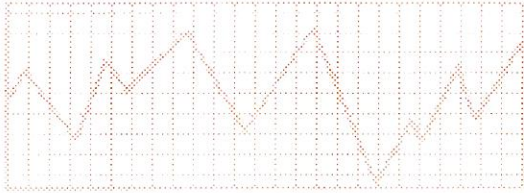




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WEEKLY OUTLOOK

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CORN AND WHEAT PRODUCTION ESTIMATES LOWERED, SOYBEAN ESTIMATE INCREASED

The USDA's September *Crop Production* report contained a couple of surprises. The reduction in the estimated size of the 1995 corn crop was greater than expected, but the soybean production estimate was increased by 40 million bushels. As expected, the wheat estimate was reduced by 40 million bushels. The USDA also revised the projections of corn, soybean, and wheat consumption. Following is a summary of the September reports.

CORN. The 1995 corn crop is now estimated at 7.832 billion bushels, 290 million bushels less than the August estimate, and 2.27 billion (22.5 percent) smaller than the 1994 crop. The production estimate reflects a national average yield of 121.1 bushels per acre, 4.5 bushels below the August estimate. The yield estimate was lowered by 10 bushels in Iowa and Indiana, 7 bushels in Illinois, and 5 bushels in Wisconsin.

For the marketing year ended on August 31, 1995, the export projection was increased by 50 million bushels, to a total of 2.2 billion bushels. That change was expected and may still understate actual exports for the 1994-95 marketing year. Surprisingly, the projection of feed and residual use was lowered by 50 million bushels. The basis for the change is unclear, but the September *Grain Stocks* report to be released on September 29 will provide the final word on feed and residual use. Other small changes resulted in a projection of September 1 1995 stocks of 1.463 billion bushels, 8 million larger than the previous projection.

For the 1995-96 marketing year, the smaller crop estimate forced a 200 million bushel reduction in the projection of feed and residual use and a 25 million bushel reduction in the projection of processing use of corn. Even so, stocks at the end of the year are projected at a meager 730 million bushels, only 8.5 percent of projected use. The season's average price is projected in a range of \$2.55 to \$2.95.

SOYBEANS. The 1995 soybean crop is now estimated at 2.285 billion bushels, 273 million smaller than the 1994 crop, but 40 million larger than the August estimate. The crop estimate reflects a national average yield of 37 bushels per acre, 0.6 bushels above the August estimate. Smaller yield estimates in the southeast were more than offset by larger yield

estimates in the midwest. The national average yield estimate is only 4.9 bushels below the record 1994 yield.

For the marketing year ended on August 31, the projection of use was increased by 25 million bushels and the projection of September 1 stocks was lowered by 25 million bushels. The changes were expected. For the 1995-96 marketing year, the projection of the domestic crush was increased by 10 million bushels. The net result of all the changes was a 5 million bushel increase in the projection of stocks at the end of the 1995-96 marketing year. At 330 million bushels, that projection represents ample stocks. The season's average price is projected in a range of \$5.50 to \$6.50.

WHEAT. The 1995 wheat crop is now estimated at 2.187 billion bushels, 40 million below the August estimate and 134 million less than the 1994 harvest. The change was expected and forced a 25 million bushel reduction in the projection of feed and residual use of wheat. Stocks at the end of the 1995-96 marketing year are projected at 427 million bushels, the lowest level since 1974. The season's average price is projected in a range of \$3.90 to \$4.20 per bushel.

On the surface, the September reports appear very supportive of corn and wheat prices. Corn prices will have to remain high enough to attain the needed reduction in domestic feed use. In addition, there is a high probability that the crop estimate will be reduced again in October. New highs in the corn market are likely to occur before the end of the calendar year.

The larger soybean production estimate and the projection of large carryover stocks appear to be quite negative for soybean prices. The key question is whether or not the market believes the large yield estimate. The lateness of the crop this year makes the yield estimate subject to more uncertainty. Prices are likely to remain in a narrow range until the October estimate is released. Longer term, the focus will turn to South American production prospects.



Issued by Darrel Good
Extension Economist
University of Illinois

Cooperative Extension Service
United States Department of Agriculture
University of Illinois
At Urbana-Champaign
Urbana, Illinois 61801