



WEEKLY OUTLOOK

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LARGE INCREASES IN SIZE OF CORN, SORGHUM, AND SOYBEAN CROPS

As expected, the USDA increased the estimated size of the 1996 U.S. corn, sorghum and soybean crops in the November *Crop Production* report. The market fully anticipated increases, but had gradually lowered its expectation about the magnitude of those increases. The increases exceeded the average trade guess reported prior to the release of the USDA report.

The 1996 corn crop is now estimated at 9.265 billion bushels, 253 million larger than the October estimate and nearly 26 percent larger than the 1995 crop. At 126.5 bushels per acre, the national average yield is 3.5 bushels above the October estimate and near the calculated trend yield for 1996. Compared to the October estimates, the state average corn yield was increased 2 bushels in Illinois, 3 in Nebraska, 4 in Indiana and Minnesota, 5 in Iowa, 6 in Ohio, and 10 bushels in Kansas.

The 1996 sorghum crop is estimated at 820.5 million bushels, 24 million larger than the October estimate and 78 percent larger than the 1995 crop. The national average yield was increased by 2 bushels from last month's estimate, to 68.4 bushels per acre.

For soybeans, the 1996 U.S. crop is now estimated at 2.403 billion bushels, 57 million larger than the October estimate and 10 percent larger than the 1995 crop. At 37.9 bushels, the U.S. average yield was increased 0.9 bushels per acre from the October estimate. The state yield estimate increased two bushels in Illinois and 3 bushels in Missouri. The Michigan estimate was lowered 3 bushels.

For the rest of the world, the USDA lowered its estimate of wheat production by 2 million tons (0.4 percent), but increased the coarse grain production figure by 3 million tons (0.5 percent). The estimates of foreign wheat and coarse grain production are record large. The estimate of foreign soybean production declined by 0.5 million tons, reflecting a drop in the projected size of the Argentine crop. Foreign soybean production is expected to fall short of the record crop of 1994-95, but the South American crop is projected to be record large.

As a result of the larger U.S. corn production estimate, the USDA increased its projection of feed and residual use of corn by 50 million bushels, increased the projection of year ending stocks by 204 million bushels, and lowered the projection of the season's average price by \$.30 per bushel. Stocks on September 1, 1997 are now projected at 1.107 billion bushels and the season's average price is expected to average between \$2.50 and \$2.90 per bushel.

For soybeans, the USDA increased the projection of the domestic crush by 15 million bushels, exports by 20 million bushels, carryover stocks by 15 million and lowered the projection of the season's average price by \$.40 per bushel. Year ending stocks are expected to grow to 210 million bushels, and the average price for the 1996-97 marketing year is projected in a range of \$6.15 to \$6.85.

While the U.S. wheat production estimate was unchanged, the USDA increased its projection of domestic consumption by 10 million bushels and exports by 25 million bushels, lowered the year ending stocks projection by 35 million bushels, and lowered the season's average price projection by \$.10 per bushel. That price is projected in a range of \$4.10 to \$4.50.

Recently, it appeared that corn and soybean prices had established seasonal lows and were beginning to mount some sort of post harvest recovery. As outlined in earlier letters, we believed that recovery potential was small for corn, but were optimistic for soybeans. That difference was a function of the difference in export demand. Larger than expected production figures represent a set back to the price recovery process. It will be especially difficult for the market to get excited about corn prices, although an end to the decline in wheat prices may be supportive. Soybean price recovery can still occur, but weekly use figures will have to be large over the next two to three months. The development of the South American crop will be important.

The USDA will release final production figures in January. The January corn production estimate has exceeded the November estimate 13 times in the last 20 years, but only 3 times in the last 9 years. The January soybean estimate has exceeded the November estimate 11 times in the past 20 years, and in 4 of the past 6 years.



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