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WEEKLY OUTLOOK

JUNE 7, 1999

USDA TO UPDATE SUPPLY AND USE PROJECTIONS

On June 11, the USDA will release an updated winter wheat production estimate and revised supply and demand estimates for all commodities. There is some expectation that the winter wheat estimate may be slightly less than the May estimate. Excellent production potential has been threatened by persistent precipitation and delayed harvest in some hard red winter wheat areas. Based on information provided by private crop tours, the soft red winter crop may be larger than estimated in May. The projection of the spring wheat crop will be developed based on acreage expectations and trend yield analysis. Delayed planting may result in a lower production estimate, even though updated acreage information will not be made public until June 30.

New crop wheat export sales have started very slowly, but the USDA is not likely to make significant revisions in the export projection this month. The prospects of large quantities of poor quality wheat may result in larger than expected feed use of wheat. The projection of year ending (June 1, 2000) stocks is expected to be lower than the 869 million bushels projected last month.

For old crop corn, a larger export projection is expected. Through June 3, export inspections were 27 percent larger than inspections of a year ago. Outstanding sales as of May 27, stood at 314 million bushels, 96 million larger than on the same date last year. Shipments and sales are on a pace to reach 1.9 billion bushels for the year, 75 million larger than projected last month.

The market seems to be expecting a reduction in the corn plantings estimate to be released in the June 30 *Acreage* report. There is also some concern about the possible persistence of above normal temperatures in the corn belt and below normal precipitation in the far eastern growing areas. For now, however, the crop condition report shows the crop in generally good condition. The 1999 production forecast of 9.445 billion bushels, based on planting intentions and trend yield, is not expected to be changed this month.

If the corn export projection for the current marketing year is increased, the projection for the 1999-00 marketing year will also be bumped up. The potential for economic recovery in Asia and, perhaps, smaller southern hemisphere corn production estimates suggest that exports will continue to recover from the poor performance in the 1997-98 marketing year.

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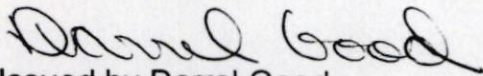
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As with wheat, it is generally expected that the projection of year ending stocks of corn, this year and next, will be reduced from last month's projections.

For old crop soybeans, few changes are expected in the projections of consumption. Exports and export sales are right on pace to meet the current projection of 770 million bushels. The domestic crush is also very near the projected pace. The longer term question for old crop soybeans is the size of the 1998 harvest. The large residual disappearance to date suggests the crop was overestimated, but that conclusion may be reversed with the September stocks estimate.

The projected size of the 1999 soybean crop is not likely to be adjusted in this month's report, even though acreage may have exceeded March intentions. Smaller estimates of the southern hemisphere crop may be supportive for export prospects of U.S. soybeans next year. However, the USDA has already penciled in a very large increase for soybean and soybean meal exports during the 1999-00 marketing year. The large increase is based on thoughts that South American production will decline significantly in 2000. Unless soybean prices are lower this fall, a decline in South American acreage is unlikely. Adjustments in new crop projections probably will not be made in this month's report.

Prospects for corn, soybeans, and wheat prices will continue to be influenced primarily by weather patterns and 1999 production prospects. Soybean prices appear to have the least potential for gain, but are responding to early season concerns as aggressively as corn and wheat prices. That may be because soybean prices have declined to such a low level. As long as new crop prices are below the loan level, soybean marketing decisions are minimal. Opportunities, however, for pricing new crop corn may present themselves over the next two months. The first hurdle is for December futures to break through the spring high of \$2.51.



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