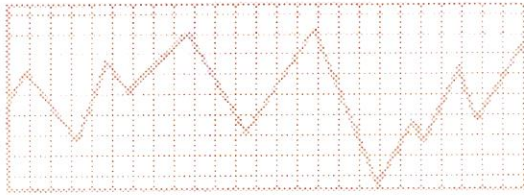




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WEEKLY OUTLOOK

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REVISED SUPPLY AND DEMAND ESTIMATES CONTAIN SOME SURPRISES

On May 11, the USDA released its monthly supply and demand estimates for the major U.S. and world crops. The May report contained revised estimates for the 1991-92 marketing year and the first projections for the 1992-93 marketing year. The first estimate of the size of the 1992. U.S. winter wheat crop was released on the same day. Following is a summary of the reports and implications for corn, soybean, and wheat prices.

CORN. For the current marketing year, the USDA increased its projection of corn exports by 25 million bushels, to a total of 1.55 billion bushels. To reach that level, exports for the final 16 weeks of the year will have to average 29.7 million bushels per week, slightly less than the average for the same period last year. The stocks of corn on September 1, 1992 are now projected at 1.121 billion bushels, 25 million less than projected last month and 400 million bushels less than stocks on September 1, 1991.

Based on the March 31 *Prospective Plantings* report, the 1992 corn crop is projected at 8.575 billion bushels, nearly 15 percent larger than last year's crop and the second largest crop on record. The projection reflects an average yield of about 120 bushels per acre. Domestic corn consumption is expected to increase by 140 million bushels during the 1992-93 marketing year, while exports are expected to remain unchanged. Stocks of corn at the end of that marketing year are projected at a 4-year high of 1.671 billion bushels. The average price during the 1992-93 marketing year is projected in a range of \$1.90 to \$2.30 per bushel, compared to the projection of \$2.30 to \$2.50 for the current year. At the close of trading on May 11, the market was offering the eastern corn belt producer an average price of about \$2.55 for the 1992 crop. If a large crop does materialize, prices will be sharply lower by harvest time. The market, however, will likely continue to offer a weather premium until it is satisfied the crop is out of danger. We continue to expect a volatile market with December futures to challenge and probably exceed the current contract high of \$2.75³/₄ in June or July.

SOYBEANS. For the current marketing year, the projection of soybean exports was increased by 10 million bushels, to a total of 690 million bushels. Exports will have to average 8.1 million bushels per week for the next 16 weeks to reach that total. The average for the period last year was 8.6 million bushels. The estimate of the South American crop was unchanged from last month's figure, although private analysts expect a larger crop. Stocks of soybeans at the end of the 1991-92 marketing year are projected at 295 million bushels, 10 million less than projected last month and 34 million less than stocks on the same date last year.

Based on the report of farmers' planting intentions, the 1992 soybean crop is projected at 1.915 billion bushels, nearly 4 percent larger than the 1991 harvest. The projection implies a national average yield of 34 bushels per acre, just below the record yield of 1991. Domestic use is expected to decline by 5 million bushels and exports are expected to decline by 40 million bushels due to the larger South American crop. Even so, stocks at the end of the 1992-93 marketing year are expected to be reduced to 235 million bushels. In recent years, stocks have not been lower than the projection, except following the droughts of 1983 and 1988. The projection of a tight supply situation and the current uncertainty about the 1992 growing season should push soybean prices higher. November future will likely exceed the recent high of \$6.15 and probably the contract high of \$6.30 during periods of weather concern. The June 30, *Acreage* report, however, may show more soybean acreage than the March report.

WHEAT. For the marketing year which ends this month, the USDA lowered the projection of domestic wheat use by 5 million bushels and exports by 50 million bushels. Carryover stocks are projected at 421 million bushels, 55 million above last month's projection.

The 1992 winter wheat crop is estimated at 1.618 billion bushels, 18 percent larger than the 1991 harvest. The estimate reflects a 3.8 million acre increase in harvested acreage and a 2.6 bushel increase in the average yield. The larger figure was anticipated by the market. With normal spring wheat yields, production of all wheat is expected to total 2.268 billion bushels, 14 percent larger than the 1991 crop. Domestic wheat feeding is expected to decline sharply this summer, while exports are expected to remain large during the 1992-93 marketing year, at 1.2 billion bushels. The large export projection implies a continuation of large export subsidies. Stocks of wheat at the end of the 1992-93 marketing year are projected to increase slightly, to a total of 449 million bushels. The average price for the year is projected in a range of \$3.15 to \$3.55 per bushel.

If the spring wheat crop escapes adverse weather, wheat prices are expected to resume the down trend. July futures at Chicago may decline to the \$3.50 area with an eventual drop to the \$3.20 level.



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