



WEEKLY OUTLOOK

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LARGE CROPS CONFIRMED

The USDA's September *Crop Production* report contained estimates for larger U.S. corn, soybean, and wheat crops and larger projections of year ending stocks of all three commodities. Estimates of foreign production of wheat and coarse grains were lower than those of a month ago. The forecasts for foreign soybean production was unchanged. The projections of year ending stocks of wheat, coarse grains, and soybeans outside of the U.S. were about unchanged.

The 1998 U.S. corn crop is now estimated at 9.738 billion bushels, 146 million larger than the August estimate, 372 million larger than the 1997 harvest, and only 365 million less than the record crop of 1994. The U.S. average yield is estimated at 132 bushels per acre. Even with corn consumption expected to increase by 365 million bushels (4 percent), year ending stocks are projected at a six year high of 1.922 billion bushels. The market likely expects another increase in the crop estimate in October. Foreign coarse grain production in 1998-99 is now projected at 622.7 million tons, 0.5 percent smaller than the August estimate and 0.6 percent smaller than the 1997-98 crop. A larger Chinese crop will provide continued export competition for the U.S., while the smaller crop in the former Soviet Union will not likely get translated into larger imports. Year ending stocks outside of the U.S. are projected to decline to 86.2 million tons, 6 million less than beginning stocks.

The large U.S. crop will keep pressure on prices through harvest. December futures may test the contract low of \$1.96. New lows in December futures cannot be ruled out, but much of the harvest price weakness may be reflected in weaker basis levels. The USDA projects the marketing year average price in a range of \$1.80 to \$2.20.

The 1998 soybean crop is estimated at a record 2.909 billion bushels, 84 million larger than the August estimate and 182 million larger than the 1997 harvest. The U.S. average yield is estimated at 40.6 bushels per acre, only 0.8 bushels below the record yield of 1994. Analysts generally expect the crop estimate to increase again in October.

For the 1998-99 marketing year, the domestic crush is expected to increase by 30 million bushels, exports are projected to decline by 15 million, and year ending stocks are projected to grow to a 13 year high of 485 million bushels. The USDA continues to see prospects for a smaller soybean crop in both Brazil and Argentina. The 1999 South American crop, which has not yet been planted, is expected to be about 9 percent smaller than the record crop of 1998.

The marketing year average price of soybeans is projected in a range of \$4.65 to \$5.35, compared to \$6.45 for the year just ended. Soybean oil prices are expected to be in the range of \$.25 to \$.27 per pound, about equal to the average price for the year ending September 30, 1998. The price of soybean meal is expected to decline by \$47 to \$62 per ton, averaging in a range of \$125 to \$140 per ton.

The 1998 U.S. wheat crop is estimated at 2.565 billion bushels, 16 million larger than the August estimate and 38 million larger than the 1997 harvest. Exports for the 1998-99 marketing year are projected at 1.075 billion bushels, 50 million below last month's projection and only 35 million above last year's shipments. Year ending stocks are projected at an 11 year high of 885 million bushels.

Foreign wheat production in 1998-99 is projected at 526.4 million tons, 1.9 million less than last month's projection and 16.44 million less than the record crop of 1997-98. Compared to last year, production is expected to decline in the former Soviet Union (21.5 percent), China (10.8 percent), Eastern Europe (2.6 percent), Canada (4.7 percent), and Argentina (21.8 percent). Larger crops are expected in Western Europe (9.3 percent), Australia (21.1 percent), and Pakistan (10.8 percent). Year ending stocks outside of the U.S. are projected to decline to 103.6 million tons, compared to stocks of 115.5 million at the beginning of the year. The 1998-99 marketing year average price of wheat is projected in a range of \$2.50 to \$2.80 per bushel, down from the \$3.38 average of last year.

Now that large crops and low price prospects have been confirmed for the year ahead, government efforts to support prices and/or farm incomes will likely accelerate. Legislation to allow farmers to receive 1999 Agriculture Marketing Transition Act (AMTA) payments at any time after October 1, 1998 has been approved. Emergency loans have been extended to producers in disaster areas, and corn silage has been approved for marketing loan benefits. In addition, export credit guarantee programs have been escalated and a wheat donation program initiated. Policies that will receive further debate include federal storage payments to producers, increases in the Commodity Credit Corporation (CCC) loan rates, and increase in acreage in the Conservation Reserve Program (CRP). All of these initiatives would be helpful in the short run, but do not significantly address the underlying causes of low prices. Decisions will be more difficult if the current environment extends beyond 1998-99.



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