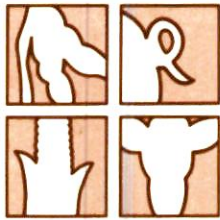




Cooperative
Extension Service
University of Illinois
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WEEKLY OUTLOOK

Department of Agricultural Economics
College of Agriculture
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JANUARY 1 GRAIN STOCKS--ANOTHER SURPRISE

THE USDA's JANUARY GRAIN STOCKS REPORT was released on February 11. This report provides a check on the latest production estimates and reveals the rate of grain use.

The January 1 inventory of corn was estimated at 5.808 billion bushels, about 900 million more than last year's extremely low level. Other than last year, however, January 1 corn stocks are at the lowest level since 1978 and are well below our expectations. The January figure implies that a record 2.567 billion bushels of corn were used during the period October-December 1984. That level of use is about 250 million bushels, or 11 percent, above the average of the past five years.

Based on known exports and estimates of domestic nonfeed uses of corn during the October-December period, the feed and residual uses of corn apparently totaled a record 1.727 billion bushels. That is almost 100 million bushels above last year's large figure and almost 200 million above the average of the five years 1979-1983. The 1984 corn crop may have been overestimated.

Revised supply and demand figures now point to a corn carry-over of 1.1 billion bushels. The USDA raised its feed and residual estimate for the year by 200 million bushels, to 4.2 billion. The estimates of processing uses and exports were unchanged at 1.05 and 2.025 billion bushels, respectively. With rapid movement of corn into the CCC loan program, free market supplies of corn will become very tight by early summer. Prices will likely rally in the very near term, but may fade over the next few weeks if farmers' selling increases. Cash prices will have to be high enough to bid from the farmer-owned reserve by next summer.

January 1 stocks of soybeans were estimated at 1.422 billion bushels, very close to expectations. Stocks are 132 million bushels larger than a year ago, but almost 230 million less than the average of the four years 1980-1983. Based on

USDA's estimate of beginning inventories and the size of the 1984 crop, soybean use during the period September-December 1984 totaled about 615 million bushels. That is the lowest level of use for that period since 1977.

Based on Census Bureau figures, soybean crush and exports totaled 596 million bushels during the first quarter of the marketing year. Seed and residual use calculates to about 19 million bushels. That figure seems a little high, but generally confirms the USDA's final production estimate of 1.861 billion bushels.

Revised supply and demand estimates project soybean crush for the year at 1.02 billion bushels, 10 million above the previous estimate. The export projection was lowered by 20 million bushels to 735 million. Carry-over stocks are forecast at 195 million bushels. The revised estimates reflect the recent trend of rapid domestic use of soybean products, but weakness in export demand. Recent estimates from Brazil suggest that the crop there could be larger than expected.

We continue to expect some recovery in soybean prices later in the year. Unless there are some favorable developments in the export market or crop deterioration in South America, soybean prices will likely remain under \$6.50.

January 1 wheat inventories were estimated at 2.14 billion bushels, nearly 200 million less than a year ago. As a result of the smaller than expected inventory, the USDA increased the feeding estimate by 50 million bushels to 375 million. The export projection was lowered by 50 million bushels to 1.475 billion. Carry-over stocks are expected to be very large at 1.4 billion bushels. Supplies of soft red winter wheat, however, are tight and will continue in short supply in 1985-86. Prices at Chicago are expected to continue to improve relative to Kansas City.

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