



WEEKLY OUTLOOK

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GRAIN PRICES HINGE ON DEMAND

WITH THE COMPLETION OF THE CORN AND SOYBEAN HARVEST, the market will increasingly turn its attention to the rate of use. Record crops have resulted in prospects for very large inventories by the end of the marketing year. The USDA forecasts that corn inventories will total 48 percent of annual use, the largest level since the 1960-61 crop year. Ending stocks of soybeans are estimated at 21 percent of use, the largest level since the 1968-69 crop year. For prices to move significantly above current levels, the rate of consumption will have to exceed projections.

The USDA reports weekly export inspections each Monday to provide information for a continuous evaluation of export progress and potential. For example, the USDA currently forecasts 1982-83 corn exports at 2.15 billion bushels, or an average of 41.3 million bushels per week. Through the first six weeks of the crop year, corn exports averaged 37.4 million bushels. To reach the projected level, corn exports need to average nearly 42 million bushels per week from now until the end of September, 1983.

The USDA estimates soybean exports at 940 million bushels, an average of 18.1 million bushels per week. Through the first 10 weeks of the marketing year, soybean exports have averaged 18.4 million bushels.

Undelivered export sales are also reported on a weekly basis. Although not a perfect indicator, these figures give some clue to the magnitude of export buying and the future level of exports. As of November 4, undelivered sales of both corn and soybeans were running slightly behind year-ago levels.

The level of domestic corn feeding is not measured and can only be calculated as a residual when quarterly grain stocks reports are released. The first such report will not be released until late in January. Until then, forecasts of corn feeding will be based primarily on estimates of livestock numbers and the profit level in livestock feeding. Both of these factors point to a significant increase in corn feeding this year.

The size of the domestic soybean crush is estimated weekly by the National Soybean Processors Association (NSPA). The Census Bureau releases monthly

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crush statistics about 3 weeks after the end of each month. Figures released by NSPA can be used to evaluate progress towards the projected crush level for the year. The USDA currently estimates 1982-83 crush at 1.09 billion bushels, or an average of 21 million bushels per week. Through the first 10 weeks of the year, the domestic crush has averaged 21.3 million bushels per week.

The level of soybean crush is determined by the demand for soybean meal and soybean oil. With the current surplus of soybean oil, crush will be determined primarily by the demand for soybean meal. The USDA reports meal and oil exports and new sales on a weekly basis so that progress can be evaluated. Domestic soybean meal consumption is calculated as a residual once the Census Bureau reports monthly production, ending stocks, and exports. Complete information is not available until about six weeks after the end of the month. For the current year, the USDA projects a 2 percent increase in meal feeding and a 14 percent increase in meal exports. It is too early in the year to measure domestic meal consumption. Accumulated exports plus outstanding export sales of meal as of November 4 exceeded last year's total by 30 percent.

The recent increase in the cash prices of corn and soybeans reflects tight farmer holding in the face of low harvesttime prices and the good export demand for soybean meal. Unless the rate of use is increased for corn and at least maintained for soybeans, further price strength will be limited.

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