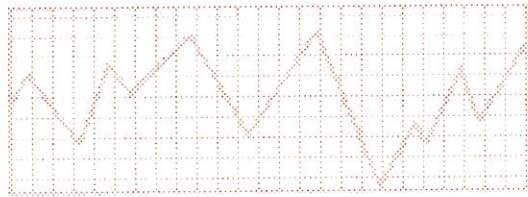




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WEEKLY OUTLOOK

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LARGE CORN AND SOYBEAN CROPS TO KEEP PRICES UNDER PRESSURE

The USDA's November *Crop Production* report contained much larger estimates of the 1992 corn and soybean crops. Projection of carryover stocks on September 1, 1993 were also increased. Large supplies will keep prices in check for the next several months.

CORN. The 1992 corn crop is now estimated at 9.329 billion bushels, that estimate is 391 million bushels larger than the October estimate, 454 million larger than the previous record crop of 1985, and about 160 million bushels larger than the average trade guess. The estimate of harvested acreage was reduced by 100,000 acres from the October report, but the U.S. average yield estimate was increased by 5.5 bushels per acre, to 129.3 bushels per acre. The yield estimate is 9.5 bushels above the previous record established in 1987. Midwest yields are 10 bushels or so above previous record yields, with Illinois and Iowa expected to average 145 bushels per acre. The yield in Indiana is estimated at 143 bushels.

The USDA increased its projection of both exports and domestic feeding by 50 million bushels. Corn consumed for all purposes is projected at 8.285 billion bushels, leaving stocks at the end of the 1992-93 marketing year at 2.154 billion bushels. Carryover stocks will be the largest in 5 years. Projected stocks represent 26 percent of projected use, suggesting that the Farmer Owned Reserve will be opened for the 1992 crop. The large carryover projection also allows a larger set-aside requirement (up to 20 percent) for the 1993 crop program. The announcement of the 1993 set-aside is required by November 15. The preliminary announcement established the set-aside at 10 percent.

SOYBEANS. The 1992 soybean crop is now estimated at 2.167 billion bushels. That estimate is 59 million bushels larger than the October estimate, 39 million larger than the average trade guess, and the largest crop since 1982. The U.S. average yield is estimated at 37.3 bushels per acre, 1 bushel above the October estimate and 3 bushels above the previous record established last year. Yields in Illinois, Indiana and Iowa are estimated near the levels of the previous records—43 bushels in Illinois and Iowa and 42 bushels in Indiana.

The USDA increased its projection of exports by only 10 million bushels, to a total of 730 million bushels. Given the rapid rate of sales to date, a larger increase had been expected. The projection of soybean meal exports declined by 350,000 tons, while the projection of oil

exports was increased by 115 million pounds. The residual category of use was increased by 4 million bushels, so that the projection of year ending stocks increased by 45 million bushels. At 350 million bushels, the projection of carryover stocks is the largest in 6 years.

For wheat, the USDA increased the projection of exports by 50 million bushels and lowered the carryover projection an equal amount.

The next estimate of the size of the 1992 corn and soybean crops will be released in early January. At the same time, the estimate of stocks on hand as of December 1 will be released. That report will allow the calculation of corn and wheat feeding during the September-November period.

The larger crop estimates resulted in lower USDA projections of the average price of corn and soybeans for the 1992-93 marketing year. The average corn price is projected in a range of \$1.85 to \$2.15. Average prices have not been that low since the 1987-88 marketing year. The average soybean price is projected in a range of \$5.00 to \$5.40, the lowest average since the 1986-87 marketing year. In the near term, look for corn futures to establish new contract lows, with December futures testing the \$2.00 mark. The continued slow harvest and slow pace of farmer sales will help support prices, including the basis. Price recovery, however, will be slow and modest until Spring of 1993. Soybean prices may hold above the previous lows, but could decline by 10 to 15 cents in the near term. Longer term prospects depend on settlement of the U.S.-EC oilseeds dispute and the development of the South American soybean crop.

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