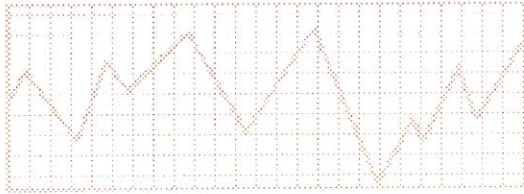




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WEEKLY OUTLOOK

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WORLD CROP SITUATION

On August 12, the USDA released its monthly report of world crop production estimates. Production outside of the United States is obviously very important for U.S. export prospects.

Foreign production of wheat during the 1993-94 marketing year is estimated at 489.9 million metric tons. That estimate is only 2 million tons less than the record crop of a year ago. The estimate of the Chinese wheat crop was increased by 9 million tons from the July estimate, to a record 105 million metric tons. The estimate for the former Soviet Union was increased by 5.2 million tons to a total of 89.1 million. That figure is 1 million tons larger than last year's crop. Of the major wheat producers, only the European community (EC) is expected to have a smaller crop than that of last year. Wheat stocks, however, are in surplus in the EC.

The larger crops in the major importing countries are expected to reduce U.S. wheat exports by 200 million bushels (15 percent) during the 1993-94 marketing year. As of August 12, the USDA reported that 404 million bushels of wheat had been sold for export this year, 50 million more than on the same date last year. The increase in sales, along with a delayed wheat harvest and weather related yield reductions, have pushed wheat prices higher since late June. Prices typically move lower in July and August. If export sales begin to fall behind the pace of ago, as projected, it will be difficult for wheat prices to continue to move higher. A counter seasonal move lower after the spring wheat harvest cannot be ruled out.

Foreign production of course grains during the 1993-94 marketing year is estimated at 580.9 million tons, 7.2 million tons above the July estimate and 4.1 million tons above last year's crop. Larger crops are expected in Canada and the former Soviet Union. Foreign production of corn is estimated at 288.8 million tons, 1.4 million tons larger than last year's crop. Significantly larger crops are expected in Eastern Europe, Canada, and the former Soviet Union.

For the year ahead, the USDA projects U.S. corn exports at 1.475 billion bushels, 200 million (12 percent) below the exports of the current year. At the projected level, exports would be the lowest in 8 years and the second lowest in 19 years. As of August 12, the USDA reported that 183 million bushels of U.S. corn had been sold for export during the 1993-94 marketing year. Sales are running about 25 million bushels behind the level of a year ago. The lack of export sales is one reason that corn prices have not moved sharply higher in the face of significant crop losses in the United States.

Foreign production of major oilseeds is estimated at a record 164.6 million tons during the 1993-94 crop year, up 5.9 million tons from the crop of a year ago. Foreign soybean production is projected at a record 60 million tons (2.206 billion bushels) nearly 3 million tons larger than last year's record crop. As with all the production estimates, the projections for the Southern Hemisphere are highly tentative, as those crops have not yet been planted. South American soybean production in 1994 is projected at a record 36.4 million tons (1.337 billion bushels), 3 percent larger than the 1993 crop.

If the USDA's production estimates and projections are correct, the small 1993 U.S. soybean crop will not have to be rationed entirely by price. Part of the rationing will come from increased competition in the export market. The question still to be answered is how much rationing in total will be required.

As crop maturity continues to be a concern, the market will likely continue to put some weather premium back in the price structure of both corn and soybeans. December corn futures above \$2.50 and November soybean futures near \$7.00 are prudent targets for some catch-up selling. Another round of higher prices would be generated by an early frost in Iowa and Minnesota.



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