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WEEKLY OUTLOOK

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FEW CHANGES IN SUPPLY AND USE PROJECTIONS

The USDA's monthly report of *World Agricultural Supply and Demand Estimates* contained few changes from last month's report. For corn, the USDA raised the projection of exports for the current marketing year by 50 million bushels, to a total of 1.875 billion bushels. The increase was expected and reflects recent large weekly sales. For the 1999-00 marketing year, the export projection was unchanged at 1.85 billion bushels. The projected decline in exports next year is in contrast to many private forecasts of continued recovery in exports due to Asian economic recovery and the smaller southern hemisphere crops just harvested. The USDA projects an increase in production and exports from China, Argentina, and South Africa in the year ahead. Coarse grain production in the former Soviet Union is expected to rebound from the extremely small crop of this past year. Production will still be quite small by historical standards.

No changes were made in the U.S. soybean balance sheet for either the current marketing year or the 1999-00 marketing year. The USDA continues to project a very large increase in exports of soybeans (21 percent) and soybean meal (22 percent) during the year ahead. Such large increases will probably require a decline in South American production. Most observers do not expect a reduction in plantings at current prices.

The estimated size of the recently harvested South American soybean crop was reduced by a modest 11 million bushels. The decline was offset by an increase in the estimate of the Indian crop. Foreign soybean production in 1998-99 is now estimated at just over 3 billion bushels, about 3 percent smaller than the record crop of a year ago.

The 1999 U.S. winter wheat crop is now estimated at 1.61 billion bushels, essentially unchanged from the first estimate released in May and 14 percent smaller than last year's harvest. The production of hard red and white winter wheat is expected to be 17 percent smaller, while production of soft red winter is estimated to be only 5 percent smaller than the 1998 crop. Compared to last month's estimates, yield prospects have improved in much of this midwest and southeast, except for North Carolina.

Projections of consumption of U.S. wheat during the current marketing year were unchanged from the May projections. The expected size of the Canadian crop was reduced by 6 percent from the May estimate. Foreign wheat production is estimated to be about 2 percent smaller than production of a year ago. Larger crops are expected in

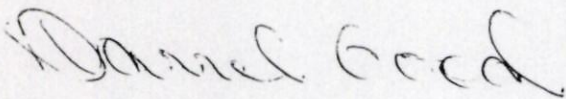
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Argentina, Australia, India, and the former Soviet Union. Smaller crops are projected for Canada, the European Union, and China.

The next round of USDA reports will include the June *Hogs and Pigs* report to be released on June 25 and the *Grain Stocks and Acreage* reports to be released on June 30. These reports will clarify current supplies of old crop corn and soybeans, provide insight on domestic feed demand, and answer some questions about planted acreage in 1999. While there is room for surprises in those reports, the big price factor will continue to be weather and prospective yields.

For corn and soybeans, early crop condition reports suggest the crop has started in generally very good condition. Areas of excessive moisture, particularly in the western corn belt, will result in some replanting and/or loss of acreage. That is very similar to conditions experienced in the eastern corn belt last year. Some concern is also being expressed about tendencies for dryness in the southeast and far eastern corn belt. The rainfall of the past weekend was beneficial for much of the crop in those areas. The National Weather Service 6 to 10 day forecast through June 21 show prospects for normal to above normal precipitation and below normal temperatures in those areas. The critical period for crop development is still to come, but for the time being conditions point to high yield potential in 1999. As long as those conditions prevail, prices are expected to continue to drift lower. Contract lows in December 1999 corn futures (\$2.2575) and November 1999 soybean futures (\$4.645) may provide only temporary support. Further price declines now would open the door for weather rallies in July and August. End users may want to consider some ownership with futures or call options if prices continue to sag.



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