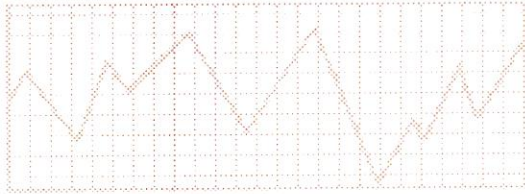




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WEEKLY OUTLOOK

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

NOVEMBER 8, 1993

LOOKING BEYOND THE CROP PRODUCTION REPORT

The market generally expects that both the corn and soybean production estimates will be lowered in this week's USDA *Crop Production* report. For corn in particular, the estimate is expected to be small enough that carryover stocks will be reduced to a minimum pipeline supply and that use will have to be less than the current projection of 8 billion bushels. Soybean stocks at the end of the marketing year will also be extremely small. After the production estimates are released, the market will carefully monitor the rate of use of corn and soybeans to determine how much price rationing will be required.

In the case of soybeans, weekly reports reveal the rate of domestic crush and exports. The USDA's weekly export inspections report is released on Monday afternoon and the weekly export sales report is released on Thursday afternoon. That report shows export sales of soybeans, soybean meal and soybean oil for the previous week. The National Oilseed Processors Association's (NOPA) weekly estimate of the amount of soybeans processed by association members is released on Thursday afternoons. In addition, the Census Bureau releases a monthly estimate of the amount of soybeans processed by the entire industry. That report also contains an estimate of month end stocks of meal and oil so that the rate of domestic consumption can be estimated. The Census Bureau releases a monthly estimate of exports that can be used to verify the USDA's weekly export figures. Finally, the USDA releases a quarterly grain stocks report which allows the calculation of total use during the previous quarter.

Based on the USDA's projection of crush and exports for the year, the market will monitor the weekly and monthly reports to determine if use is above or below the projected rate and if prices need to go up to slow the rate of use or down to increase the rate of use. In its October report, for example, the USDA projected soybean exports for the current marketing year at 640 million bushels, or an average of 12.3 million per week. Soybean exports, however, typically follow a seasonal pattern of large weekly exports during the first 30 weeks of the year and small weekly shipments during the last 22 weeks, after the South American harvest. If that pattern is followed this year, exports from September 1993 through March 1994 should average 15.6 million bushels per week. The average during the first 8 weeks of the marketing year was 11.75 million bushels.

Also in the October report, the USDA projected the domestic soybean crush for the 1993-94 marketing year at 1.235 billion bushels, down 3.4 percent from the crush of last year. For the first month of the marketing year, the Census Bureau reported that the domestic crush was down

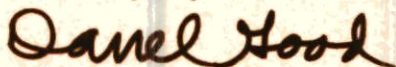
2.8 percent from the crush of a year ago. Weekly figures from the NOPA for the first 9 weeks of the marketing year show that the cumulative crush is down less than one percent.

In addition to the weekly, monthly, and quarterly reports on soybean consumption, the market will also closely monitor the progress of the South American crop. Preliminary projections for that crop show a 4 percent increase over the record 1993 harvest.

The market will make similar calculations for the rate of corn use. In its October report, for example, the USDA projected corn exports for the current marketing year at 1.4 billion bushels, 16.4 percent less than exported last year. Through the first 8 weeks of the marketing year, cumulative exports are down only 6 percent from the level of a year ago. Unshipped sales, however, are down 36 percent. Exports from November 1993 through August 1994 need to average 26 million bushels per week to reach the October export projection. New sales need to average 19.7 million bushels per week.

Estimates of the rate of domestic use of corn are not as readily available as for soybeans. The processing uses of corn are typically fairly close to the USDA projection and have a consistent seasonal pattern. Feed and residual use of corn, however, is the largest category of domestic consumption and there is very little public data available on the likely rate of corn feeding. For the most part, the market has to wait on the quarterly *Grain Stocks* report in order to calculate the level of use for the previous quarter. The first stocks report of the year will be released on January 12 and will allow the calculation of feed and residual use for September, October and November. For the past 5 years, first quarter feed and residual use has been a fairly good predictor of total use for the year. First quarter use has ranged from 34 to 35.1 percent of the annual use, averaging 34.5 percent.

Tuesday's *Crop Production* report will determine how much corn and soybean use must be reduced from the level of last year. The periodic reports of use will reveal whether or not the necessary adjustments are being made.



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