Cooperative Extension Service

WEEKLY OUTLOOK

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USDA CROP REPORTS ARE BULLISH FOR CORN AND BEARISH FOR SOYBEANS

USDA reports released in mid-January are among the most important reports for the year. They include the final estimates of harvested acreage and yield and the quarterly grain stocks for December. The production report makes minor revisions for the previous crop year and updates estimates for the 1994 crops. The quarterly grain stocks provides a benchmark to measure domestic demand and often sets the trend for the remainder of the year. Once the new data is available, the World Agricultural Outlook Board (WAOB) updates the supply and demand estimates. Last year, grain prices peaked shortly after the release of these reports.

The final crop reports were generally in line with trade expectations, showing increased supplies. The soybean crop, at 2.558 billion bushels, was 35 million bushels larger than the November estimate and 276 million larger than the August estimate. Increased production in Midwest states accounted for approximately two thirds of the total increase. The national average yield was a record 41.9 bushels per acre. Illinois and Indiana averaged 46 and 47 bushels per acre, respectively.

The corn crop was pegged at 10.103 billion bushels, reflecting a record average yield of 138.6 bushels per acre. The final corn estimate is less than 1 percent larger than the November estimate and about 10 percent larger than the August crop estimate. Illinois had a state average corn yield of 156 bushels per acre, the highest other than irrigated acreage in the state of Washington. Indiana's corn yield of 144 bushels per acre reflected droughty areas across the state.

December 1 corn stocks, at slightly over 8 billion bushels, were lower than the trade expected. Part of the smaller stocks may be due to large quantities of corn in transit for export shipment. More importantly, more than two thirds of the corn was stored on farms.

Corn prices have held up better than expected with the record crop. Prices have been supported by farmer reluctance to sell corn for less than $2 per bushel and by strong exports. Last year, China exported nearly 500 million bushels of corn. Due to weather problems, China's central government suspended exports, which will mean a decline of about 250 million bushels. The U.S. will benefit as Pacific Rim corn users come back to the U.S. for supplies and as China imports corn.

The WAOB made major changes in the supply and demand estimates for corn. Feed use was raised 150 million bushels, to 5.65 billion bushels, up 20 percent from last year's use. The corn export projection was raised 200 million bushels to 1.95 billion bushels. Total use is a record 9.3 billion bushels. Ending stocks are pegged at 1.66 billion bushels, down 272 million from the November report. The U.S. average farm price was projected to be from $2.00 to $2.40. Eastern corn belt prices should average about 5 cents higher.

By comparison, changes in the soybean supply and demand estimates were very modest. Supplies were increased 38 million bushels, reflecting a 35 million bushel larger crop and an increase of 3 million bushels in imports. Soybean crush is forecast at a record 1.36 billion bushels and exports are pegged at 790 million. Both projections are 5 million bushels larger than the November projection. Ending soybean stocks are forecast at a near record 510 million bushels. The U.S. average farm price is projected to be between $5.20 and $5.50. Eastern corn belt prices should average about 10 cents higher. The largest factor influencing soybean prices during the months ahead is South American soybean production. The Brazilian soybean production estimate was left unchanged at 882 million bushels and the Argentine soybean production estimate was increased to 466 million bushels.

Record world soybean supplies are likely during the immediate months ahead. Soybean prices have been buoyed by strong oil prices and large exports which were front loaded--meaning a large portion of the sales were made early in the marketing year. The oil market appears to be peaking. Soybean prices are expected to drift lower until a weather scare develops with the 1995 U.S. crop.

Continued strong corn prices hinge on achieving the demand projections. The U.S. has a cash customer with huge needs--something that has been missing in the export market for the past several years. The feed estimate may be a bit high. With a 9.3 billion bushel demand base, and lower corn acreage due to the 7.5 percent set aside requirements, it will take excellent corn yields to maintain current demand. This improves the odds of having a price rally due to weather problems later this spring. Do not be surprised to see corn prices decline modestly during January-March. The changes in the latest reports support holding sales of both old crop and new crop corn for better prices in late spring.

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