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CORN AND SOYBEAN CROP ESTIMATES NOT AS LARGE AS EXPECTED

The USDA's August *Crop Production* report estimated the 2003 U.S. corn crop potential at 10.064 billion bushels, 1.056 billion larger than the 2002 crop, but about 200 million less than generally expected. The 2003 soybean crop is estimated at 2.862 billion bushels, about 130 million larger than the 2002 crop, but 80 million below the average trade guess.

The corn crop estimate reflects a national average record yield of 139.9 bushels per acre, 1.3 bushels above the previous record of 1994 and 9.9 bushels higher than the 2002 average. Of the major corn producing states, the highest yields are expected in Iowa (158), Minnesota (156), and Illinois (154). Large year-over-year increases in average yields are expected in Indiana and Ohio.

The August production estimate is 13 million bushels larger than the record crop of 1994 and is expected to be met with good demand. Processing use of corn during the 2003-04 marketing year is projected at 2.475 billion bushels, 165 million larger than the estimate for the current year. Feed and residual use is expected to be down 75 million bushels, but will be supported by a small sorghum crop. Exports are projected to increase by 200 million bushels during the year ahead due to an anticipation of smaller Chinese exports.

U.S. corn consumed for all purposes during the 2003-04 marketing year is projected at 9.9 billion bushels, leaving year ending stocks of only 1.184 billion bushels. The projection of year ending (September 1, 2004) stocks is only 175 million larger than the projection of stocks at the beginning of the year. The USDA projects the 2003-04 marketing year average farm price in a range of \$2.00 to \$2.40, \$.10 higher than last month's projection. The average for the current year (ending August 31, 2003) will be near \$2.30.

The August soybean production estimate is about 30 million bushels less than the record crop of 2001. At 39.4 bushels per acre, the U.S. average yield projection is 1.6 bushels above the 2002 average, 0.2 bushels below the 2001 average, and 2 bushels below the 1994 record. The highest average yields are expected in Iowa (46) and Wisconsin (45). Illinois, Indiana, and Minnesota are expected to average 43 bushels per acre.

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The USDA projects a 15 million bushel increase in the domestic crush of soybeans and a 40 million bushel reduction in exports during the 2003-04 marketing year. World trade of soybeans is expected to grow during the year ahead, but South America is expected to get a larger share of the market as production is projected to expand another 6 percent in 2004. Stocks of U.S. soybeans are expected to grow from 145 million on September 1, 2003 to 220 million on September 1, 2004. The USDA projects the 2003-04 marketing year average farm price in a range of \$4.55 to \$5.55, \$.20 above last month's projection. The average for the current year will be near \$5.50.

The 2003 U.S. wheat crop is now estimated at 2.292 billion bushels, 676 million larger than the 2002 crop, but nearly 20 million smaller than the July projection. The big change from last month, however, came in the export projection. U.S. wheat exports for the current year are projected at 1.05 billion bushels, 75 million above the July projection, nearly 200 million above 2002-03 exports, and the largest since 2000-01. Large U.S. exports are expected to be generated by smaller crops in Europe, India, China, and the former Soviet Union. Larger crops are expected in Argentina, Australia, and Canada. Wheat production outside of the U.S. is expected to be 6.2 percent smaller than the 2002-03 crop, 2 percent smaller than projected last month, and 10 percent smaller than the record production of 1997-98.

The USDA projects the 2003-04 marketing year average farm price of wheat in a range of \$3.10 to \$3.70. That is \$.30 above last month's projection and compares to the \$3.56 average of last year.

Corn and soybean prices for harvest delivery moved back above the loan rate following the smaller than expected production estimates. The price increase provides an opportunity for producers to price more of the 2003 crop and reduces the odds of large loan deficiency payments for that crop. At the mid-point of the USDA's price projections, counter cyclical payments would be made for both the corn and soybean crops.

The questions now focus on which direction, and by how much, will the crop estimates change? In the large crop year of 1994, the corn crop was significantly larger than the August estimate. However, in the large crop year of 2000, the crop was much smaller than the August estimate. For large crop years for soybeans, the crop exceeded the August estimate in 1994, was smaller than the August estimate in 2000, and about equaled the August estimate in 2001.

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