

WEEKLY OUTLOOK



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CROP REPORTS SHOW RECORD YIELDS, RECORD PRODUCTION, AND RECORD USE

Three recent USDA reports fine tune the nation's grain and oilseed supply and demand situation. The quarterly *Grain Stocks* report, issued on September 30, is used to monitor the rate of use. It provides the only indication of the rate of domestic grain feeding. The September report is particularly important for corn, sorghum, and soybeans, as it marks the end of the marketing year and the start of the next year. The October *Crop Production* report, released on October 8, updates the production estimates. The information in these two reports is incorporated into the *Supply and Demand* report, also released on October 8.

CORN. The 1992 U.S. corn crop is now estimated at a record 8.938 billion bushels, nearly 1.5 billion bushels, or 20 percent, larger than the 1991 crop and 168 million larger than last month's estimate. The national average yield is pegged at a record 123.8 bushels per acre. The sorghum estimate was increased 6 million bushels to 853 million. It is 274 million bushels, or 47 percent, larger than last year's harvest.

The estimated size of the Eastern European corn crop was reduced by 142 million bushels and is 370 million bushels smaller than last year's crop. China's corn crop estimate was reduced by 40 million bushels. Corn production outside of the United States is estimated to be 323 million bushels smaller than last year's crop.

September 1 corn stocks, at 1.1 billion bushels, were down 28 percent from stocks of a year earlier. Stocks of other feed grains were generally smaller, with sorghum stocks down 71 percent and at the lowest level in 11 years. In its monthly *Supply and Demand* report, the USDA increased the projection of domestic feed and residual use of corn by 150 million bushels, to a record 5.15 billion bushels. Stocks at the end of the 1992-93 marketing year are projected at 1.8 billion bushels, 38 million above last month's projection, but 764 million bushels larger than the inventory on September 1, 1992. Nearly all of the stocks are freely available to the market. Free stocks are projected to be 832 million bushels larger, nearly double last year's level.

SOYBEANS. The 1992 U.S. soybean crop is now estimated at 2.108 billion bushels, 23 million bushels larger than the September estimate and 122 million bushels, or 6 percent, larger than last year's crop. The U.S. average yield is forecast at a record 36.3 bushels per acre.

Soybean production outside of the United States is projected at 1.951 billion bushels, 49 million bushels larger than last year's harvest. About one-half of the increase is expected in South America, where planting is just underway.

Soybean stocks on September 1, at 278 million bushels, were 15 percent below inventories of a year earlier. Soybean use during the 1991-92 marketing year totaled 2.04 billion bushels, 11 percent more than use during the previous year. The USDA increased its projections of soybeans, soybean oil, and soybean meal use for the year ahead. Soybean exports are projected at 720 million bushels, 35 million bushels more than exported

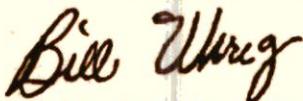
last year. The domestic crush is projected at a record 1.265 billion bushels, 11 million above last year's crush. Even with near record use, stocks of soybeans at the end of the marketing year are expected to be large at 305 million bushels.

WHEAT. The 1992 U.S. wheat crop totaled 2.459 billion bushels, 52 million bushels above the September estimate and 478 million, or 24 percent, larger than the 1991 harvest. The winter wheat crop is 17 percent larger than last year's harvest, while spring wheat production is up 40 percent. Wheat production in the rest of the world is estimated at 17.68 billion bushels, up 268 million bushels from last month's estimate, but still 263 million less than produced last year.

For the current marketing year, the USDA projections boosted food use by 35 million bushels, or 6 percent, and increased feed use by 75 million, or 43 percent, from the September projection. Carryover stocks are forecast to be 573 million bushels on June 1, 1993.

The stocks report was not a major factor in the grain markets, as stock levels had been correctly anticipated. The October crop production estimates were generally larger than the grain trade expected. Offsetting factors include bullish demand estimates, supported by EEP allocations for wheat and soybean oil; approval of the use of ethanol in gasoline to meet clean air standards in 6 major cities; expected opening of the Farmer-Owned-Reserve; and export credits for Russia.

Futures prices are expected to trade in a narrow range and remain flat until spring. The best alternative at this point is to delay pricing through storage or through use of marketing alternatives such as delayed pricing, basis contracts, minimum price contracts, or use of futures or call options. Producers who participated in the 1992 feed grain program are eligible for CCC loans. This is the least expensive source of money. This is time for patience, not pricing.



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