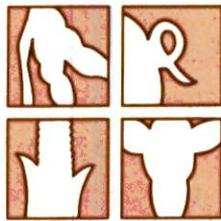




Cooperative
Extension Service
University of Illinois
at Urbana-Champaign



WEEKLY OUTLOOK

Department of Agricultural Economics
College of Agriculture
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November 20, 1985

ESTIMATES OF THE SUPPLY OF GRAIN

THE OCTOBER 1 *GRAIN STOCKS* REPORT of the USDA released on November 12 showed 1.38 billion bushels of old crop corn on hand at the beginning of the 1985-86 marketing year. This figure was somewhat higher than expected and implies that feed and residual uses of corn totaled only 4.1 billion bushels during the past marketing year. That is the second lowest level of use in that category in the past seven years.

Part of the reason for lower corn feeding is the continued high rate of wheat feeding. October 1 stocks of wheat were estimated at 2.93 billion bushels, nearly 200 million bushels more than a year ago, but slightly less than expected. This figure implies that summer wheat feeding totaled about 325 million bushels.

The USDA also released revised production estimates on November 12. The 1985 corn harvest is now estimated at 8.717 billion bushels, 114 million bushels more than the estimate last month. The U.S. average yield potential is seen as 116.6 bushels per acre, up 1.5 bushels from the figure last month and 3.4 bushels above the previous record yield. The average yield in Illinois is expected to be a record 134 bushels per acre.

The 1985 soybean crop is estimated at 2.129 billion bushels, about 1 percent above the October figure. The U.S. average yield is estimated at 34.2 bushels per acre, up 0.3 bushels from last month and 2.1 bushels above the 1979 record. The average yield in Illinois is pegged at 43 bushels per acre, 4 bushels above the previous high reached in 1979.

Revised supply and demand estimates were also released on November 12. The supply of corn (carryover and production) is estimated at 10.097 billion bushels, 20 percent more than a year ago and only 3 percent less than the record supply of 1982. Domestic use of corn is forecast at 5.42 billion bushels, 255 million bushels more than last year. But exports are expected to total only 1.625 billion bushels, 213 million bushels less than last year. If these estimates materialize, total use will be 7.045 billion, and carryover stocks will increase to 3.052 billion bushels.

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Soybean supplies are estimated at 2.447 billion bushels, 20 percent more than a year ago and almost identical to the previous record supply of 1982. Domestic and export uses of soybeans are expected to increase by 113 million bushels for a total of 1.832 billion. Carryover supplies are projected at 615 million bushels. The largest level of carryover to date was 358 million bushels at the end of the 1979-80 marketing year.

Supplies of wheat for the 1985-86 marketing year totaled 3.852 billion bushels. Domestic use is expected to be down slightly at 1.11 billion bushels. Exports are forecast at only 1.0 billion bushels, 30 percent less than a year ago. Carryover stocks are expected to total 1.742 billion or 83 percent of the projected use of wheat.

In spite of abundant supplies of corn and wheat, prices have significantly improved in recent weeks. The widespread use of the government loan program has created a tight supply situation, forcing the market to bid up the price in order to attract grain away from this program. This situation will probably persist through the end of the year. Farmer sales will probably increase after the first of the year, resulting in a weaker basis and a slightly lower cash price. Continued movement of grain into the loan program could result in a tight supply situation again next spring.

Tight farmer holding and aggressive processor bidding had supported cash soybean prices until last week, when a proposal to lower the 1985 loan rate by as much as one dollar per bushel caused lower prices. These prices will probably remain under pressure until the 1985 farm bill is finalized.

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