showed smaller crops than estimated last month. The estimate for the combined production of sorghum, barley and oats was unchanged from last month, reflecting a larger sorghum and smaller oats crop.

The estimated size of the Eastern European corn crop was increased by 90 million bushels (8 percent) and the crop estimate for the USSR was lowered by 40 million bushels (8 percent). Corn production outside of the United States is estimated to be 224 million bushels larger than last year's crop.

In its monthly *Supply and Demand* report, the USDA increased the projection of domestic feed and residual use of corn by 75 million bushels, to a total of 4.8 billion bushels. Stocks at the end of the 1991-92 marketing year are projected at 1.2 billion bushels, 100 million above last month's projection, but 319 million bushels less than the inventory on September 1, 1991.

SOYBEANS. The 1991 U.S. soybean crop is now estimated at 1.934 billion bushels, 117 million bushels larger than the September estimate and 8 million bushels larger than last year's crop. At 33 bushels per acre, the national average yield estimate is 2 bushels larger than the September estimate and only 1 bushel below the 1990 yield. Production estimates were unchanged or larger than last month's estimates for all major soybean producing states, except for small declines in Alabama, Georgia, South Carolina and Virginia. The largest increases were in Illinois (25 million bushels) and Minnesota (16 million bushels).

Soybean production outside of the United States is estimated at 1.938 billion bushels, 76 million bushels larger than last year's harvest. Most of that increase is expected in South America, where planting is just underway. World production of other oilseeds is estimated at 117 million tons, only 2.3 percent larger than last year's production. Most of that increase is in the United States,

reflecting larger crops of cotton, sunflowers, and peanuts. In addition, the world rapeseed crop is expected to increase by 1.86 million tons, or 7 percent, from last year's crop.

The USDA increased its projections of soybean, soybean oil, and soybean meal use for the year ahead. Soybean exports are projected at 625 million bushels, 65 million bushels more than exported last year. The domestic crush is projected at a record 1.225 billion bushels, 45 million above last year's crush. Even so, stocks of soybeans at the end of the marketing year are expected to be large at 320 million bushels.

WHEAT. The 1991 U.S. wheat crop totaled 1.981 billion bushels, 32 million bushels less than the September estimate and 756 million bushels less than the 1990 harvest. The winter wheat crop is 32 percent smaller than last year's harvest, while spring wheat production is down 14 percent. Wheat production in the rest of the world is estimated at 18.24 billion bushels, about unchanged from last month's estimate, but 834 million bushels less than produced last year.

For the current marketing year, the USDA lowered its projection of domestic wheat processing by 10 million bushels. The projection of feed use was unchanged even though the September stocks report indicated a higher rate of feeding than the projection of 350 million bushels. Carryover stocks are projected at 531 million bushels, the lowest level in 17 years.

After the initial reaction to the reports, corn and soybean prices are expected to settle in a very narrow range. December corn futures may trade between \$2.40 and \$2.60 for the next several weeks. November soybean futures are expected to trade between \$5.30 and \$5.80. The negative aspects of the production reports may be offset by more export credits for the USSR and by reduced soybean plantings in Brazil. In general, however, prices could remain flat until next spring. Wheat prices may have one more leg up, perhaps to the \$3.55 to \$3.60 level basis the December futures. The outlook for increased wheat acreage and reduced feeding as the premium to corn price increases, however, makes wheat over priced at current levels.

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