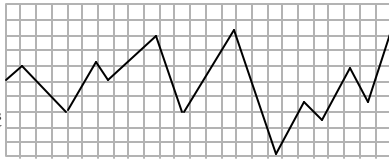




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WEEKLY OUTLOOK

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NOVEMBER CORN AND SOYBEAN PRODUCTION FORECASTS ABOUT AS EXPECTED

The USDA's November forecasts of the size of the 2002 U.S. corn and soybean crops were about as expected. The projection of use during the current marketing was increased for soybeans, but reduced for corn. The projections of year ending stocks for both crops are larger than the October projections. For wheat, the November report included a smaller production estimate, a smaller forecast of imports, and a smaller projection for year-ending stocks.

The 2002 U.S. corn crop is now projected at 9.003 billion bushels, 33 million larger than the October projection. The increase resulted from a slightly larger projection of the U.S. average corn yield. At 127.6 bushels, the projection is 0.4 bushels larger than the October projection. Higher average yields are expected for a number of states in western and northern growing areas, but lower yields were projected for some eastern states. The average yield in Ohio, for example, is now projected at 96 bushels, 8 bushels below the October forecast.

For the current marketing year, the USDA increased the projection of feed and residual use of corn by 25 million bushels, but lowered the projection of exports by 75 million. The smaller export projection reflects a smaller projection of world consumption and trade and larger export projections for Argentina and China. As expected, the USDA revised the estimates of Chinese inventories. The estimate of stocks of corn at the beginning of the year was increased by 5.5 percent.

Year ending stocks of corn in the U.S. are now projected at 848 million bushels, 84 million larger than projected last month. The season's average price is expected to fall in a range of \$2.20 to \$2.60. That projection is \$.10 lower than the October projection.

The 2002 U.S. soybean crop is now projected at 2.69 billion bushels, 36 million larger than the October projection. The projection of the U.S. average yield was increased by 0.5 bushels, to 37.5 bushels per acre. The average yield estimate was increased by 3 bushels for Wisconsin and 2 bushels for Kentucky and Michigan. As expected, the USDA increased the projection of U.S. soybean exports for the current year by 40 million bushels, to a total of 890 million bushels. Surprisingly, however, the projection of the domestic crush was reduced by 15 million bushels, reflecting smaller export projections for both oil and meal. Even though the planting season has been less than ideal in parts of South America, the USDA increased the forecast of the 2003 harvest by 3 percent, to a total of 3.13 billion bushels. The larger forecast reflects an increase in the estimate of planted area.

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Stocks of soybeans in the U.S. at the end of the current marketing year are projected at 185 million bushels, 10 million higher than the October forecast. The marketing year average farm price is projected in a range of \$4.95 to \$5.85, \$.10 lower than last month's projection. The projection for the average price of oil was increased by \$.005 per pound, but the projection of the average price of meal was reduced by \$10 per ton.

At 1.616 billion bushels, the November U.S. wheat estimate was 9 million bushels below the October estimate. The projection of marketing year imports was reduced by 5 million bushels. Year-ending stocks of U.S. wheat are projected at 358 million bushels, down from 777 million at the start of the year. The marketing year average price is projected in a range of \$3.65 to \$3.95.

The USDA once again revised the estimates of Chinese wheat inventories. Stocks at the beginning of the current year are now estimated at 2.814 billion bushels, double the previous estimate. Year ending stocks are projected at 2.277 billion, 3.2 times as large as the October projection.

The market generally interpreted the November reports as friendly for wheat prices, neutral for corn prices, and a little negative for soybean prices. Prospects for declining U.S. and world inventories of coarse grains, wheat, and soybeans should keep prices generally supported. However, higher prices for corn and soybeans over the next few months will have to come from a higher rate of consumption than currently projected and/or crop problems in South America. The post-harvest recovery in soybean prices offers an opportunity to increase sales. It could be spring before corn prices have an opportunity to move significantly higher.

The USDA will release a final estimate of the size of the U.S. corn and soybean crops on January 10. For corn, the January estimate was below the November forecast in each of the past four years, but was above the November forecast 65 percent of the time in the past 20 years. For soybeans, the January estimate was below the November forecast in each of the past 7 years, and 65 percent of the time in recent history.

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