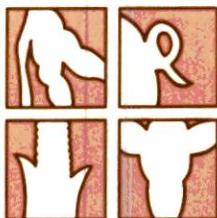




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WEEKLY OUTLOOK

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

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USDA RELEASES NEW SUPPLY AND DEMAND PROJECTIONS

ON NOVEMBER 10, THE USDA RELEASED revised crop production estimates and demand projections for the 1986-87 marketing year. For corn, the November production estimate was 8.223 billion bushels, unchanged from the October figure. The national average yield is expected to be a record 119.3 bushels per acre.

The new supply and demand estimates, released on the same day as the production report, contain another downward revision in the export projection for corn. Corn exports for the 1986-87 marketing year are expected to reach only 1.3 billion bushels, just slightly more than the total exported a year ago. This projection is 250 million bushels below the projection of two months ago.

The disappointing export figure reflects large grain crops in the rest of the world and the Soviet Union's absence from the U.S. export market. In a separate report, the USDA estimated the 1986 Soviet grain crop at 195 million tons, an 8 percent increase from last month's estimate.

The inventory of corn at the end of the marketing year (September 1, 1987) is expected to total 5.614 billion bushels. At the projected level of use, inventories of that magnitude would represent a 10-month supply. Corn prices will remain weak through the winter months, supported only by tight farmer holding. The availability of generic certificates will probably result in an adequate flow of corn to market. The USDA expects the average price of corn for the 1986-87 marketing year to fall in the range of \$1.35 to \$1.65 per bushel.

For soybeans, the November production estimate was larger than the October figure. Production is estimated at 2,009 billion bushels, up 17.5 million from the previous estimate. The U.S. average yield is expected to be 33.8 bushels per acre, just below last year's record of 34.1 bushels.

Changes in demand estimates for soybeans were small. The domestic crush of soybeans is projected at 1.08 billion bushels, up 5 million from the October projection. Projections of meal and oil use were not increased, however, so that the additional crush results in relatively large ending stocks of those products.

The USDA expects the price of soybeans for the 1986-87 marketing year to average between \$4.50 and \$4.90 per bushel. Current prices are at the high end of

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that range, supported by tight farmer holding and high rates of use for both oil and meal. Unless production problems develop in South America, soybean prices are not expected to advance from current levels and might well drop back to the level of the Commodity Credit Corporation loan rate of \$4.56.

The relatively high rate of wheat exports early in the marketing year has not held up in recent weeks. With the absence of the Soviet Union from the market, the USDA lowered the export projection for the 1986-87 marketing year. Exports are expected to total only 1.025 billion bushels, down 50 million from last month's figure.

Stocks at the end of the year (June 1, 1987) are projected at 1.837 billion bushels, a ten month supply at the current rate of use. However, supplies of soft red winter wheat remain very tight. Prices for this class of wheat will probably remain at a premium but are not expected to move higher through the winter months.



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