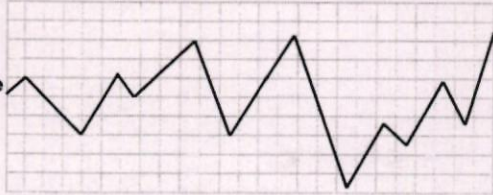




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WEEKLY OUTLOOK

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SEPTEMBER 21, 1998

RAPID HARVEST, UNCERTAIN DEMAND FOR CORN AND SOYBEANS

The corn and soybean markets continue to focus on crop size and harvest progress. Early crop development and generally dry conditions have resulted in a fast start to the 1998 harvest. It is expected that storage will fill quickly and temporary facilities will be widely used. Some elevators are already storing corn outside.

With large crops being harvested, it is important that consumption increases during the 1998-99 marketing year. Corn exports are projected at 1.625 billion bushels, 100 million more than shipped during the 1997-98 marketing year. As of September 10, 338 million bushels of corn had been sold for export this year, about the same as the total of a year ago. Sales have been brisk for the past four weeks, averaging nearly 28 million bushels per week. Larger sales to South Korea and Mexico have offset declines to Japan. To reach the USDA projection, sales need to average about 25.5 million bushels per week for the next 11 months.

Domestic feed and residual use of corn is projected at a record 5.75 billion bushels during the current marketing year. The September *Cattle on Feed* report revealed a sharp decline in monthly placements of cattle into feedlots and total feedlot inventories are now smaller than inventories as of September 1, 1997. On September 25, the USDA will release the September 1 *Hogs and Pigs* report. That report will reveal the current inventory and production plans for the next six months. Larger hog numbers will be required if corn feeding is to reach the projected level.

Export sales of soybeans for the 1998-99 marketing year started very slowly, but have increased in recent weeks. Sales have averaged nearly 23 million bushels per week for the past four weeks, about the same pace as during the same four weeks last year. Cumulative sales as of September 10 were 114 million bushels less than on the same date last year. For the 1998-99 marketing year, USDA projects exports at 860 million bushels, 15 million less than during the 1997-98 marketing year. Compared to last year, soybean export sales are larger to Japan, Taiwan, and Mexico. Sales are smaller to the European Union, China, and South Korea.

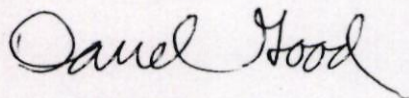
The pace of domestic soybean processing has been surprisingly large in the early part of the 1998-99 marketing year, averaging about 27.8 million bushels per week for the past

two weeks. The crush of soybeans is being driven primarily by soybean oil demand. Large meal production has driven soybean meal prices to very low levels.

On September 30, the USDA will release its quarterly *Grain Stocks* report. That report will reveal the level of old crop corn and soybean inventories on September 1, the beginning of the 1998-99 marketing year. That report could slightly alter the projection of supply for the current marketing year.

Even with minor adjustments in the estimates of September 1 stocks and 1998 crop size and in the projection of use for the year, 1998-99 will still be a year of increased stocks. Those inventories, however, will not be large by the standards of 1986 and 1987, the last time prices were at the low levels of today. In addition, the level of consumption is much larger than that of 10 years ago. Rather than carrying surpluses in government subsidized storage, the surplus today is in the form of acreage. Without set-aside programs, the U.S. will basically be at full production each year, although the acreage mix could vary from year to year.

Whether the current surplus and low prices continues beyond the 1998-99 marketing year will depend primarily on weather patterns and crop yields during the year ahead. The U.S. and the world have experienced generally favorable growing conditions and high average yields in the past three years. As long as production remains large, little price relief can be expected until world demand gets back on track. History does suggest that significant crop problems occur periodically. It seems to be more a matter of when, rather than if. The immediate focus will be on the South American growing season.



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