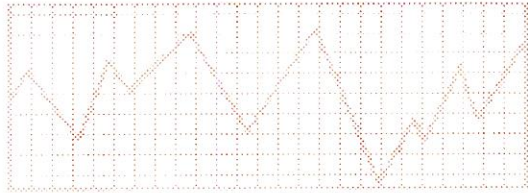




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WEEKLY OUTLOOK

A joint publication of the Departments of Agricultural Economics, Colleges of Agriculture of Purdue University, West Lafayette, Indiana, and the University of Illinois at Urbana-Champaign

JULY 31, 1995

CORN AND SOYBEANS — THE COUNTDOWN BEGINS

Estimating the potential size of the 1995 corn and soybean crops will begin in earnest in August. Several private crop analysts will be releasing production estimates over the next several days and the USDA will release its first objective estimate on August 11. In addition, weather conditions during the month of August will be critical in determining crop yields. Favorable weather could compensate for some of the yield reducing stress the crops have suffered, while unfavorable weather could result in further yield losses. The lateness of this year's crops magnifies the importance of August weather.

Based on the July 24 *Crop Progress* report, the corn crop appears to be the latest in Kansas, Nebraska and South Dakota and under the most stress in Illinois, Missouri, and Nebraska. The crops in the Northern Corn Belt appear to be in the best condition. The soybean crop is latest in Illinois, Kansas, Missouri and Nebraska and under the most stress in Illinois, Missouri and Nebraska. Crop conditions are most favorable in parts of the south/south east, the northern corn belt and in Kansas. For corn, it appears that the U.S. average yield will be below trend, but not at the low levels experienced in 1993 (100.7 bushels) and in 1991 (108.6 bushels). For soybeans, the U.S. average yield is also expected to be below the trend yield. Many analysts are expecting a yield of 34 to 35 bushels per acre, based on current conditions. That would be similar to the average yields in 1990 (34.1 bushels) and 1991 (34.2 bushels).

August is also the last month of the 1994-95 marketing year for corn and soybeans. The USDA will update its projection of year ending stocks on August 11. It appears that soybean stocks at the end of the year will be less than the 385 million bushels projected in the July report. The domestic soybean crush is projected at 1.395 billion bushels, 9.3 percent larger than during the previous crop year. Through the first ten months of the year, the crush totaled 1.191 billion bushels, 11.2 percent above the crush for the same period last year. To reach the USDA projection, crush during the last two months of the marketing year needs to total 204 million bushels, or only 1.5 percent above the crush during the same two months last year. Similarly, weekly export inspections totaled 799 million bushels as of July 20. That is only 21 million bushels short of the USDA projection for the year, with 6 weeks left in the marketing year. As of the same date, 64 million bushels of soybeans had been sold for delivery during the current marketing year.

The wild card in the carryover situation for soybeans is the "residual" disappearance of soybeans. This unexplained use has been running very high so far this year, suggesting that the 1994 crop was over-estimated. However, the September 1 stocks report (to be released on September 29) may or may not confirm that over estimate. A similar pattern developed last year, when the September 1 stocks figure was much larger than expected.

The carryover stocks of corn are a little more difficult to anticipate because the largest category of use is feed and residual use. To reach the USDA projection of 5.65 billion bushels of feed and residual use, the fourth quarter use in this category needs to reach 979 million bushels, or 22.7 percent above use during the same quarter last year. That is slightly higher than the increase in use during the first three quarters. Larger numbers of livestock animals and very high wheat prices suggest that feed use will be near the USDA projection.

With six weeks left in the marketing year, corn exports were reported at about 1.9 billion bushels, 200 million short of the USDA projection. Exports need to average 35.4 million bushels per week to reach the USDA projection.

Recently, corn and soybean prices have reacted more to weather forecasts than to demand news. That is as it should be and will likely be the case for the next two months. The most recent forecast of more favorable growing conditions pushed prices below trend line support that has developed over the last several weeks. Speculators who have purchased futures in anticipation of crop problems and higher prices have likely begun exiting the market. Improving crop prospects will also likely stimulate additional pricing by producers. In the absence of another major weather event, the seasonal high in both the corn and soybean markets may have been established. The high in December corn futures has been \$3.0025 and the high in November soybean futures has been \$6.61.

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