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WEEKLY OUTLOOK

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SUPPLY AND DEMAND PROSPECTS FOR CORN WORSEN

THE USDA RELEASED REVISED SUPPLY AND DEMAND estimates and world crop production estimates last week. For 1985-86, coarse grain production outside of the United States is expected to be about unchanged from last year, totaling about 570 million metric tons. Smaller crops in Europe, China, and Brazil are offset by increases in Canada, the Soviet Union, and Africa. The U.S. coarse grain crop was 15 percent larger in 1985 than in 1984. As a result, coarse grain production world wide is expected to be up about 4 percent.

Regional production shifts are expected to reduce total coarse grain trade in 1985-86 by almost 12 million tons, or about 12 percent. The most significant change is the nearly 50 percent reduction in imports forecast for the Soviet Union (14 million tons compared to 27.3 million last year).

Corn production outside of the United States is forecast at 255.6 million tons, about 3 percent less than a year ago. The largest decline is coming in China, 9.4 million tons, followed by a 3 million ton reduction in Brazil. The U.S. corn crop was up by 15 percent in 1985, however, so world corn production for 1985-86 is expected to be about 5 percent larger than last year.

Corn imports by the Soviet Union are expected to drop from 20.3 to 11.4 million tons. Except for western European countries, the major corn importing countries are expected to import slightly more corn than a year ago. Argentina is expected to export slightly more corn than a year ago. Argentina is expected to export 9.5 million tons of corn, up from 7.1 million last year, even though production there is up only 1.5 million tons. Corn exports from China are expected to decline by only 1 million tons even though production is forecast to be down by 9.4 million tons.

As a result of the shift in world coarse grain production and aggressive export marketing by China and Argentina, U.S. exports are expected to be down sharply. Corn exports from the United States are projected at 36.8 million tons

(1.45 billion bushels), down 21 percent from a year ago. If that projection materializes, U.S. exports will be at the lowest level since the 1974-75 crop year and 40 percent less than the record level of exports during the 1979-80 crop year.

Domestic use of corn has fluctuated between 4.7 and 5.4 million bushels over the last 7 years, but the trend has been sideways. Increased use for processing purposes has been offset by slight declines in feed use. Declines in feed use reflect a sharp reduction in the number of cattle being fed. Increased poultry numbers have only partially offset that decline. In addition, wheat feeding has increased significantly in recent years. Domestic wheat feeding during the past three years has averaged 370 million bushels, three times the average level of the previous 5 years.

For the 1984-85 marketing year, the use of U.S. corn for all purposes is forecast at 6.6 billion bushels, 6 percent less than a year ago. Excluding 1983-84 when the PIK program and weather conditions reduced the corn crop by 50 percent, projected use for this year is at the lowest level since 1977-78. Carryover stocks at the end of the year are forecast at a record 3.568 billion bushels, or 54 percent of total use.

A number of factors suggest a modest rebound in corn use next year, both in the export and domestic market. However, corn inventories will not be reduced, and in fact could increase sharply if 1986 growing conditions are normal. Corn acreage will be down, but not as much as hoped. It now appears that hundreds of thousands of acres of winterkilled wheat in the corn belt will end up planted to corn.

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