



# WEEKLY OUTLOOK

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

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## CORN AND SOYBEAN USE MUST DECLINE

BASED ON THE USDA'S OCTOBER 1 PRODUCTION ESTIMATE, the 1983 soybean crop will total only 1.517 billion bushels, 32 percent less than a year ago and 1.2 percent less than estimated last month. The national average yield is expected to reach only 24.7 bushels per acre, the lowest since 1974.

The total supply of soybeans (production plus carryover stocks) for the 1983-84 marketing year is 1.904 billion bushels, 24 percent less than last year. Assuming that carryover stocks cannot be reduced below 120 million bushels, usable supplies total 1.784 billion bushels. About 89 million bushels will be accounted for in the seed, feed, and residual category, leaving 1.695 billion bushels available for domestic crush or export. Those supplies are 15.8 percent less than the level of crush and export last year.

The USDA expects that soybean exports will be reduced by 20 percent during the year ahead, while domestic crush will be reduced by 12 percent. If export demand is stronger than estimated, which we believe is the case, the domestic crush will have to be cut more severely than estimated. Similarly, the USDA projects a 19 percent reduction in soybean meal exports and a 24 percent cut in soybean oil exports. If those estimates are accurate, domestic meal and oil consumption will have to be reduced by only 8.7 percent and 1.0 percent, respectively. If we are correct about the strength of export demand for beans, oil, and meal, domestic use will have to be cut more sharply than projected.

Through the first six weeks of the marketing year, the domestic soybean crush has exceeded last year's levels by nearly 10 million bushels. Exports are running about 10 million bushels behind last year's levels. Combined use is progressing at a rapid pace.

The 1983 corn crop is estimated at 4.26 billion bushels, 49 percent less than a year ago and 3 percent less than last month's estimate. The national average yield of 82.9 bushels is the lowest since 1974. Carryover supplies of corn are projected at 3.434 billion bushels, bringing total supplies for the 1983-84 marketing year up to 7.694 billion bushels.

There is some evidence which suggests that carryover stocks may be lower than the current estimate. Last year's soybean crop was overestimated by 2.1

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percent; perhaps the corn crop was also overestimated. The USDA projects total feed use for the 1982-83 marketing year at 4.5 billion bushels. Based on current estimates of feed use during the first three quarters of the marketing year, feeding would have to decline from the third quarter to the fourth quarter. That has not happened before. Over the last 10 years, feed use has increased by an average of 40 percent from the third to the fourth quarter.

Either the June corn stocks estimate was in error, overstating third quarter feed use, or the October 1 stocks of corn will be lower than estimated. We are currently thinking in terms of carryover stocks of about 3.3 billion bushels. If that estimate materializes, corn supplies will total only 7.56 billion bushels. Assuming minimum carryover supplies of about 600 million bushels, corn available for use this year will total 6.96 billion bushels. Corn use must be cut at least 4 percent from a year ago. Since exports and processing uses of corn are expected to increase, corn feeding must decline by about 10 percent from last year.

The necessary cuts in corn and soybean use for 1983-84 are substantial, particularly for soybeans. The available evidence suggests that those cuts have not yet begun. If not, higher prices for both corn and soybeans will be required.

*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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