



WEEKLY OUTLOOK

Department of Agricultural Economics
College of Agriculture
University of Illinois at Urbana-Champaign

March 17, 1982

SUPPLY AND DEMAND ESTIMATES REVISED

THE USDA RELEASED REVISED SUPPLY AND DEMAND ESTIMATES for U.S. grains on March 11. The projections for corn and wheat exports were decreased, and the estimated level of carryover stocks was increased for both commodities. Estimates for soybean use and carryover stocks were unchanged from last month.

The supply, demand, and carryover estimates for these three commodities have changed several times since last summer. The 1981-82 wheat export estimate, which increased from 1.675 billion bushels last June to 1.9 billion bushels in October, has now been revised down to 1.8 billion bushels. Expected carryover stocks declined from 1.043 billion bushels in June to 0.9 billion bushels in October and are now projected at 1.117 billion bushels. With only 2 1/2 months left in the 1981-82 wheat marketing year, it is unlikely that these estimates will be revised significantly. Another potentially large wheat harvest this summer suggests that wheat supplies will be burdensome and prices will remain under pressure. The only price support will be from government loan and reserve programs.

The most dramatic changes of all have occurred in the supply and demand estimates for corn. The estimated size of the 1981 harvest has increased in each USDA Crop Production report since last July. The July, 1981 estimate placed the crop at 7.116 billion bushels; the final report in January, 1982 estimated the harvest at 8.201 billion bushels, an increase of 15 percent. The corn export estimate, however, has been revised downward 5 times since October and now stands at 2.175 billion bushels, 13 percent below the October estimate. The estimate of corn feeding has varied only slightly since last fall. The USDA projects corn feeding during the current marketing year at 4.25 billion bushels.

With the upward revisions in the estimated size of the corn crop and the downward revisions in export projections, the potential size of carryover stock has increased markedly. In its latest report, the USDA projects carryover stocks at 2.076 billion bushels, one third above the estimates at harvest time.

The corn marketing year is not quite half over, and the supply-demand picture could be revised again. Chances favor an improvement. Exports could

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reach the current estimate if Russia increases its import of corn. Low corn prices and improving livestock prices suggest that feed use could well exceed current USDA estimates, perhaps by as much as 150 million bushels. The USDA'S Hogs and Pigs report, due to be released on March 19, will give some insight into potential feed demand for the remainder of the year. We believe that spring farrowings will be significantly higher than indicated in December. The extent of corn feeding during the last 3 months will be revealed in the USDA's April Grain Stocks report, due to be released on April 22. While carryover stocks of corn may be below current estimates, the case for significantly higher corn prices still rests with a small 1982 harvest.

Supply-demand estimates for soybeans show consistent improvement since harvest. At that time, carryover stocks were projected at 430 million bushels. The USDA currently projects carryover at 350 million bushels. Current low soybean prices are encouraging a rapid rate of use. Carryover stocks could be as low as 300 million bushels if producers continue to follow a systematic marketing pattern. The smaller the carryover, the greater the potential for higher prices later on.

Darrel Good

Issued by *Darrel 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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