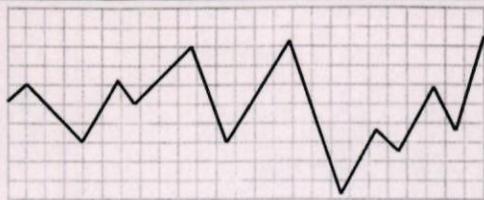




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WEEKLY OUTLOOK

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SEPTEMBER 13, 1999

CORN AND SOYBEAN PRODUCTION ESTIMATES LOWERED – FURTHER REDUCTIONS EXPECTED

On the surface, the USDA's September *Crop Production and World Agricultural Supply and Demand Estimates* reports did little to alter the current environment for corn and soybean prices. These reports project a continuation of abundant supplies and low prices.

For corn, the 1999 U.S. harvest potential is now estimated at 9.381 billion bushels, 180 million bushels smaller than the August estimate and 380 million bushels smaller than the 1998 harvest. Compared to last month, production estimates were lowered for 11 states. Yield estimates in those states were generally lowered by 2 to 8 bushels per acre, with the exception of South Dakota where the average was lowered by 15 bushels. Yield estimates increased in Alabama, Georgia, South Carolina, Kansas, and North Dakota.

For the marketing year ended on August 31, 1999, the USDA now estimates ending stocks at 1.699 billion bushels, 20 million less than projected last month. The projection of consumption for the current marketing year was reduced by 105 million bushels due to prospects for declining exports and very modest growth in industrial use of corn. Stocks on September 1, 2000 are projected at 1.785 billion bushels, 95 million less than projected last month. The 1999-00 marketing year average price is projected in a range of \$1.75 to \$2.15. The market is currently offering an average price near \$2.10.

For soybeans, the 1999 U.S. crop is now estimated at 2.778 billion bushels, 92 million less than the August estimate and 21 million larger than the 1998 harvest. The U.S. average yield is estimated at 37.9 bushels per acre, 1.3 bushels below the August estimate and 1 bushel below the 1998 average yield. Compared to the August estimate, yield estimates were lowered in 15 states. Reductions were generally in the range of 1 to 6 bushels, except in Alabama and Tennessee, where the estimates were reduced by 11 and 10 bushels, respectively. It is interesting that the corn yield estimate was increased for Alabama. The average soybean yield estimates increased for Iowa (2 bushels), North Dakota (3 bushels), and Texas (1 bushel).

For the marketing year ended on August 31, 1999, the USDA estimates year ending stocks at 365 million bushels, 20 million less than projected last month. Consumption during the current marketing year is projected at 2.687 billion bushels, 32 million less than projected last month. Exports are now projected at 895 million bushels, 20 million less than projected last month and 35 million less than projected in July, but 90 million above exports of last marketing year.

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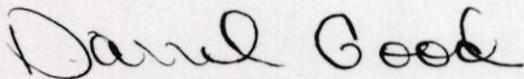
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Year ending (September 1, 2000) soybean stocks are projected at 460 million bushels, 80 million less than projected in August and 130 million less than projected in July. Stocks at that level are expected to keep the marketing year average price below the Commodity Credit Corporation (CCC) loan rate. The average is projected in a range of \$4.40 to \$5.20, while the market is currently offering a marketing year average near \$5.10 per bushel.

Several analysts were quoted as expecting further reductions in the corn and soybean crop estimates in October and/or November. As pointed out last week, since 1975 a lower September corn production estimate has been followed by a lower October estimate 58 percent of the time. On the other hand, a lower September soybean estimate has been followed by a lower October estimate only 44 percent of the time, and none since 1984.

Crop condition reports this year suggest that the soybean production estimate may decline again in October, but probably not by more than 1.5 to 2 percent. Based on current consumption forecasts, the crop estimate will need to decline by 91 million bushels (3.3 percent) to prevent a build-up in stocks by the end of the year. Crop condition reports for corn, suggest little change in the October yield estimate. Some of the reported decline in the condition of the corn crop (and perhaps soybeans) may have resulted from confusion created by early maturing crops.

Unless there is a surprise in the September 30 *Grain Stocks* report, corn and soybean prices are expected to remain under a good deal of pressure. The soybean market is demonstrating some firmness in the face of recent USDA reports, but will likely require some friendly news to hold-up through the harvest period.



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