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WEEKLY OUTLOOK

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USDA CROP REPORTS CONTAIN A FEW SURPRISES

On July 12, the USDA released its monthly update of world supply and demand estimates and the monthly crop production report. There were a number of changes from last month's reports, some that were not expected.

CORN. For the current crop year, the USDA increased the projection of exports by 50 million bushels, lowered the projection of feed and residual use by 50 million bushels, lowered the projection of food and industrial use by 15 million, and increased the projection of year ending stocks by 17 million bushels. Those stocks are projected at 1.744 billion bushels.

Based on generally favorable growing conditions and high crop ratings, the World Outlook Board raised its estimate of the 1999 U.S. crop yield potential by 4 bushels per acre. The projection of 135.8 bushels is only 2.8 bushels below the 1994 record yield. Consumption of corn in the year ahead is expected to increase by only 65 million bushels (food and industrial use) and year ending stocks are expected to grow to 1.994 billion bushels. The marketing year average price is expected to be in a range of \$1.65 to \$2.05 bushels per acre.

The USDA's yield estimate appears a little aggressive given the amount of the growing season left. Conversely, the expectation of unchanged exports for the 1999-00 marketing year seems very conservative.

SOYBEANS. For the current marketing year, the projection of exports was increased by 15 million bushels, the projection of crush was increased by 20 million bushels, and the projection of year ending stocks declined by 35 million bushels. While use has been running a little higher than expected, the changes in this report exceeded expectations. Year ending stocks will still be quite large at 395 million bushels.

Based on larger planted acreage reported on June 30, the World Outlook Board increased its estimate of 1999 production by 55 million bushels, to a total of 2.935 billion. The domestic crush is projected at 1.655 billion bushels, 75 million above the projection for this year and 20 million above the projection of last month. The increase over this year is expected to be driven by a 2 percent increase in domestic meal consumption and a 22 percent increase in meal exports.

Soybean exports during the 1999-00 marketing year are projected at 930 million bushels, 18.5 percent above the projection for the current year. The increase is expected to be generated by a combination of low prices, increased imports by China, and a smaller soybean crop in the rest of the world in 1999-

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00. The foreign crop is expected to decline by 3.6 percent, or 110 million bushels. The largest decline (7 percent) is expected in Argentina. Low prices are expected to result in fewer acres than planted last year in a number of areas.

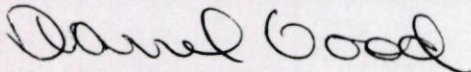
Stocks at the end of the 1999-00 marketing year are projected at 590 million bushels, 5 million below last month's projection. The marketing year average price is projected in a range of \$3.90 to \$4.70, compared to \$5.00 for the current year. In contrast to corn projections, the projection of soybean and soybean meal consumption for the year ahead are very aggressive.

WHEAT. The 1999 U.S. wheat crop is now estimated at 2.333 billion bushels, 91 million larger than the June projection and 217 million smaller than the 1998 harvest. The winter wheat production estimate stands at 1.673 billion bushels, reflecting a national average yield of 47 bushels. That is 2.3 bushels above last month's estimate and just slightly above the 1998 average yield. Yields of the soft red winter wheat crop are especially large, estimated at 61 bushels in Illinois, 65 bushels in Indiana, and 66 bushels in Ohio.

Durum wheat production is estimated at 132.3 million bushels, 6 percent smaller than last year's crop. Harvested acreage is expected to be larger, but the average yield estimate is 5.1 bushels below last year's yield. Production of other spring wheat is estimated at 527.5 million bushels almost identical to last year's crop. Acreage is down by nearly 200,000, but the average yield is projected to be 0.4 bushels higher, at 35.3 bushels.

Even with beginning stocks less than projected last months (24 million bushels) and a larger projection of feed and residual use (25 million) the larger crop estimate results in a larger projection of year ending stocks. Those stocks are projected at 913 million bushels, only 32 million less than beginning stocks. The marketing year average price is projected in a range of \$2.45 to \$2.95.

The rapid decline in crop prices this month, coupled with an extended period of dry weather in central Illinois and Indiana, suggest that prices will find some support. A significant rally is not expected as long as crop ratings remain favorable. The next check point is the August production estimate.



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