



# WEEKLY OUTLOOK

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## CROP PRODUCTION ESTIMATES CONTAIN SURPRISES

The USDA's August *Crop Production* report contains the first estimate of the size of fall harvested crops and revised estimates of summer harvested crops. This year's report contained a number of surprises. The USDA also released revised supply and demand estimates on August 12. Following is a summary of the main features of these reports.

**Feedgrains.** The biggest surprise in the August reports was the estimated size of the 1996 corn crop. At 8.695 billion bushels, the estimate was about 300 million bushels below the average trade guess. Harvested acreage of corn is projected at 73.27 million acres, 825,000 less than projected in the June *Acreage* report. The U.S. average yield potential is estimated at 118.7 bushels per acre, up from 113.5 last year. The U.S. corn yield contract has been trading at 124 bushels per acre and several private crop estimates were based on a yield near that level. The crop is expected to be 1.32 billion bushels larger than the 1995 harvest, but is small enough to keep stocks at the end of the 1996-97 marketing year at very low levels.

For the current marketing year, the USDA lowered the projection of corn exports by 50 million bushels, to 2.25 billion. The projection of ending stocks was increased by a similar amount, to 374 million. For the upcoming marketing year, exports are projected to decline by 200 million bushels, allowing domestic use to increase by 180 million bushels. September 1, 1997 stocks are projected at 523 million bushels and the average price for the year ahead is seen in a range of \$3.15 to \$3.55, compared to the average of \$3.25 for the year just ending.

Projections for sorghum followed a similar pattern to those for corn. The harvested acreage estimate was increased by 600,000 acres to a total of 12 million. The U.S. average yield estimate came in at 61.1 bushels per acre, down sharply from earlier expectations of a yield of 66.7 bushels. Still, the 1996 crop, at 734 million bushels, is expected to be 274 million bushels larger than last year's crop, allowing for a 44 percent increase in consumption and a slight increase in ending stocks for the year ahead.

At 388 million bushels, the barley crop is expected to be 29 million bushels larger than last year's harvest. Oat production is projected at 158 million bushels, down 4 million from the 1995 crop. At 250.2 million tons, the 1996 feedgrain crop is expected to be nearly 20 percent larger than the 1995 crop. Harvested acreage is up nearly 15 percent and average yields are expected to be up about 4 percent.

**Soybeans.** The harvested acreage of soybeans is estimated at 63.44 million, up 390,000 from the June *Acreage* report. The U.S. average yield potential is estimated at 36.3 bushels per acre, 1.4 bushels above the average for the 1995 crop. At 2.3 billion bushels, the 1996 crop is expected to be 148 million larger than the 1995 harvest.



For the current marketing year, the USDA increased the projection for domestic crush and exports by 5 million bushels each, and lowered the projection of year ending stocks by 10 million, to 170 million bushels. For the upcoming marketing year, consumption will be limited to about 2.3 billion bushels, if year ending stocks are to be maintained in the area of 170 million bushels. The average price for the year ahead is projected in a range of \$6.75 to \$8.25, compared to the average of this year of \$6.80.

**Wheat.** The 1996 U.S. wheat crop is now estimated at 2.249 billion bushels, 14 million below the July estimate and 63 million larger than the 1995 crop. Domestic consumption of wheat is projected to increase by 166 million bushels, led by an 144 million bushel increase in feeding. Exports are projected to decline by 266 million bushels. Year ending stocks are projected at 428 million bushels, up 53 million from stocks at the beginning of the year. Finally, the U.S. average price for the current marketing year is expected to be in a range of \$4.35 to \$4.95, compared to \$4.55 for the 1995-96 marketing year.

**Foreign Production.** Production of wheat outside of the U.S. is projected at 509.4 million tons, down 4 million tons from last month's projection, but 7 percent larger than last year's crop. Coarse grain production outside of the U.S. is projected at 605.5 million tons, down 5 million from the July projection, but 3.6 percent larger than last year's crop. Foreign soybean production is projected at 69.1 million tons, unchanged from the July projection and 6 percent larger than the 1995-96 crop.

Crop prices are expected to be well supported over the next several weeks. Most analysts believe that the soybean production estimate will be reduced in subsequent reports. If so, consumption will have to be reduced from the level of the past two years. Corn prices will increase on the basis of the small production estimate and higher livestock prices. The USDA's weekly crop condition report will give some insight into probable changes in the September *Crop Production* report.



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