



WEEKLY OUTLOOK

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USDA REPORTS CONFIRM SMALL CROPS

On January 12, the USDA released the final estimate of the size of the 1993 crops, the estimate of December 1 grain stocks, an estimate of winter wheat seedings, and revised demand projections. Following is a summary of those reports and implications for the price of corn, soybeans, and wheat.

CORN. The 1993 corn crop is now estimated at 6.344 billion bushels, 159 million less than the November estimate and 3.14 billion less than the 1992 crop. The U.S. average yield was at a 5-year low of 100.7 bushels per acre. Compared with the November production estimates, crop size was increased in the eastern corn belt and reduced for most other areas.

Stocks of corn at the end of the current marketing year are projected at an 18-year low of 802 million bushels. At the projected levels, stocks would represent 10.4 percent of annual use. The small crop and high prices are expected to reduce feed and residual use of corn by 500 million bushels, or 9.5 percent, during the current year. Based on the December 1 stocks estimate of 5.936 billion bushels, feed and residual use during the first quarter probably totaled 1.725 billion bushels, 5.7 percent less than during the same quarter last year. That is a larger decline than expected given that corn prices did not move higher until the last three weeks of the quarter. If feed use is to be limited to the USDA projection of 4.8 billion bushels, use during the last three quarters of the year needs to be down 11.4 percent from use of a year ago. The rationing process has probably begun at current price levels.

Corn exports are now projected at 1.3 billion bushels, 50 million below the November projection and 22 percent below the exports of a year ago. Through the first 18 weeks of the marketing year, corn exports are down 18 percent while export commitments are down 28 percent. Corn production outside the United States this year is projected to be 264 million bushels larger than last year's crop and 232 million larger than last month's projection. The increase over a year ago is in China. The USDA's export projection may be a little high.

Price reaction after the release of the USDA numbers suggests that the market believes prices are high enough to ensure that the necessary rationing is taking place. Prices should remain firm, but March futures are expected to remain below the \$3.20 level for now.

SOYBEANS. The 1993 soybean crop totaled 1.809 billion bushels, 25 million below the November estimate and 379 million less than the 1992 crop. The national average yield was 32 bushels per acre. At 56.447 million, harvested acreage was the smallest since 1976. Stocks of soybeans at the end of the current marketing year are projected at a 17-year low of 150 million bushels. Projected stocks represent only 7.7 percent of projected use.

Soybean exports are now projected at 615 million bushels, 10 million below last month's projection and 20 percent below exports of a year ago. Through the first 18 weeks of the marketing year, exports are

down 19 percent from shipments of a year ago, while total commitments are down 30 percent. Foreign soybean production is now projected at 2.308 billion bushels, 37 million larger than last month's projection and 215 million larger than last year's crop. The increase over a year ago is in Brazil, Argentina, China and India. Unless the southern hemisphere crop runs into trouble, exports will likely be down at least as much as projected by the USDA.

The domestic crush is projected at 1.23 billion bushels, 3.8 percent below the crush of a year ago. For the first three months of the year, Census Bureau figures show only a 0.5 percent decline in the crush. For the last 6 weeks, figures from the National Oilseed Processors Association show a 2.7 percent reduction.

It appears that high oil prices and high feed prices are beginning to ration soybean use. Unless the South American crop starts to deteriorate, further increases in soybean prices will be limited. Certainly, the summer highs near \$7.50 will be difficult to exceed in the near term. It becomes a new ball game in the spring of the year, however, when U.S. acreage and weather become the dominant price factors.

WHEAT. A number of changes were made in the supply and demand projections for the current marketing year. The 1993 crop estimate was lowered 20 million bushels, the feed use projection dropped 25 million and the export projection jumped by 50 million. Carryover stocks of wheat are now projected at 598 million bushels, 44 million below last month's projection and 69 million above the level of stocks at the beginning of the year.

The first estimate of winter wheat seedings came in at 50.612 million acres, 1.1 million, or 2.2 percent, below last year's acreage. Acreage of soft red winter wheat is expected to be down 4 percent. The largest decline is expected in Illinois, where acreage is down 500,000, or 30 percent. A decline of 350,000 acres, or 21 percent, occurred in Missouri. Acreage in most other major wheat producing states was similar to that of a year ago.

Old crop wheat prices will now be influenced mostly by export subsidies, while new crop prices will be influenced by crop conditions. Look for new crop prices to gain on old crop prices. Old crop prices appear as though they have peaked, with March futures at Chicago having major resistance at \$4.00.

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