



WEEKLY OUTLOOK

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CORN AND SOYBEAN CROP ESTIMATES UNCHANGED

On September 12, the USDA released its monthly *Crop Production and World Agricultural Supply and Demand Estimates* reports. Following is a summary and price implications of the changes from the previous months projections for corn and soybeans.

Corn. The 1997 corn crop is now estimated at 9.268 billion bushels, 8 million smaller than the August estimate. The trade was reportedly expecting a larger estimate, but was likely trading a smaller number. The U.S. average yield is projected at 125.2 bushels per acre, 1.9 bushels below the 1996 average. The estimated size of the 1997 sorghum crop was increased by 24 million bushels. The estimate of the foreign coarse grain crop was increased by nearly 6 million tons, or about 1 percent. That crop is expected to be 2.6 percent smaller than last year's crop. The larger estimate this month reflected better prospects in the European Union and in the former Soviet Union. The Chinese production estimate was unchanged, even though some private analysts have suggested prospects for a much smaller crop.

On the demand side, the USDA increased the projection of Chinese corn exports by 20 million bushels and lowered the projection for U.S. exports by 25 million bushels. Year ending stocks in the U.S. are now projected at 864 million bushels, 17 million below last month's forecast but 77 million below the expected inventory on September 1 this year. The actual level of those inventories will be revealed on September 30. The average price of corn during the 1997-98 marketing year is forecast in a range of \$2.45 to \$2.85, \$.05 lower than last month's projection.

There have been three other years in the past 25 when the September production estimate was very close to the August estimate (1982, 1988, and 1992). In 1982, the estimate was unchanged again in October, increased in January and then reduced in the final estimate a year later. In 1988 and 1992, the production estimate was increased in October, November, and January.

With corn harvest set to begin in the corn belt, corn prices may come under some additional pressure. That pressure may be limited by a slow rate of farmer selling and increased export interest. A post harvest recovery is expected, with the magnitude depending on Chinese trade and production impacts of the El Nino weather pattern.

Soybeans. The 1997 soybean crop is estimated at 2.746 billion bushels, 2 million larger than last month's estimate, 364 million larger than last year's crop, and 229 million larger than the previous

record crop of 1994. The U.S. average yield is estimated at 39.3 bushels per acre, 2.1 bushels below the record yield of 1994. The USDA also increased the expected size of the 1998 South American soybean harvest by 11 million bushels. That crop is now projected at 1.65 billion bushels, nearly 11 percent larger than the 1997 harvest. World oilseed production in 1997-98 is now projected a record 275.51 million tons, 7 percent larger than the crop of 1996-97.

Based on large early sales and prospects for continued good demand, the USDA increased the projections for exports of soybeans, soybean meal, and soybean oil. Bean exports are projected at a record 950 million bushels, an increase of 70 million from exports during the year just ended. The domestic crush is now projected at 1.495 billion, an increase of 60 million bushels from the crush of last year. Stocks are expected to grow from a very low level of 115 million bushels on September 1, 1997 to a comfortable 285 million bushels on September 1, 1998. The average price for the year is projected in a range of \$5.60 to \$6.70, \$.10 above last month's projection.

It is not unusual for the September soybean production estimate to be close to the August estimate. It has occurred 9 times in the past 25 years. In those 9 years, the final production estimate was larger than the September estimate 4 times, smaller 4 times, and unchanged once.

With soybean harvest beginning in the midwest, prices are expected to remain on the defensive. A post harvest recovery will be limited if current world supply and demand estimates hold up. Higher prices will require better than expected demand and/or crop problems in South America. With a strong El Nino weather pattern, the possibility of production problems somewhere in the world will persist into 1998.

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