

WEEKLY OUTLOOK

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RECORD CORN AND SOYBEAN YIELDS EXPECTED

The USDA will release the season's first yield and production estimates for corn and soybeans on August 11. Those estimates reflect crop conditions around the first of the month and, given the maturity level of this year's crops, assume a normal finish to the growing season. Pre-report estimates from private sources reflect record high yields of both corn and soybeans, a record large soybean crop and a record, or near record, corn crop.

The two most influential private crop estimates are those released by Sparks Commodities and ADM/Conrad Leslie. The Sparks estimates show the potential for a corn crop of 9.4 billion bushels and a soybean crop of 2.289 billion. Leslie's estimates show a 9.476 billion bushel corn crop and a 2.336 billion bushel soybean crop. The largest corn crop to date was the 9.482 billion bushel crop of 1992. That crop reflected a record average yield of 131.4 bushels on 72.162 million acres. The USDA earlier projected 1994 harvested acreage of corn at 71.757 million acres. Private estimates for 1994 reflect a yield between 131 and 132 bushels per acre.

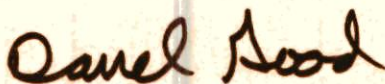
The largest soybean crop to date was the 1979 crop of 2.261 billion bushels. That crop reflected an average yield of 32.1 bushels on a record 70.5 million acres. The record national average yield was the 1992 yield of 37.6 bushels. Earlier this year, the USDA projected 1994 harvested acreage of soybeans at 60.72 million acres. Private production estimates for 1994 reflect a yield of about 38 bushels.

The state estimates made by the private sources reflect new record corn and soybean yields in many western corn belt states. The eastern corn belt states are expected to have large, but not record yields.

There is a general impression that large crops get larger with subsequent production estimates. In 1992, for example, the USDA's corn production estimate started at 8.762 billion bushels in August and grew to the final figure of 9.482 billion. Similarly, the soybean estimate was at 2.079 billion in August and grew to the final figure of 2.188 billion. The history of production estimates in large crop years confirms the tendency of large crops getting larger, but there have been exceptions. Looking at the history from 1977 through 1991 and excluding the drought years of 1980, 1983 and 1988, the final soybean production estimate exceeded the August estimate 7 times and was below the August estimate 5 times. For those same years, the final corn production estimate exceeded the August estimate 8 times, was smaller 3 times and unchanged 1 time.

The price pattern in large crop years also shows a relatively consistent pattern. Prices tend to bottom near harvest time, make a quick, but modest recovery after harvest, remain relatively stable during the winter months, and then peak in the following spring. The magnitude of the rebound from the harvest low to the spring high depends primarily on the early season conditions for planting the following year's crop. For the years in which corn prices have followed this pattern, the recovery in cash prices from harvest lows to spring/summer highs has ranged from \$.45 to \$1.90. For years in which soybean prices have followed this pattern, the recovery in prices ranged from \$.90 to \$5.00. The extreme increases came in years when a large crop was followed by a significant weather problem.

For the current crop year, the odds favor an early low in prices, perhaps before harvest even starts. Unlike 1992, when the extremely large crop was revealed late in the year, the market is already aware of the potential for record crops in 1994. Whether or not the low has already occurred in the corn and soybean futures market depends on just how large the crops really are and how the North American growing season ends. The absence of an early killing frost in Canada and the northern U.S. and a quick, open harvest could push prices to new lows, if crops are as large as expected. Smaller than expected production figures or an early frost in Canada would suggest that the lows are in.



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