



WEEKLY OUTLOOK

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SUPPLY AND DEMAND ESTIMATES UNCHANGED, MARKETS NOW WAIT FOR PLANTINGS REPORT

The USDA released its monthly *Crop Production* and *World Supply and Demand* reports on March 11. Following is a summary of the highlights of those reports and implications for corn, soybean, and wheat prices.

CORN. Corn production estimates were changed for three major producing countries. The Argentine crop is estimated at 9 million tons, 1 million larger than last month's estimate and 1.4 million tons larger than last year's crop. The Brazilian crop estimate was increased by 1.5 million tons, to 27.5 million. The crop is 4 million tons larger than last year's crop. The South African corn crop is now estimated at 4.5 million tons, 1.5 million less than estimated last month and 3.7 million tons smaller than the 1991 harvest. Corn production outside of the United States is up 5 percent from last year's production. Projections of corn consumption were little changed from last month with the exception of the former USSR. Feed use of corn and imports in those republics are expected to be 2 million tons larger than projected last month. No changes were made in the supply and demand estimates for the United States.

The market had generally expected the USDA to raise its forecast of U.S. corn exports due to the drought reduced South African crop and prospects for additional export credits to Russia and other former Soviet republics. Corn prices retreated from their recent highs and will likely remain in a narrow range until the end of the month. On March 31, the USDA will release its quarterly *Grain Stocks* report and a *Prospective Plantings* report. If domestic feed use is on target to reach the USDA projection of 5 billion bushels, the March 1 stocks figure needs to be near 4.42 billion bushels. The plantings report is expected to confirm intentions for an increase in corn acreage in 1992. Last week, Sparks Commodities released an estimate of 80.6 million acres, up from 75.95 million in 1991. We do not look for such a large increase.

SOYBEANS. The USDA confirmed prospects for a larger soybean crop in Brazil this spring. That crop is now estimated at 680 million bushels, 6 percent larger than the 1991 crop. The 1991 crop estimate was also increased by 10 million bushels. The 1992 South American crop (Brazil, Argentina and Paraguay) is expected to total 1.124 billion bushels, 7 percent larger than the 1991 crop and 6 percent smaller than the record crop of 1990. The 1992 Chinese soybean crop is estimated at 353 million bushels, 18 million smaller than last month's estimate and 51 million less than the 1991 crop. Soybean production outside of the United States is about unchanged from last year's crop. The

projection of world soybean consumption was increased by 1.4 million tons from last month's projection, but the increase does not offset the increase in production.

No change was made in the supply and demand estimate for U.S. soybeans, although the projection of domestic soybean oil consumption was increased by 200 thousand pounds, in line with the projection we have been using for some time. Apparent changes in domestic use and exports of soybean meal reflected a conversion from a 44 percent protein base to a 48 percent protein base.

Based on the rapid rate of exports to date, the market had anticipated an increase in the projection of U.S. soybean exports (see last week's letter). The failure to do so brought the recent price rally to a halt. The market's attention will now turn to the potential for export credits for the former Soviet republics and to the USDA's *Prospective Plantings* report. Sparks Commodities has estimated 1992 soybean planting intentions at a 16 year low of 57.2 million acres, 1.9 million less than planted last year. We look for intentions to be down by about 1 million acres.

WHEAT. Changes in the world wheat production, consumption, and stocks estimates were minor. The world production estimate was increased by 40 million bushels, with about half of that increase in Argentina. The projection of imports and consumption in the former USSR was reduced by 22 million bushels, while consumption projections were increased slightly for the European Community, Australia, and Argentina.

The focus in the wheat market will continue to be the condition of the winter wheat crop in the United States. While some damage did occur from last week's weather, the market judges the damage to be limited. Further price declines can be expected, although July futures should find support near the \$3.50 area until the damage to the crop can be assessed completely.



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