

WEEKLY OUTLOOK



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USDA RAISES CORN AND SOYBEAN PRODUCTION ESTIMATES

The USDA surprised most analysts by raising the estimate of the 1995 soybean crop and issuing a much-larger-than-expected estimate for corn. The August survey indicated the U.S. corn crop will be 8.122 billion bushels, down 20 percent or nearly 2 billion bushels, from last year's record crop. The August estimate is 240 million bushels higher than the average estimate made by the grain trade and 337 million bushels more than USDA's July estimate. The soybean crop is estimated at 2.246 billion bushels, down 12 percent or 312 million bushels from the 1994 crop. The soybean estimate is 78 million bushels higher than the average trade estimate and 6 million bushels higher than was projected in July.

The U.S. average corn yield is 125.6 bushels per acre, down 13 bushels from last year's record yield. The harvested acreage was pegged at 64.7 million, down 11 percent or 8.2 million acres from last year's acreage. Soybean production is based on a U.S. average yield of 36.4 bushels per acre, down 5.5 bushels from the 1994 record yield. The harvested acreage of 61.7 million is up 1 percent from last year, but down 587,000 from the July estimate. If realized, both the corn and soybean yields will be the third highest on record.

The Illinois state average corn yield is forecast at 133 bushels per acre; soybeans at 39 bushels per acre. Indiana's yields are 135 and 43 bushels per acre, respectively.

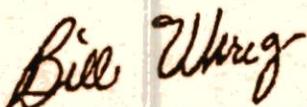
The World Agricultural Outlook Board released updated supply and demand estimates following the crop report. Only minor changes were made in the 1994-95 soybean estimates. Exports were increased 5 million bushels to 825 million. The ending stocks estimate was reduced by a similar amount and is projected to be 380 million bushels. Total supplies for the 1995-96 marketing year, at 2.63 billion bushels, will be down only 5 percent from last year's record level. Early estimates indicate that both crush and exports will be very close to those of this year. This can be accommodated by a reduction in ending stocks to 325 million bushels, representing a stocks-to-use ratio of 14 percent. Forecasts of ending stocks need to drop below 200 million bushels to present a bullish situation. Favorable August weather is very important in achieving the projected yields. The mid-point of the USDA's season's average price projection is \$6.00. Current bids for fall delivery are around \$5.80. One of the largest unknowns influencing soybean prices is the size of

the 1996 South American soybean crop. The immediate reaction to the USDA report was negative. With much uncertainty in achieving the projected yields, there should be better pricing opportunities ahead, especially for producers willing to store until early 1996.

The projection of corn exports for the current year was increased 50 million bushels. Stocks on August 31 are projected to be 1.455 billion bushels. With a 2 billion bushel drop in production, total corn supplies for the year ahead are forecast at 9.59 billion bushels, down 13 percent from last year's supply. The large adjustment in use for the year ahead will be in feed and residual. Total use, at 8.8 billion bushels, will be down 7.5 percent from last year's record utilization. Ending stocks on August 31, 1996 are projected to be 787 million bushels. This would result in a stocks-to-use ratio of 8.9 percent, the lowest in over 20 years. The mid-point of the USDA's season's average price projection is \$2.65 per bushel.

Corn use must be cut by at least 625 million bushels during the 1995-96 marketing year. This will be done through higher prices. If estimates of corn production are reduced in later reports, or exports rise, larger cuts in use will be needed. There is little evidence to date that rationing is occurring.

The USDA will update these reports each month through November. The final crop report and the December 1 stocks report will be released around January 12. The January report will make any revisions necessary in the 1994 crop estimates. Unless we get sharply higher prices before harvest, make plans to store your 1995 corn crop.



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