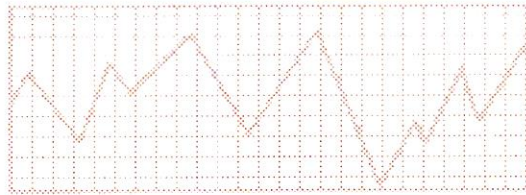




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WEEKLY OUTLOOK

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LOWER CROP PRODUCTION ESTIMATES GENERATE LITTLE PRICE RESPONSE

On October 12, the USDA released revised crop production and demand estimates. Following is a summary of these new estimates and the implication for prices of corn, soybeans, and wheat.

CORN. The 1993 corn crop is now estimated at 6.962 billion bushels, 267 million below the September estimate and 2.52 billion smaller than the record 1992 crop. The U.S. average yield is pegged at 110.3 bushels, 21 bushels below last year's record. Harvested acreage is down 9 million acres and is at the lowest level since 1988. Production of other feed grains is estimated at 1.263 billion bushels, 70 million less than the September estimate.

On the consumption side, the USDA lowered its projection of feed and residual use by 50 million bushels, to 5.05 billion. Use is expected to be 4.5 percent less than last year's record consumption. Projections of exports and processing use of corn were unchanged from last month, so that total consumption is expected to total 8.0 billion bushels. Year ending stocks are projected at a 10 year low of 1.085 billion bushels. Expected stocks represent 13.6 percent of projected use, the lowest ratio in 18 years.

Corn prices moved higher in front of the production report, as traders expected a smaller estimate. Even through the estimate was about 100 million less than anticipated, the price response was very limited. December futures are finding solid resistance at \$2.50. Corn prices are expected to remain stronger than normal through the harvest period because of the small crop and lengthy harvest period. A smaller production estimate is generally expected in November. For the most part, it appears as though corn prices will continue to be supported at current levels and in a narrow range through the winter months. Significant volatility could then emerge in the spring/summer. Low stocks mean that a weather problem could push prices sharply higher at that time. More acres and the absence of weather problems would allow prices to drift lower through the growing season.

SOYBEANS. The 1993 soybean crop is now estimated at 1.891 billion bushels, 18 million less than the September figure and 297 million below the 1992 crop. The estimate was close to pre-report guesses. The national average soybean yield is estimated at 33.7 bushels per acre. At 56.03 million, harvested acreage is down 2.3 million from that of a year ago and at the lowest level in 17 years.

Based on the poor performance of export sales to date and the magnitude of competing oilseed supplies around the world, the USDA lowered the soybean export projection to 640 million bushels. Exports through the first 5 weeks of the marketing year are down 50 percent from the shipments of a year ago. As of October 7, 102 million bushels had been sold but not yet shipped. A year ago, that figure stood at 235 million bushels. The USDA now projects a 15 percent decline in soy meal exports and lowered its crush projection by 5 million bushels to a total of 1.235 billion. That projection is 3.44 percent below last year's crush. Crush to date is down

less than 2 percent. Stocks of soybeans at the end of the marketing year are projected at 205 million bushels, or 10.3 percent of projected use, the lowest ratio in 10 years.

Soybean prices have settled into a narrow trading range, with November futures between \$6.05 and \$6.20. That range will likely be maintained with support coming from expectations of a smaller crop estimate in November and pressure generated by weak exports. That pattern could persist all winter if South America is trouble free. As in the case for corn, the next opportunity for a change in price direction will come next spring.

WHEAT. The wheat crop estimate came in at 2.422 billion bushels, 71 million below the September estimate and less than the average trade guess. Prices strengthened in front of the report, and declined with a confirmation of a smaller crop. The problem is on the export side. Even through exports through the first one-third of the marketing year equalled exports of a year ago, shipments for the year are expected to be down 17 percent. If that projection is correct, exports during the last two-thirds of the year will be off 24 percent from the same period last year.

Due to a 50 million bushel cut in projected feed use of wheat, the USDA still projects ending stocks near 700 million bushels, or 30 percent of annual use. December futures are expected to remain in the recent trading range of \$3.05 to \$3.30. If the winter wheat crop continues to make normal progress, prices are expected to weaken through the winter months.

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