



WEEKLY OUTLOOK

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CROP ESTIMATES TO GET LARGER?

The USDA will release updated U.S. and world grain production estimates on November 12. For the U.S., estimates will not be revised again until January. Due to the generally favorable end to the growing season and the historical pattern of production estimates, larger corn and soybean figures are anticipated for the U.S.

For the twenty years from 1976 to 1995, the November soybean production estimate differed from the October estimate by more than 10 million bushels on sixteen occasions. In thirteen of those years the November estimate was larger by an average of 1.5 percent (in a range of 0.6 to 4.4 percent). The estimate was smaller in three years by an average of 2.7 percent (in a range of 1.4 to 3.6 percent). This historical perspective suggests that the November 1996 production estimate is most likely to be near 2.38 billion bushels, and in a range of 2.36 to 2.412 billion bushels. The market seems to be anticipating a crop near 2.4 billion bushels. In the thirteen years when the November estimate was more than 10 million bushels larger than the October estimate, the crop got larger in January on ten occasions. The estimate was unchanged once and smaller twice. Only in 1985 was the January estimate smaller than the October estimate (9 million bushels).

A similar analysis for corn shows that over the past twenty years the November production estimate differed from the October estimate by more than 20 million bushels on fifteen occasions. In those fifteen years, the November estimate exceeded the October estimate eleven times by an average of 2.1 percent (in a range of 0.4 to 4.4 percent). Excluding the large increases of 1992 and 1994, the average increase was 1.6 percent. The November estimate was smaller than the October estimate four times, by an average of 3.3 percent (in a range of 1.1 to 6.6 percent). The historical perspective would suggest a November 1996 corn production estimate near 9.156 billion bushels (in a range of 9.05 to 9.25 billion bushels). In eight of the eleven years in which the November production estimate exceeded the October estimate, the January estimate was larger than the November estimate. Only in 1987 was the January estimate smaller than the October estimate (75 million bushels).

In addition to larger U.S. production estimates for corn and soybeans, the market is anticipating larger estimates for the world wheat crop. In particular, the size of the Australian crop is expected to grow. It is unlikely that the estimates of the South American soybean crop will change this month. That crop is being planted with no significant problems being reported at this time.

Currently, the expectation of larger crop estimates is dominating price action in the corn and soybean markets. Both December corn futures and November soybean futures have slipped to new lows on the four month decline. Once the November estimates are in hand, the market may re-focus on the consumption side of the equation. Most of the excitement there is in the soybean market. Weekly figures from the National Oilseed Processors Association (NOPA) indicate a near record crush pace in recent weeks. Figures are not directly comparable to last year since NOPA has reportedly recently added a new member. Soybean export sales have been extremely large since late September, averaging nearly 35 million bushels per week for the five reporting weeks ended on October 24. Export shipments have also been large in recent weeks averaging 27.7 million bushels per week for the three weeks ended October 31. Shipments have nearly caught up with last year's level, after starting very slowly.

Soybean meal sales have also accelerated, with total commitments as of October 24 double the level of a year ago. The soybean meal basis continues to be quite strong, at \$18 over December futures in Decatur, Illinois on November 1. Soybean oil continues to be the problem for the soybean complex. Commercial export sales exceed the level of a year ago, but are still quite small. Stocks are apparently accumulating with the large crush, and the Decatur basis remains weak, at \$1.30 under December futures on November 1.

Corn export sales have been decent since mid-September, averaging 27 million bushels per week. Cumulative sales are still 28 percent below the level of a year ago. All of this suggests that there is more potential for soybean price improvement than for corn price improvement.



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