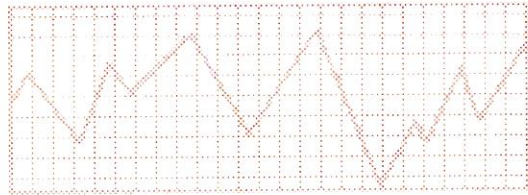




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WEEKLY OUTLOOK

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MARCH SUPPLY AND DEMAND ESTIMATES CONTAIN A FEW CHANGES

Last week the USDA released its monthly Crop Production and World Supply and Demand reports. For corn, slightly smaller estimates for the 1992 crop in Eastern Europe and Canada were more than offset by a larger estimate for the size of the Chinese crop. The demand projections for the U.S. crop were unchanged from February. The inventory of U.S. corn at the end of the current marketing year is still projected at a 5-year high of 2.237 billion bushels. Some had expected an increase in the projection of exports. With the marketing year half completed, exports are 21 percent larger than a year ago and outstanding sales are up 34 percent. The USDA's projection of 1.65 billion bushels for the entire marketing year is only 4 percent larger than last year's exports. The unsettled situation in Russia casts a large cloud of uncertainty over export prospects to the former Soviet republics. A change in the projection of feed and residual use was not expected. A clearer picture of use in that category will be revealed with the Grain Stocks report to be released on March 31.

The 1993 South American soybean harvest is now projected at 1.265 billion bushels, 100 million bushels larger than last year's crop and 65 million bushels larger than the record crop of 3 years ago. Based on the rapid pace of exports to date and the relatively large level of outstanding export sales, the projection of U.S. soybean exports for the current year was increased by 15 million bushels, to a total of 760 million bushels. The projection of domestic use was unchanged from last month's figures, even though the current pace of processing is well above the projected rate for the year. The upcoming availability of South American soybean meal is expected to reduce the export demand for U.S. soybean meal in a typical seasonal pattern.

The market generally anticipated a larger increase in the soybean export projection. Stocks of soybeans at the end of the current marketing year are still projected at a 6-year high of 340 million bushels. Projected year-ending stocks represent 15.9 percent of projected use during the year. For the past 5 years that ratio has ranged from 10.9 to 17.9 percent. The average was 14 percent.

The projection of soybean oil exports for the current marketing year were lowered by 75 million pounds, to a total of 1.625 billion pounds. Year-ending stocks are also projected at 1.625 billion pounds, the lowest level in 3 years. No changes were made in the projection of soybean meal consumption for the year.

For wheat, the USDA lowered the export projection for the current marketing year by 25 million bushels, to a total of 1.325 billion bushels. The reduction presumably reflects reduced expectations for shipments to the former Soviet Union. Those republics are expected to import 30 percent less wheat (from all sources) than was imported last year. The 1992 harvest in those republics were nearly 24 percent larger than the extremely small crop of a year ago.

The projection of domestic processing uses of wheat was reduced by 10 million bushels, to a total of 810 million bushels. The lower projection of use (domestic and export) resulted in a 35 million bushel increase in the projected size of year ending stocks. Those stocks are projected at 541 million bushels, or 22 percent of projected use.

The USDA reports did not contain any information that will push corn and soybean prices out of the trading range of the last several months. The market will now take direction from the Grain Stocks and Prospective Plantings reports to be released on March 31, as well as weather prospects as the planting season approaches.

The changes in the wheat projections were negative for wheat prices. The larger year-ending inventory figure and the generally trouble free winter wheat crop pushed prices lower. July futures at Chicago traded down to a new contract low of \$3.01. Further declines in prices are expected if the crop remains in good shape and a solution to the Russian debt problem is not forthcoming.



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