



WEEKLY OUTLOOK

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FAVORABLE SEPTEMBER WEATHER BOOSTS CORN AND SOYBEAN PRODUCTION

Favorable late-season growing conditions aided corn and soybean yields and production. The October USDA *Crop Production* report, projected the 1996 corn crop at 9.0 billion bushels, up 208 million from last month. The soybean crop was estimated at 2.346 billion bushels, up 76 million from last month. The wheat crop, at 2.282 billion bushels, was down 14 million from the September 11 estimate.

The Illinois state average corn yield, at 135 bushels per acre, rose 6 bushels during September. Indiana's state average corn yield, at 120 bushels per acre, rose 2 bushels. Increased corn production in the two states accounted for over one-third of the increased production. Large increases in production were also registered in Iowa and Nebraska.

The outlook for U.S. feed grains during the 1996-97 marketing year is for larger supplies, use, and stocks, and lower prices than earlier forecast. In addition to the larger corn crop size, carryin stocks were 17 million bushels above last month's forecast. With the larger supplies, The World Agricultural Outlook Board (WAOB) projected increases of 15 million bushels in food, seed, and industrial use and 75 million bushels in feed and residual use. However, the export projection was cut by 100 million bushels due to increased world production. The projection of September 1, 1997 ending stocks, at 903 million bushels, is more than double last year's ending stocks. The stocks amount to 10.6 percent of total use, or about 38 day's supply. The projected price for corn is down 20 cents, in a range of \$2.80 to \$3.20 per bushel.

Projections of world coarse grain production, use, and stocks are up from last month, but trade is down. While the larger U.S. corn crop accounts for much of the change in the forecast, there are offsetting changes for foreign countries. Substitution of feed wheat for corn accounts for most of the expected reduction in world coarse grain trade.

The estimated size of the 1995 soybean crop was increased by 25 million bushels. With other changes in use, 1995-96 ending stocks were increased 13 million bushels. With the 76 million bushel increase in the 1996 soybean crop, total supplies are 90 million bushels larger than forecast last month. The WAOB increased the projected soybean crush by 20 million bushels, to 1.375 billion, and exports by 35 million, to 850 million bushels. Increased export and crush prospects for 1996-97 reflect a larger U.S. crop and lower price prospects along with stronger demand prospects by China for soybeans and soybean meal. The soybean oil export projection was increased slightly to 1.7 billion pounds. The soybean oil carryover is forecast to increase to 2.2 billion pounds.

The Illinois average soybean yield, at 39 bushels per acre, and Indiana's at 38 bushels per acre, increased 2 and 3 bushel, respectively, from the September estimates. Increased production in these two states

accounted for 45 percent of the monthly increase. The projected U.S. average farm price for soybeans was lowered \$.55 per bushel, to \$6.50 to \$7.40. The soybean meal price forecast was reduced to \$225 to \$245 per ton, while the projected soybean oil price was reduced and the range narrowed to 22.5 to 24.5 cents per pound.

World oilseed production for 1996-97 is projected at 256.3 million tons, up 3 million tons from last month and up 1 million from the year-earlier level. Nearly all the gain is in U.S. oilseed crops. Brazilian farmers begin planting soybeans this month and are expected to boost acreage by 6 percent. Early estimates project the 1997 crop to be 12 to 16 percent larger than the 1996 crop. The incentives for larger soybean acreage include prices \$1 per bushel above the level prevailing at this time last year, and the abolition of a 13 percent sales tax in Brazil. This means that producers will be gaining nearly \$2 per bushel over last year's price.

Projected ending stocks of U.S. wheat are down 36 million bushels from last month because of a smaller crop and larger domestic use. The projected feed and residual use estimate was increased 25 million bushels (to 325 million) from last month because of the implied use during the June-August quarter, based on the September *Grain Stocks* report. The projected price range for wheat is unchanged, at \$4.10 to \$4.70 per bushel.

The large increase in crop supplies (and ending stocks) takes much of the bullishness out of both corn and soybean prices until harvest is complete. Further weakness during harvest is likely. Factors which may eventually bring about change include: the possibility of downward revisions in the final soybean crop estimate if late planted soybeans do not yield as well as projected, tight farmer holding, and problems with the 1997 South American soybean crop. Strong world oilseed demand is expected to boost soybean prices in early 1997. This in turn should also help strengthen corn prices. Storage of corn and soybeans into early spring should be profitable. An alternative to retain equivalent ownership is to sell the cash commodity at harvest and buy either futures or call options as harvest nears completion.



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