



RETURN TO 419 M.H.

ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

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BIG GRAIN AND SOYBEAN CROPS ARE NEEDED THIS YEAR

THE GRAIN MARKETS CONTINUE TO BE REMINDED that U.S. crop production needs to be large in 1979. The demand for U.S. corn, wheat, and soybeans is strong, domestically and abroad.

During the 1978-79 marketing year for wheat, which ended just two weeks ago, the world consumed more than 2 billion bushels of U.S. wheat. Our carryover stocks were reduced to less than 1 billion bushels for the first time in 3 years. Last year's record corn crop of 7.1 billion bushels will be almost entirely consumed by the time the 1979 crop is harvested. The record level of corn consumption is occurring at higher prices than those of last year. The record soybean crop of 1.8 billion bushels will be more than used up. At the same time, soybean prices are nearly 13 percent above year-ago levels.

We need top yields from the 1979 crops. Corn stocks are likely to be reduced significantly next year, even with yields well above average. At the current rate of use, soybean stocks will be reduced to a supply covering less than four weeks by the end of the current marketing year. Although soybean acreage is estimated to be up 7.5 percent from last year, average yields would result in an increase of only 3.5 percent in soybean supplies.

The demand for U.S. grains and soybeans is not likely to subside during the near future. Over the year ahead, domestic demand will be bolstered by more livestock, particularly hogs and poultry. Some early indications of production problems around the world suggest that export demand will also be large. The USDA's first estimates of the USSR's crop of feed grains are substantially below last year's production figures.

In the longer run, the export requirement for U.S. grains is expected to increase at a relatively high rate. Growing incomes and greater demands for meat outside the United States are expected to spur the demand for feed grains and high-protein feeds such as soybean meal.

The recent expansion in the world demand for grains and soybeans has brought a considerable amount of U.S. land back into production. The planted acreage of all feed grains, food grains, oilseeds, hay, sugarbeets, dry edible beans, and cotton

increased from 294.8 million acres in 1969 to 348.6 million acres in 1977. The acreage declined somewhat in 1978, but early estimates put the 1979 figure at nearly 348 million acres. Almost all of the productive land in the United States is now in relatively intensive production.

PRICE IMPLICATIONS. During the year ahead, the prices of U.S. grains and soybeans are likely to be very sensitive to weather, both in the United States and in other major producing areas. Prices will respond to the strength of foreign demand as reflected in export movement. The demand, in turn, will partially reflect crop development in the importing countries. Prices will be especially sensitive to the prospects for U.S. crops.

Over the longer run, the growing world consumption of grains and soybeans and nearly full production in the United States may portend tighter world supplies and generally higher prices. Because of rapidly increasing incomes and demands for meat, consumers outside the United States may be aggressive bidders for U.S. grain. If so, U.S. grain prices may remain high in relation to livestock prices.

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