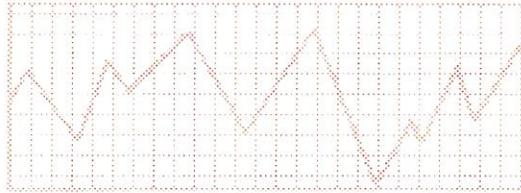




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WEEKLY OUTLOOK

A joint publication of the Departments of Agricultural Economics, Colleges of Agriculture of Purdue University, West Lafayette, Indiana, and the University of Illinois at Urbana-Champaign

JANUARY 13, 1993

CORN AND SOYBEAN PRODUCTION ESTIMATES INCREASED AGAIN

On January 12, the USDA released the final production estimates for the 1992 corn and soybean crops, the estimate of grain stocks on December 1, 1992, the estimate of winter wheat seedings, and an updated supply and demand report. Following is a summary of those reports.

CORN. The 1992 corn crop is now estimated at 9.479 billion bushels, 150 million bushels larger than the November estimate, 717 million larger than the September estimate, and 2 billion bushels larger than the 1991 crop. The U.S. average yield was 131.4 bushels per acre, 2.1 bushels above the November estimate. The average yield was 149 bushels in Illinois and 147 bushels in Indiana and Iowa.

Stocks of corn on December 1 totaled 7.902 billion bushels, the largest inventory on that date in 5 years and 1.358 billion bushels larger than the inventory on the same date in 1991. Corn consumption during the first quarter of the 1992-93 marketing year was a record 2.68 billion bushels, 219 billion bushels more than the previous record of a year ago. Feed and residual use totaled 1.83 billion bushels, up 142 million bushels from the record use of a year ago.

The USDA's projection of use for the entire marketing year was unchanged at 8.335 billion bushels. The inventory of corn at the end of the marketing year (September 1, 1993) is now projected at a 5 year high of 2.247 billion bushels. The high rate of feed consumption to date and the continued expansion in livestock production, however, suggest that feed use for the year could be 100 million bushels larger than projected.

The larger production figure will offset the positive impact of expectations that credit sales to the former Soviet Union would be renewed and the opening of the Farmer-Owned-Reserve for the 1992 crop. Corn prices will likely remain mired in the recent narrow trading range until spring.

SOYBEANS. The 1992 soybean crop is now estimated at 2.197 billion bushels, 30 million bushels above the November estimate, 210 million larger than the 1991 crop, and only 64 million less than the record crop of 1979. The U.S. average yield was a record 37.6 bushels per acre, 3.3 bushels above the previous record established last year. Yields averaged 44 bushels in Iowa and 43 bushels in Illinois and Indiana.

Stocks of soybeans on December 1 were at a 6-year high of 1.834 billion bushels, 55 million more than on the same date last year. Soybean consumption during the first quarter of the 1992-93 marketing was a record 643 million bushels. The domestic crush was record large and exports were at a 5-year high. The residual disappearance was unusually large at 78 million bushels, suggesting the crop may have been slightly overestimated.

The USDA increased the projection of soybean exports for the entire marketing year by 5 million bushels, to a total of 745 million bushels. The use of soybeans for all purposes is projected at a record 2.122 billion bushels, leaving stocks at the end of the marketing year at a 6-year high of 355 million bushels.

Soybean prices have recovered about \$.60 per bushel since the lows reached in early October on the basis of the record pace of consumption. The larger production estimate for the U.S. crop and an increase in the projected sized of the 1993 Argentine crop will likely bring the price rally to a halt, at least temporarily. March futures will have difficulty moving above \$6.00, even if consumption rates remain high, unless dry weather returns to South America.

WHEAT. Stocks of wheat on December 1, 1992 totaled 1.587 billion bushels, 145 million bushels more than on the same date last year. The larger stocks figure (and the upward revision in the September 1, 1992 stocks figure) resulted in a 25 million bushel reduction in the projection of wheat feeding for the current marketing year. The projection of other domestic use was reduced by 8 million bushels, the projection of imports was increased by 5 million, the projection of exports was increased by 50 million, and the projection of carryover stocks was reduced by 12 million. These changes will not impact prices.

The big surprise in the reports was the estimate of winter wheat seedings of only 51.5 million acres, an increase of less than 1 percent over seedings of a year ago. The reduced set-aside requirement and high prices were expected to result in a much larger increase. Planted acreage, however, is not an exact indicator of harvested acreage. Over the past 10 years the difference between planted and harvested acreage of winter wheat has varied from 6.8 to 13.9 million acres.

The low seedings estimate, however, will support new crop prices. Look for July futures to recover back to the \$3.35 level.

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