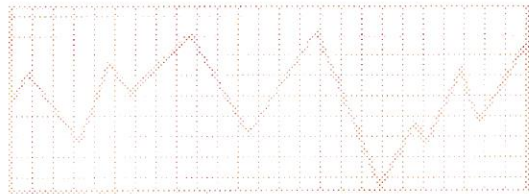




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WEEKLY OUTLOOK

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LOWER GRAIN PRODUCTION AND TIGHTER STOCKS FORECAST

Corn and spring wheat plantings are lagging behind both last year's progress and that of the 5 year average. This causes concern in the corn and soybean markets for two reasons. Lower average corn yields tend to be associated with late planting -- usually due to more stress during the pollination period. And as June approaches, there is some shifting of acreage from corn and spring wheat to oilseeds.

On May 11, the USDA's World Agricultural Outlook Board updated the supply-demand estimates for the 1994-95 marketing year and made the first projections for the 1995-96 marketing year. As expected, the changes for the current marketing year were minor, reflecting the latest stocks report, export figures, and processing data. Changes made in either supply or use impact the ending stocks projection. Production projections for the marketing year ahead are based on the March planting intentions report and trend yields.

The USDA made no changes in the projections for the 1994-95 corn marketing year. Ending stocks are still pegged at 1.59 billion bushels. The first USDA estimate of the 1995 corn crop was 8.6 billion bushels, down 15 percent, or 1.5 billion bushels, from last year's record crop. While no official U.S. average yield estimate was made, the figures imply a yield of 125.6 bushels per acre on an estimated 68.5 million acres harvested.

All projections of corn use during the upcoming marketing year must be considered very tentative at this time. Export projections were pegged at 2 billion bushels, processing use at 1.8 billion, and feed use at 5.4 billion bushels. Total use is pegged at 9.2 billion bushels, down only 2 percent from the current year's record. Ending stocks would fall below 1 billion bushel under this scenario. The U.S. average farm price is projected to be in the range of \$2.30 to \$2.70 per bushel. The midpoint of the range is 25 cents per bushel above the 1994-95 expected average price.

The projections assume normal or average weather. The U.S. average corn yield has only exceeded 125 bushels twice — 131.5 bushels in 1992 and 138.6 bushels per acre in 1994. Only a 5 percent decline in production would be required to boost corn prices to the upper end of the projected range. This would mean corn prices above \$3.00 per bushel and rationing of use for about half of the year.

For the current soybean marketing year, a small increase in the crush projection lowered the ending

stocks estimate by 10 million bushels, to 425 million bushels. For 1995, the production estimate was 2.2 billion bushels, down 358 million bushels, or 14 percent, from last year's record. The production estimate reflects U.S. average yield of 36.5 bushels per acre on 60.3 million acres harvested. Soybean use is expected to continue strong, with the projection of crush down only 5 million bushels and exports down 5 percent. Ending stocks on September 1, 1996 would still be large, at 380 million bushels. The USDA projects the U.S. average farm price of soybeans to be in a range of \$5.10 to \$6.10 per bushel. The midpoint of the range is about 20 cents per bushel higher than the expected price for the 1994-95 marketing year.

For wheat, the USDA made no changes in the supply and demand estimates for the year ending this month. For 1995, the wheat crop is pegged at 2.32 billion bushels, reflecting U.S. average yield of 37.4 bushels per acre on 62.1 million acres harvested. For the 1995-96 marketing year, modest increases are expected in food use, but this will be offset by reductions in both feed use and exports. Ending stocks, projected at 491 million bushels, are identical to those expected for this year. The U.S. average price is projected to be in a range of \$3.25 to \$3.65 per bushel. The midpoint of the range is the same as expected for the 1994-95 marketing year.

Current weather conditions are supportive of higher corn and wheat prices over the next few weeks. Soybean prices will be supported by the corn and wheat market if unfavorable weather occurs. However, continued large stocks and the potential for more acres will temper the soybean price situation. Prices through mid-August will be dominated by weather and crop conditions. Good pricing opportunities will be offered. Favorable July weather is crucial for corn production. August weather is crucial for soybean production.

Write a marketing plan with both time and price goals to avoid getting emotionally involved with the day-to-day fluctuation in prices. Once an adequate crop is assured, the corn and soybean markets could break sharply.



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