

WEEKLY OUTLOOK

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USDA REPORT CONFIRMS LARGE CROPS

The August Crop Production report is the first official estimate of the 1994 corn and soybean crops based on survey procedures. Earlier estimates were based on trend yields and computer models using weather variables and crop conditions.

Corn harvested for grain is estimated to be 9.214 billion bushels, based on a U.S. average yield of 128.4 bushels per acre. The crop estimate is based on average weather for the remainder of the growing season and is 45 percent larger than the 1993 corn crop. Western cornbelt states made a spectacular recovery from last year's flood-damaged crop. Production there is estimated to be 80 percent larger. Eastern cornbelt production is estimated to be 16 percent larger than the 1993 crop. State average yields in major corn states include 145 bushels per acre for Iowa, 138 in Nebraska, 135 in Illinois, 134 in Minnesota, and 132 in Indiana.

The World Agricultural Outlook Board (WAOB) also released updated supply and demand projections based on the August crop estimate. Exports were increased 25 million bushels for the 1993-94 marketing year. For 1994-95, the total supply of corn is expected to be over 10 billion bushels, up 1.5 billion, or 19 percent, from last year's supply. Corn use is expected to rebound in all categories. Feed and residual use is projected at 5.25 billion bushels, up 10 percent. Food and industrial (FIS) use, at 1.71 billion bushels, is up 8 percent. Increased production of ethanol accounts for much of the increase. FIS use has been steadily increasing in recent years and now accounts for over 20 percent of total use. Exports, at 1.45 billion bushels, show a 14 percent increase. Total use, at 8.4 billion, is up 10 percent. Based on current estimates, ending stocks are expected to be 1.66 billion bushels, an increase of over 800 million bushels. The projected stocks to use ratio is 20 percent.

Cash corn bids have fallen below Commodity Credit Corporation loan levels (\$1.89 national average) at country elevators in the western cornbelt and are only slightly higher in the eastern cornbelt. The marketing loan is in effect for corn this year. There is a strong tendency for large crop estimates early in the year to increase with later estimates.

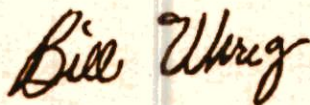
Expect further deterioration in prices into harvest. Cash corn prices for the 1994 crop are likely to trade in a range of \$1.80 to \$2.50 at country elevators, with a U.S. average around \$2.15-\$2.20 per bushel. Prices in Illinois and Indiana are generally slightly higher than the U.S.

average. For corn that must be sold at harvest, consider forward pricing and using the marketing loan. Reownership through purchase of call options or futures should be profitable. Storage, farm or commercial, is recommended for corn that does not have to be sold at this time.

The August report indicates record yields and record production for soybeans. A national average yield of 37.6 bushels per acre projects production to 2.282 billion bushels. This is 21 million bushels larger than the previous record set in 1979. The yield that year was 32.1 bushels per acre. The 1994 crop required nearly 10 million fewer acres. Soybean yields have shown large gains as producers have switched to solid seeded soybeans which results in more plants per acre. New technology, such as no-till, and improved seed varieties and herbicides have supported the improved yields.

Soybean production is over one fourth larger than last year's crop. Total supplies, at 2.46 billion bushels, are 17 percent larger. Expect soybean use to increase 8 percent, to nearly 2.1 billion bushels. Ending stocks on September 1, 1995 are expected to be 370 million bushels, an increase of 200 million bushels from this year's ending stocks. The stocks to use ratio would be 17.8 percent.

The national average loan price for soybeans is \$5.02. The 2 percent loan fee is eliminated this year. Soybeans are also eligible for the marketing loan. Based on the August report, cash soybean prices are expected to fall below the loan level at harvest and rally \$.75 to \$.90 into the spring months. The U.S. average farm price is expected to be around \$5.40 per bushel. Storage (or reownership) is recommended.



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