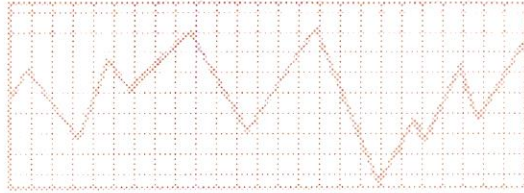




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WEEKLY OUTLOOK

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USDA REPORTS SUPPORT GRAIN PRICES, NEGATIVE FOR SOYBEANS

A flurry of USDA reports, including winter wheat seedings, annual crop production, December grain stocks, and revised supply and demand estimates, released on January 10 and 13 were generally supportive for grain prices, but somewhat negative for soybean price prospects. Following is a summary of those reports and implications for corn, wheat, and soybean prices.

CORN. The final production estimate for 1991 showed a crop of 7.474 billion bushels, 12 million bushels less than the last estimate released in November. Stocks of corn as of December 1, 1991 totaled only 6.538 billion bushels, 400 million bushels less than the inventory of a year ago and the smallest December 1 inventory since 1983. The inventory figure implies that a record 1.72 billion bushels of corn were fed during the first quarter of the 1991-92 marketing year.

The USDA increased its projection of feed and residual use of corn for the entire marketing year by 150 million bushels, to a total of 5 billion bushels. Stocks of corn on September 1, 1992 are now projected at 1.076 billion bushels. Stocks at that level would be the second smallest of the past 16 years and would represent only 7 weeks supply at the current rate of use.

The new estimates are expected to fuel the recent rally, perhaps pushing March futures back to the recent high of \$2.65. Rallies may be limited for now by the expectation of increased corn acreage in 1992. Weather concerns could eventually push prices even higher. December futures have established new contract highs. Over the past 21 years, that contract has never established a life-of-contract high in the December through March period. History would suggest that new highs are coming. The most likely time to establish a high is in the June through August time period.

WHEAT. The projection of wheat exports was increased by 25 million bushels to a total of 1.25 billion bushels. On the basis of the December 1 wheat stocks report, the projection of wheat feeding during the current marketing year was also increased by 25 million bushels. Higher prices are expected to result in less wheat used for food purposes. Food use of wheat is now projected at 780 million bushels, 16 million less than used last year. Stocks of wheat

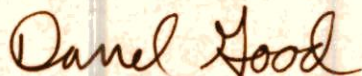
at the end of the 1991-92 marketing year (June 1) are now projected at 390 million bushels, the smallest carryover in 18 years.

The USDA's December survey indicated that 50.2 million acres of winter wheat were seeded in 1991. That is 830,000 acres less than last year's seedings and about 4 million acres less than expected. The largest reductions in acreage came in soft wheat areas of the midwest and southeast. Acreage in Kansas and Oklahoma is unchanged from last year.

Tightening supplies, fewer acres, uncertainty about crop conditions, and continuation of export subsidies are expected to push wheat prices higher. It is difficult to predict how high because of the managed nature of exports. Prices in the \$4.40 to \$4.50 area are possible. Selling decisions should be delayed as long as the uptrend continues. Technical indicators should be followed to help identify a top in the market.

SOYBEANS. The 1991 soybean crop is now estimated at 1.986 billion bushels, 24 million bushels above the November estimate and 169 million bushels above the estimate made last September. The U.S. average yield was a record 34.3 bushels per acre and the crop was the largest since 1985.

The projection of exports during the current marketing year was increased by 15 million bushels, to a 4 year high of 665 million bushels. Even so, the projection of carryover stocks was increased by 10 million bushels, to a total of 325 million bushels. With generally favorable growing conditions in South America, particularly in Brazil, soybean prices will have difficulty moving higher. Strength in the grain markets could push March soybean futures to the \$5.80 level. Weather concerns could see a rally to the \$6.25 to \$6.50 level later in the growing season.



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