



WEEKLY OUTLOOK

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MONTHLY REPORTS CONTAIN SOME SMALL SURPRISES, BUT WEATHER DOMINATES

The USDA released the monthly *Supply and Demand* report and crop production report on June 9. Following is a brief summary of the changes for corn, soybeans, and wheat.

CORN. Changes from last month's projects were small. The projection of imports for the current marketing year was increased by 5 million bushels. As a result, the projections of stocks on September 1, 1994 and September 1, 1995 were increased by 5 million bushels. The most significant changes were the 13 percent increase in the estimate of the 1993 Brazilian corn crop and the 11 percent increase in the projections of the 1994 Brazilian crop. The estimate of the corn crop in the former Soviet Union was reduced by 0.5 million tons and the estimate of coarse grain production was reduced by 1 million tons.

SOYBEANS. For the current marketing year, the USDA increased the projection of domestic crush by 5 million bushels, lowered the export projection by 10 million, and increased the projection of September 1 stocks by 5 million bushels. The larger crush is expected to result in stocks of oil on October 1 of 1 billion pounds. That projection is 75 million pounds larger than made last month. The projection of domestic meal consumption was increased by 200,000 tons (0.8 percent) and the export projection was reduced by 100,000 tons. World soybean production estimates showed a 100,000 tons (0.4 percent) increase in the 1994 Brazilian crop and a 2.31 million ton (18 percent) increase in the 1993 Chinese crop.

WHEAT. The June report contained a revised estimate of the 1994 U.S. winter wheat crop. Analysts had generally expected the production figure to be slightly smaller than the May estimate. Instead, the estimate of 1.675 billion bushels was 17 million bushels larger than the May estimate. The estimate of the hard red crop was reduced about 3 million, while the soft red and white wheat estimates were increased about 10 million bushels each. The Illinois crop is estimated at 47.5 million bushels, 950,000 larger than the May estimate, but 30 percent smaller than the 1993 crop. At 34.68 million bushels, the estimate of the Indiana crop is unchanged from last month and only 160,000 bushels smaller than the 1993 crop. The U.S. winter wheat crop estimate is 94.6 million bushels smaller than the 1993 crop. World production estimates were about unchanged, except for the 1.4 million ton (1.3 percent) increase in the size of the 1993 Chinese crop.

For the marketing year that ended on May 31, the USDA increased the estimate of wheat imports by 5 million bushels, increased the estimate of food use by 15 million, and lowered the projection of June 1 stocks by 10 million, to a total of 549 million bushels. For the 1994-95 marketing year, the estimate of food use was increased by 15 million bushels. As a result of this change, the larger production figure, and the smaller June 1, 1994 stocks estimate, the projection of June 1, 1995 stocks was reduced by 8 million bushels, to a total of 607 million.

In general, the market discounted the new winter wheat crop estimate, judging that subsequent estimates will be smaller. Wheat prices moved higher on the basis of some delays in harvest and expectations of increased exports to the former Soviet Union. The new estimates had little impact on the corn and soybean markets. The focus there continues to be on midwest weather and weather forecasts. This past weekend brought a little more precipitation to the eastern corn belt than had been expected and more rainfall was expected in northern Illinois, Indiana, and Ohio early this week. Those amounts, however, were not expected to be nearly large enough to overcome the shortfall in precipitation to date.

The new concern is the extremely high temperatures expected throughout the midwest this week and the uncertainty about rainfall patterns after this week. The National Weather Service 6 to 10 day forecast through June 20 (released on June 10) called for normal rainfall amounts in the midwest. Some private meteorologists saw less rainfall and the reestablishment of a high pressure system. Volatile prices are still in the forecast! We judge that November soybean futures near \$6.60 are reflecting a weather premium of about \$.70. December corn futures near \$2.65 are carrying a weather premium of about \$.40. December corn futures peaked at \$3.765 in August 1983 and at \$3.70 in July 1988. November soybean futures peaked at \$9.685 in September 1983 and at \$10.46 in June 1988. The weather conditions which generated those high prices are currently not present. However, there is considerable upside potential from current price levels if the crops are threatened.

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