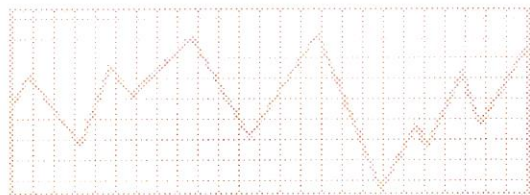




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WEEKLY OUTLOOK

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USDA REPORTS TO DIRECT CORN AND SOYBEAN PRICES

For the corn and soybean markets, the new year begins with the same question that has existed since the November *Crop Production* report. Is use being sufficiently reduced to make the small 1993 harvest fit? The answer to that question will become clearer following the final production estimates and the estimates of inventories as of December 1 to be released on January 12. The final production estimates will indicate how much rationing needs to occur and the stocks estimate for corn will give some insight into the rate of domestic use. The market generally expects smaller production estimates, particularly for corn, and large feed and residual use of corn during the first quarter of the marketing year. That combination could result in December 1 stocks of corn between 5.9 and 6.0 billion bushels. If the soybean crop estimate is unchanged, December 1 stocks should be near 1.56 billion bushels. Changes in the production estimate, then, should be matched by a deviation from 1.56 billion in the stocks estimate.

While waiting on the crucial January 12 reports, the market continues to monitor available information on the rate of consumption of corn and soybeans. Soybean exports for the 1993-94 marketing year are currently projected at 625 million bushels, 19 percent less than exported last year. Through the first 4 months of the marketing year, soybean export inspections totaled 248 million bushels, down 23 percent from the total of a year ago. The weekly rate of exports averaged 14.5 million bushels, about 0.5 million less than needed to reach the USDA projection if exports follow a typical seasonal pattern. Outstanding export sales of soybeans stood at 111 million bushels on December 30, 41 percent below the level of sales of a year ago. Total export commitments as of December 30 were 30 percent less than those of a year ago.

For the current marketing year, the domestic soybean crush is projected at 1.23 billion bushels, about 4 percent below the crush of a year ago. The Census Bureau estimates show that the crush during the first 3 months of the year totaled 326.5 million bushels, down 0.5 percent from the crush during the first quarter last year. Figures from the National Oilseed Processors Association show that the crush for the 5 weeks ending on January 5 was down 2 percent from the crush of the same period a year ago.

Since September 1, 1993, the combined crush and exports of soybeans is down 11 percent from the total of a year ago. This compares to the 9.5 percent decline for the year projected by the USDA last month. The outlook for exports depends heavily on the size of the 1994 soybean

harvest in South America. In the past week, private analysts began raising projections of the Brazilian crop based on very favorable weather conditions. The USDA's projections of soybean use are not expected to change on January 12, unless forced lower by a smaller production estimate. Carryover stocks cannot be reduced much below the 165 million bushels currently projected.

The USDA currently projects corn exports during the 1993-94 marketing year at 1.35 billion bushels, down 19 percent from last year's shipments. Through the first 4 months of the year, export inspections were reported at 554 million bushels, down 17.5 percent from last year's total. Outstanding export sales as of December 30 stood at 194 million bushels, 48 percent below the level of sales a year ago. Total export commitments as of December 30 were down 28 percent from sales of a year ago. As in the case of soybeans, the necessary decline in corn exports is taking place.

Domestic use of corn is expected to be large during the first quarter of the year because higher corn prices did not surface until late in the quarter and December 1 inventory estimates for cattle and hogs show large numbers. However, the high rate of feed use of corn during the first quarter, if confirmed, is not expected to continue. Hog producers are reducing production and other feed ingredients are being substituted for corn. Unless forced by a smaller crop estimate, projections of corn use will not likely change much in the January 12 report. A crop of 6.4 billion bushels or more can likely be rationed at current prices.

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