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WEEKLY OUTLOOK

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USDA REPORTS ABOUT AS EXPECTED

The USDA's November *Crop Production* and *World Agricultural Supply and Demand Estimates* reports contained very few surprises for corn, soybeans, and wheat. Following is a summary of the changes.

For corn, the 1997 U.S. crop is now estimated at 9.359 billion bushels, 47 million larger than the October estimate and 83 million larger than the August estimate. The estimate has increased in each report, but the total range in estimates is one of the smallest in recent history. The national average yield is estimated at 126.4 bushels per acre. The USDA increased its estimate of the world coarse grain crop by nearly 4 million tons, reflecting the larger U.S. corn crop and larger crops in the Former Soviet Union.

On the demand side, the USDA lowered its projection of corn exports for the current marketing year by 100 million bushels. The market had anticipated a decline due to the slow export pace, but the reduction was a bit larger than expected. The projections of domestic use were unchanged. The net effect of the changes was a 147 million bushel increase in the projected level of year ending stocks. At 982 million bushels, ending stocks would be small by historic standards, but the largest in three years. The marketing year average price is projected in a range of \$2.45 to \$2.85, \$.10 lower than last month's projection.

The final crop estimate of the year, as well as the December 1 stocks estimate, will be released on January 13. The stocks report will be important in judging the rate of domestic corn consumption. Domestic use is expected to be record large. Declining hog and broiler prices are of some concern, however. Feed use is related to livestock numbers, but also to feeding profitability.

The 1997 U.S. soybean crop is now estimated at 2.736 billion bushels, 14 million larger than the October estimate and 10 million less than the September estimate. The range in the monthly production estimates of 24 million bushels is the smallest since 1982. The U.S. average yield is estimated at 39.2 bushels per acre, about equal to the trend yield for 1997.

The world soybean production estimate was increased by 71 million bushels, including the 14 million bushel larger U.S. crop and 51 million bushel increase in the expected size of the South American harvest. That crop is now projected at a record 1.7 billion bushels, 220 million bushels larger than last year's harvest.

On the demand side, the USDA increased the projection of the domestic soybean crush by 5 million bushels, to a total of 1.5 billion bushels. The projection of exports was increased by 20 million bushels,

to a total of 980 million bushels. Residual use was increased by 4 million bushels. The net effect of all the changes was a 15 million bushel reduction in the projection of year ending stocks. Those stocks are projected at 250 million bushels, about equal to the 10-year average and the largest in three years. The marketing year average price is projected in a range of \$5.90 to \$6.90, compared to last month's projection of \$5.75 to \$6.85.

For wheat, the USDA increased the projection of domestic processing by 10 million bushels and lowered the projection of ending stocks by the same amount. At 655 million bushels, year ending stocks are expected to be 211 million bushels above stocks at the beginning of the year.

The estimate of a record world wheat harvest was increased again. The world crop is now estimated at 603 million tons, 2.4 million larger than last month's estimate and 20 million tons larger than last year's crop. The larger estimate this month came in Australia and the Former Soviet Union.

The information in the report was about as expected. However, the large increase in projected carryover stocks of corn is likely to result in some modest price weakness in the near term. December futures still have support in the \$2.70 to \$2.75 range but will have difficulty exceeding the recent high of \$2.95. The market will be watching export progress and the development of crops in the southern hemisphere. The market is currently offering an average price near the high end of the USDA's average price projection for the year.

Soybean prices have been supported by a high rate of consumption and concerns about planting delays in South America. In spite of those modest delays, the USDA sees an even larger crop than last month. At this juncture, moisture is more beneficial than detrimental to production prospects. Soybean prices will be well supported by the current pace of consumption, but may stall in the \$7.50 area without further crop problems in South America.

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