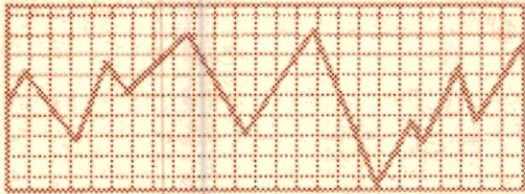




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WEEKLY OUTLOOK

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USDA REPORTS TO HALT CORN AND SOYBEAN PRICE DECLINE?

On May 10, the USDA released a *Crop Production* report and its monthly *Supply and Demand* report. The production report contained the first estimate of the size of the 1994 winter wheat crop. The *Supply and Demand* report contained revised projections for crop use during the current marketing year. In addition that report contained the first projections by the World Agricultural Outlook Board for supply and use during the 1994-95 marketing year. Following is a summary of those reports for wheat, corn, and soybeans.

WHEAT. Based on growing conditions around the first of the month, the 1994 winter wheat crop is estimated at 1.658 billion bushels, 6.3 percent smaller than the 1993 crop. Production of hard red winter wheat is expected to total 1.011 billion bushels, down 5.8 percent. The soft red winter crop is pegged at 394 million, down only 2.2 percent from the 1993 crop. The white wheat crop is estimated at 253 million bushels, down 13.7 percent from last year's crop. The Illinois wheat crop is estimated at 46.55 million down 31.7 percent, while the Indiana crop is pegged at 34.68 million bushels, about unchanged from a year ago. The Kansas crop is estimated at 410.4 million bushels, 5.6 percent larger than last year's crop.

For the marketing year ending this month, the USDA increased the projection of food use by 5 million bushels and reduced the carryover projection by a similar amount, to a total of 559 million bushels. Based on acreage intended for planting and average yields, the spring wheat crop is projected at 700 million bushels, 10.6 percent larger than the 1993 crop. Total production for 1994 is seen at 2.358 billion bushels. Both feed use and exports are expected to decline during the 1994-95 marketing year, allowing some rebuilding of stocks. Carryover stocks on June 1, 1995 are projected at 615 million bushels.

CORN. For the current marketing year, the USDA increased its projection of feed use of corn by 25 million bushels and reduced the export projection by the same amount. Year-ending stocks are still projected at only 827 million bushels.

Based on March corn planting intentions of 78.6 million acres, the World Outlook Board projects 71.5 million acres to be harvested for grain in 1994. Based on the trend over the period 1960 through 1993, the yield for 1994 is projected at 122.1 bushels per acres, resulting in a prospective crop of 8.725 billion bushels. Corn use during the 1994-95 marketing year is expected to rebound to 8.3 billion bushels, 8.5 percent above projected use for the current marketing year and only 2 percent below the record use of last year. Use is expected to be larger in all three major categories — feed

up 7.7 percent, processing up 9.4 percent, and exports up 10.2 percent. Stocks at the end of the 1994-95 marketing year are projected at 1.257 billion bushels.

SOYBEANS. For the current marketing year, the USDA increased the domestic soybean crush projection by 5 million bushels, to a total of 1.255 billion, only 1.9 percent below the record crush of last year. The projection of year ending stocks was reduced by 5 million, to a total of only 155 million bushels.

Based on March planting intentions of 61.1 million acres, the USDA projects harvested acreage in 1994 at 60 million acres. The average yield is projected at 35 bushels per acre. That projection is based on regional trend yields for the period 1974 through 1993, weighted by acres. Such a trend yield would result in a 1994 crop of 2.1 billion bushels. Use is expected to increase by only 30 million bushels, allowing stocks to accumulate to 280 million bushels by September 1, 1995.

The changes in the projections of use for corn, wheat and soybeans during the current marketing year were fairly well anticipated. The estimated size of the winter wheat crop was slightly lower than expected. Wheat prices will have difficulty moving higher as harvest approaches, particularly with soft export demand.

The projected size of the 1994 corn and soybean crops were also well anticipated, being based on planting intentions and trend yields. However, the projections of use during the 1994-95 marketing year were generally larger than anticipated, particularly for corn. The relatively low carryover projections for the 1994-95 marketing year do not leave much room for problems with the 1994 crop. Planting progress continues to exceed the average pace, so that prospects for trend yields are still in tact. The recent price declines, however, have taken much of the weather premium out of new crop prices. December corn futures near \$2.40 and November soybean futures near \$6.10 represent low prices for this time of year. This report should serve to stabilize those prices for the time being. If the projected crops do materialize, prices could be lower by harvest time. The strategy is still to sell weather rallies as the season progresses.

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