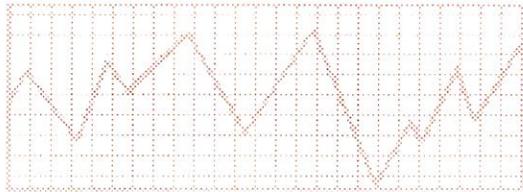




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WEEKLY OUTLOOK

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CORN AND SOYBEAN MARKETS RE-EVALUATE SUPPLY AND DEMAND

The National Weather Service expects normal temperatures to prevail in the Corn Belt during September, eliminating some of the concern about an early frost. While some crops will be cut short by frost, the prospects for significant damage does not appear likely at this time. The market has begun to take some of the frost premium out of the price structure and to re-evaluate the likely supply and demand balance for the 1992-93 marketing year.

Supplies for the year will consist of carryover stocks plus production. The magnitude of carryover stocks will be revealed in the September 30 *Grain Stocks* report. It now appears that inventories of old crop corn and soybeans on September 1 will be near the current USDA projections.

As of August 20, USDA export inspection figures showed soybean exports at 681.4 million bushels. Exports in the final 10 days of the marketing year needed to total only 8.6 million bushels to reach the USDA projection. Through June, however, export figures from the Census Bureau were running about 8 million bushels behind the USDA export inspection figures. For the most part, the USDA has used the Census Bureau export figures in the final supply and demand estimates for the year.

Through July, the domestic soybean crush totaled 1.151 billion bushels. To reach the USDA projection for the year, the crush during August needed to reach 99 million bushels. Figures from the National Oilseed Processors Association through August 26, suggested that the total was reached. Soybean stocks on September 1 should be within 5 million bushels of USDA's projection of 285 million bushels.

The size of the 1992 soybean harvest is obviously more important than the size of the inventory. Considerable debate about potential crop size continues. Several private analysts are suggesting that the crop potential is perhaps 1 bushel per acre larger than the USDA's August estimate. A crop near 2.14 billion bushels would be suggested by that evaluation. The USDA will release its September production estimate on September 10. Over the past 4 years, the September estimate has significantly understated the actual size of the crop.

Prospects for a larger soybean crop are being partially offset by large export sales. As of August 20, 130 million bushels of new crop soybeans had been sold for export. In addition, 40 million bushels of old crop sales will likely be rolled into the 1992-93 marketing year. In essence, nearly 25 percent of next year's expected exports have already been sold. A continuation of a weak dollar should keep exports

high. Recent export subsidy initiatives for soybean oil may indicate a commitment to reduce oil stocks as well. Domestic meal demand will be supported by record hog and poultry production. A large crop may not lead to an increase in the carryover projection.

In the case of corn, weekly export inspection figures suggest that exports for the 1991-92 marketing year will slightly exceed the USDA projection of 1.575 billion bushels. Through June, however, export figures from the Census Bureau were running about 10 million bushels lower than the inspection figures. Whether stocks of corn on September 1 are above or below the USDA projection will depend primarily on feed and residual use during the summer months.

The primary focus is on the potential size of the 1992 harvest. In contrast to soybeans, the consensus seems to be that the crop will in fact be close to the August estimate of 8.762 billion bushels. In the past 3 years, the final estimate has been larger than the August estimate, but only by an average of 1.5 percent. The difference averaged less than 1 percent the past 2 years.

In general, the demand for corn is perceived to be weaker than demand for soybeans. However, the likely prolonged expansion phase of the hog cycle will keep domestic feed demand strong. As of August 20, 246 million bushels of new crop corn had been sold for export, an increase of 48 percent from sales on the same date last year. A variety of production problems around the world will be supportive to U.S. exports. Credits to the former Soviet Union, however, will be the single most important factor. Corn stocks will increase during the 1992-93 marketing year, but not to burdensome levels.

As frost concerns abated, December futures traded to new contract lows and November soybean futures traded within 10 cents of the low established in early August. The typical large crop price pattern described last week is still taking form. Just as prices have declined more than expected 2 months ago, the price recovery will also exceed expectations.

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