Cooperative Extension Service

WEEKLY OUTLOOK

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USDA REPORT CONFIRMS CROP LOSS

The USDA November crop report confirmed what corn farmers have reported all fall. The crop yields are not as good as expected before harvest and reported in previous estimates. The corn crop, at 6.503 billion bushels, is down 459 million bushels, or nearly 7 percent, from the October estimate. Production is down by a third from the 1992 crop and the U.S. average yield dropped to 103.1 bushel per acre, which is 28.3 bushels below last year's record yield. The USDA estimate was more than 200 million bushels below the average trade guess and at the low end of estimates.

Corn production estimates were reduced in 11 of the major corn producing states, increased slightly in 2 states and remained unchanged in 16 states. Reduced production in Iowa accounted for almost half of the lower estimate. That crop is 52 percent smaller than last year's crop. Both the Illinois and Indiana crops are about 20 percent smaller than the 1992 crops.

It is very unusual to have yield changes (reductions) of the magnitude of 10 to 20 bushels per acre this late in the year. The cause appears to be lack of sufficient nitrogen, poor root development, and insufficient growing degree days and sunshine to develop the corn plant. The result was small ears that were not filled and light test weight. The poor quality means additional storage problems next spring and it will require a larger quantity to be fed for a given amount of livestock production.

The smaller crop estimate caused major revisions in the supply and demand balance sheet. The feed use projection was reduced 200 million bushels (despite larger livestock numbers) and the export projection was lowered 50 million from last month's report. Total use, at 7.75 billion bushels, is expected to be down 8.5 percent from last year's use. Ending stocks, at 881 million bushels, represent 11.4 percent of projected use. This is the tightest supply situation experienced since 1975.

Speculation will push the nearby corn futures toward the 1990 high of $3.00. Poor demand will curtail prices from levels that occurred in the past when ending stocks were as low as projected this year. With low stocks, any problems with 1994 production would result in sharply higher prices.

The 1993 soybean crop is estimated at 1.83 billion bushels, 57 million less than the October figure and 354 million bushels below the 1992 crop. The estimate was substantially lower than the average pre-report trade estimate. The national average soybean yield was reduced 1 bushel and is estimated at 32.7 bushels per acre. At 56 million, harvested acreage is down 2.2 million acres from that of a year ago, and at the lowest level in 17 years.

In the supply and use report, USDA trimmed the crush projection by 10 million bushel and exports by 15 million to peg the carryover at 170 million bushels. This places the stocks-to-use ratio under 9 percent, the lowest level since September 1977.

With the low stocks level, look for cash soybean prices to top $7.00. The oil yield from the 1993 crop may be lower than normal. The light test weight on corn will require additional protein (soybean meal) feeding to properly balance livestock rations. This will support higher soybean prices as the price for soybeans is derived from the value of oil and meal. Exports during the first 2 months of the marketing year were nearly 30 percent below last year's level, but have improved during the past couple of weeks. Poor exports and increased South American production will likely prevent wildly bullish prices. Problems with either U.S. or foreign production in 1994 would send prices sharply higher. Without major production problems for the 1994 soybean crop, the best prices are expected to occur by March.

It is time to plan on how to market three year's crops -- last year's, this year's, and next year's. Both corn and soybean acreage will increase in 1994. With average weather, production will expand resulting in lower prices. Corn and soybean prices during the next couple of months are expected to present the best opportunity to price current crops and future production until the next major crop problem.

Bill Uhrig

Issued by J. William Uhrig
Extension Economist
Purdue University

Cooperative Extension Service
United States Department of Agriculture
University of Illinois
At Urbana-Champaign
Urbana, Illinois 61801

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