



ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE DEPARTMENT OF AGRICULTURAL ECONOMICS

Urbana, Illinois 61801

January 30, 1980

RATE OF GRAIN USE HIGH, SUPPLIES ABUNDANT

THE USDA'S JANUARY REPORT ON GRAIN STOCKS showed that the consumption of U.S. corn and soybeans is at record high rates. However, supplies are still larger than a year ago.

The January 1 inventory of soybeans totaled 1.771 billion bushels, 27 percent larger than a year ago. Based on the reports of soybean crush and exports through December, the stocks report indicates that the size of the 1979 crop may have been above the current estimate of 2.441 billion bushels.

The increase in the soybean inventory is generally distributed among the major soybean-producing states. Illinois' stocks showed the largest increase from last year, accounting for about 19 percent of the total inventory. About half of the soybean inventory is being held on farms, and about half is in off-farm facilities.

The use of soybeans during the September-December period was 5 percent greater than during the same period a year ago. Most of the gain represents increases in domestic soybean crushings. Exports were very near year-ago levels.

The January 1 inventory of corn totaled 6.772 billion bushels, 9 percent above last year. About 52 percent of the corn inventory is in Illinois, Iowa, and Nebraska. These states accounted for about 60 percent of the increase in January corn inventories from year-ago levels.

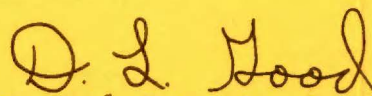
Corn exports during the first 3 months of the marketing year were about 45 percent greater than during the same period last year. Because of the embargo on grain shipments to Russia, corn exports will decline during the remainder of the marketing year.

Corn feeding during the first quarter of the marketing year totaled almost 1.5 billion bushels, about 6.5 percent above last year's pace. This increase comes from higher livestock numbers, particularly hogs and poultry. The number of hogs should remain high during the balance of the 1979-80 corn marketing year. The rate of use during the first quarter suggests that total feed use of corn may exceed the USDA's current estimate of 4.35 billion bushels.

Because of the record corn harvest last fall and the embargo on grain shipments to Russia, corn inventories are expected to total more than 1.9 billion bushels by September 30. We expect this to be the fourth consecutive year of increases in the corn carryover. Carryover stocks will be the largest since the record set in 1961. Even with increases in the farmer-held reserve and some CCC purchases, free market supplies will be ample. Soybean inventories by August 31 are likely to exceed 440 million bushels, the largest ever.

Such large grain supplies suggest that prices will remain under pressure until there is some indication of reduced production, either in the United States or in other major producing countries.

Although no program has been announced, the market appears to be anticipating a feed grain set-aside program of some type for 1980. However, current prices for new-crop corn and soybeans are relatively high because of the large carrying charge in the market. A voluntary set-aside program would have to be quite attractive, and therefore expensive, in order for a significant quantity of land to be taken out of production. The prospective average yields for the 1980 corn and soybean crops still appear to be the most important price factors for the next few months.



D.L. Good, Extension Specialist, Prices and Outlook

Cooperative Extension Service
United States Department of Agriculture
University of Illinois
At Urbana-Champaign
Urbana, Illinois 61801

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