University of Illinois Extension

WEEKLY OUTLOOK

A joint publication of the Department of Agricultural Economics, College of Agriculture, Purdue University, West Lafayette, Indiana, and the Department of Agricultural and Consumer Economics, College of Agricultural, Consumer and Environmental Sciences, University of Illinois at Urbana-Champaign.

OCTOBER 11, 1999

LARGER CORN CROP, SMALLER SOYBEAN CROP

The 1999 U.S. corn crop is now estimated at 9.467 billion bushels, 294 million bushels smaller than the 1998 harvest, but 86 million larger than estimated last month. Compared to the September estimate, the USDA lowered the estimate of corn acreage harvested for grain by 30,000 acres, but raised the average yield estimate by 1.3 bushels, to 133.5 bushels per acre. That estimate represents the third largest, behind the 138.6 bushels of 1994 and 134.4 bushels last year.

On a state-by-state basis, the average October corn yield estimate was above the September estimate in eight states, with the largest increase being six bushels in Illinois. The average yield estimate was reduced in seven states, the largest decline being 12 bushels in North Carolina.

The larger crop estimate was augmented by a larger September 1 inventory than estimated last month. The September 30 *Grain Stocks* report showed those stocks at 1.796 billion bushels, 97 million larger than expected. As a result, the supply of corn for the 1999-00 marketing year is estimated at 11.273 billion bushels, 184 million larger than last year's supply. Consumption of corn during the current marketing year is projected at 9.305 billion bushels, the same as projected last month, as a 75 million bushel increase in the export projection was offset by an equal decline in the projection of feed and residual use. Year ending stocks (September 1, 2000) are now projected at a seven year high of 1.968 billion bushels. The marketing year average price is projected in a range of $1.65 to $2.05.

For soybeans, the 1999 crop is now estimated at 2.696 billion bushels, 82 million less than estimated last month and 45 million bushels smaller than the 1998 crop. The average U.S. soybean yield is estimated at a 5 year low of 37 bushels per acre, 0.9 bushels below the September estimate and 1.9 bushels below the 1998 average. The estimate of harvested acreage of soybeans was reduced by 475,000 acres in the October report.

On a state-by-state basis, the average October soybean yield was above the September estimate in only three states, the largest being a two bushel increase in Virginia. The yield estimate declined in 11 states, the largest being three bushels in North Carolina and Tennessee.

With the lower production estimate and the lower September 1 estimate released on September 30, the supply of soybeans for the current marketing year is estimated at 3.049 billion bushels, still 104 million bushels larger than last year's supply. Consumption is projected to increase by 67 million bushels (exports) leaving year ending stocks at 385 million bushels, 37 million larger than stocks at the beginning of the year. The marketing year average price is projected in a range of $4.75 to $5.25 per bushel.

While soybeans are still in surplus, the surplus is not nearly as large as projected earlier in the year. The market will now begin to focus on planting decisions in South America. The USDA increased its projection of the 2000 Argentine harvest by 18 million bushels. The 2000 South American harvest is now projected at 1.887 billion bushels, 3.3 percent smaller than the 1999 harvest.

For corn, the recent supply and demand projections suggest that it will be increasingly difficult for corn prices to move above the Commodity Credit Corporation loan rate. Higher prices may have to wait on a weather problem. The premiums for deferred delivery, however, remain very large in most markets. Establishing the loan deficiency payment (LDP) and selling for deferred delivery still appears to be an attractive strategy for a portion of the crop. The crop might have to be stored unpriced into the 2000 growing season to capture a better pricing opportunity than exists now.

For soybeans, the revised supply and demand projections increase the likelihood that prices have reached a seasonal low. If so, establishing the loan deficiency payment and holding soybeans unpriced becomes a little more attractive. This is still a risky strategy and producers will likely want to limit the portion of the crop marketed in this fashion. At the same time, the premiums for later delivery have increased as harvest pressure weakens the spot basis. This development increases the attractiveness of establishing the loan deficiency payment now and pricing for later delivery.

For both corn and soybeans, a diversified marketing strategy has some advantages. The mix would include establishing the LDP and pricing some of the crop; storing a portion of the crop unpriced, with the protection of the marketing loan program; and storing a small portion of the crop after establishing the LDP.

Darrel Good

Issued by Darrel Good
Extension Economist
University of Illinois

U of I Extension Newsletter Service
University of Illinois
at Urbana-Champaign
528 Bevier Hall, MC-184
905 S. Goodwin Ave.
Urbana IL 61801

Return Service Requested

First Class
U.S. Postage Paid
Permit #75
Champaign, IL