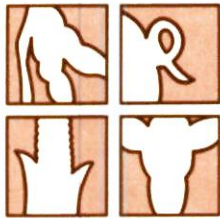




Cooperative
Extension Service
University of Illinois
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WEEKLY OUTLOOK

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

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SUPPLY AND DEMAND PROSPECTS FOR 1985-86

IN RECENT WEEKS WE HAVE EXAMINED some of the trends in world grain production, U.S. grain exports, and domestic meat demand. This week we incorporate some of these trends in evaluating supply and demand prospects for grain for 1985-86.

World production forecasts for 1985-86 must be viewed as very tentative at this stage. The growing season is just beginning in the Northern Hemisphere and has not yet begun in the Southern Hemisphere. However, USDA projections indicate the potential for larger grain crops outside of the U.S. during the year ahead.

Wheat production prospects outside of the U.S. are forecast at 451 million metric tons, up almost 2 percent from this year. While the European crop may be smaller than the record of this year, production could be up sharply in Canada and the USSR.

Coarse grain production prospects outside of the U.S. are forecast at 571.5 million metric tons, up 1 percent from this year. As in the case of wheat, it is expected that European coarse grain production will decline from the record levels of 1984-85. Production is forecast to rebound in the USSR and continue to increase in Canada. Crop development in the USSR bears watching, however, as some early season problems have developed.

In spite of the high level of participation in acreage reduction programs, prospects are for large grain crops in the U.S. in 1985. Of the major grain and oilseed crops, USDA forecasts of yield and production have been made only for winter wheat at this time. That crop is forecast at 1.97 billion bushels, about 4 percent less than a year ago. Production of hard red winter wheat is forecast to be up almost 11 percent, while the soft red wheat crop is expected to be down nearly 30 percent. Based on planted acreage estimates and normal growing conditions, the spring wheat crop may reach about 550 million bushels, about 2.5 percent above last year's crop. Production of all classes is forecast at 2.5 billion bushels, only 2.5 percent less than a year ago.

Based on planted acreage estimates and normal growing conditions, the 1985 corn crop is expected to be at least as large as the 1984 crop of nearly 7.7 billion bushels. The first projection by the USDA's World Outlook Board puts production

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potential at 7.9 billion bushels. Potential for the 1985 soybean crop is forecast at 1.9 to 2.0 billion bushels, compared to the 1984 crop of 1.86 billion bushels.

The recent trends in declining export and domestic demand may well continue in 1985-86. The current level of meat production is record large and is not expected to expand. As pointed out last week, the recent decline in the inflation-adjusted value of meat production continues in 1985. These trends imply that the size of the domestic feed market will not expand during the 1985-86 crop year.

The recent decline in corn exports was interrupted this year due to the record large imports of U.S. corn by the USSR. A rebound in grain production there could result in a significant decline in exports of U.S. corn. The USDA forecasts export potential at 1.7 billion bushels, down from 1.95 billion this year. Wheat exports are projected at 1.2 billion bushels, a decline of 230 million bushels. Some modest recovery is seen in soybean exports, but not back to the levels experienced in the period 1979-80 through 1982-83.

It is early in the year, and a lot of "ifs" are involved, but current conditions point to an increase in stocks of the major grains and oilseeds next year. There is some optimism that interest rates and/or the value of the dollar might decline. In addition, the proposals for export subsidies may limit the magnitude of increase in stocks. However, relief from the underlying problem of stagnation in market size is not being forecast for 1985-86.

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