



WEEKLY OUTLOOK



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USDA REPORTS SUPPORT CORN AND SOYBEAN PRICES

The USDA's final production estimates for the 2001 U.S. corn and soybean crops, released on January 11, were smaller than the November forecast even through the average yield estimates were larger for both crops. The decline reflected smaller acreage estimates. The 2001 corn crop is now estimated at 9.507 billion bushels, 39 million smaller than the November forecast. The U.S. average yield is estimated at 138.2 bushels per acre, up 0.2 bushels from the November forecast. Planted acreage of corn in 2001 totaled 75.752 million acres, 257,000 below the previous estimate and 3.8 million less than planted in 2000. The estimated size of the 2000 U.S. corn crop was reduced by 53 million bushels, reflecting a 0.2 bushel reduction in the estimated average yield and a smaller harvested acreage estimate.

The 2001 soybean crop is now estimated at 2.891 billion bushels, 32 million below the November forecast. The U.S. average yield is estimated at 39.6 bushels per acre, 0.2 bushels above the November forecast. Harvested acreage of soybeans in 2001 totaled 73 million, 1.137 million below the previous estimate and only 592,000 more than harvested in 2000. Harvested acreage of principal crops in 2001 was down by 3.7 million acres from area harvested in 2000. Excluding hay, harvested acreage declined by nearly 7.4 million acres (about 3 percent).

Stocks of corn in the U.S. on December 1, 2001 totaled an estimated 8.264 billion bushels, 265.4 million less than on the same date last year. The stocks were surprisingly small, suggesting that the pace of domestic use of corn during the first quarter of the 2001-02 marketing year was above expectations. As a result, the USDA increased the forecast of domestic feed and residual use of corn for the year by 50 million bushels and the forecast of food and industrial use by 15 million bushels. These increases, however, were more than offset by a 75 million bushel reduction in the projection of exports. Year ending stocks of corn in the U.S. are now projected at 1.546 billion bushels, 28 million smaller than last month's projection and 353 million bushels less than the inventory at the beginning of the year. The marketing year average price of corn is projected in a range of \$1.85 to \$2.15, the same as projected last month.

Stocks of soybeans in the U.S. on December 1, 2001 totaled 2.276 billion bushels, about 36 million more than on the same date last year. The USDA increased the forecast of the domestic soybean crush (5 million) and exports (10 million) for the 2001-02 marketing year. Year ending stocks of soybeans are now projected at 285 million bushels, 45 million below last month's projection, but 37 million more than the inventory at the start of the year. The marketing year

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average price is projected in a range of \$3.90 to \$4.70 per bushel, \$.10 below last month's projection.

The smaller production estimates and carryover projections for corn and soybeans were very supportive to prices, which had been struggling to hold post-harvest gains. For soybeans, market attention will increasingly focus on the prospective size of the South American crop. In last week's report, the USDA projected that crop at 2.743 billion bushels, 36.7 million above the previous projection and 193 million larger than last year's crop. Increasingly, however, there are concerns about dry areas in parts of Argentina and southern Brazil that may have the potential to reduce average yields. For corn, attention will focus primarily on the rate of exports and export sales.

Into the spring, markets will once again be influenced by prospective crop size in the U.S. The USDA's March *Prospective Plantings* report will be of special interest this year. Following the reduction in corn acreage last year, and the resulting decline in corn stocks, there is a general feeling that acreage needs to expand in 2002. The *Prospective Plantings* report will give some indication of whether such an increase is planned. In the bigger picture, the report will also shed some light on whether the decline in total crop acres will continue in 2002.

For now, the prospects are for the modest price recovery to continue. March soybean futures appear to have the potential to move into the \$4.60 to \$4.75 range and March corn futures have a target of about \$2.25.

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