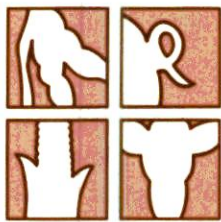




Cooperative
Extension Service
University of Illinois
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WEEKLY OUTLOOK

Department of Agricultural Economics
College of Agriculture
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SUPPLY AND DEMAND ESTIMATES REVISED

The USDA's October *Crop Production* report released on October 8 contained only minor changes in the estimated size of the 1987 crop of corn, soybeans, and wheat. However, the 1986 soybean crop estimate was lowered, and there were some significant changes in the projections of the magnitude of use and carryover stocks for all three commodities.

CORN. The estimate of the feed and residual use of corn during the 1986-87 marketing year was increased by 46 million bushels to 4.696 billion bushels. That adjustment was necessary to reconcile the September 1 stocks estimate of 4.882 billion bushels. The level of feed and residual use surely contains a large residual component. The magnitude of use cannot be explained by animal numbers and the level of feeding of other grains. The apparent high level of feeding of wheat during the summer of 1987 makes the corn estimate look especially large. It is somewhat surprising that the estimate of the 1986 crop was not lowered to bring the feed and residual estimate down to a reasonable level.

The estimated size of the 1987 corn crop was unchanged from the September estimate of 7.14 billion bushels. The U.S. average yield is still expected to be a record 119.9 bushels per acre. The USDA projects that corn use will increase to 7.625 billion bushels during the 1987-88 marketing year. Domestic processing use is forecast to increase 3 percent, feed and residual use is expected to be up 2 percent, and exports are projected to increase by 5 percent. Carryover stocks on September 1, 1988 are forecast to decline to 4.398 billion bushels. Even with an unrealistically high forecast of domestic feed use (4.8 billion bushels) the projected level of ending stocks represents a 7-month supply of corn.

SOYBEANS. The estimated size of the 1986 soybean crop was reduced by 67 million bushels to 1.94 billion. That change was necessary to reconcile the level of known use and the unexpectedly low September 1 stocks figure of 436 million bushels. The estimated size of the 1987 crop was increased by 11 million bushels to 1.968 billion. Soybean supplies are only 3 percent less than a year ago.

The domestic crush of soybeans is expected to increase by 20 million bushels to 1.2 billion. Exports are projected to decline by 60 million bushels. The use of soybeans for all purposes is projected at 1.994 billion bushels, leaving carryover stocks on September 1, 1988 of 410 million bushels. Stocks at that level would represent a 2.5 month supply, unchanged from September 1, 1987.

WHEAT. The estimate of the 1986 wheat crop was increased by 5 million bushels, and the 1987 estimate was lowered by 9 million bushels. The biggest change, however, was the 200 million bushel increase in the projection of wheat feeding for the 1987-88 marketing year. At

375 million bushels, wheat feeding is expected to be only slightly less than a year ago. The adjustment was required to reconcile the surprisingly low September 1 stocks of wheat reflected in the September 30 *Grain Stocks* report. The apparent increase in feeding during the summer months occurred in spite of high prices in relation to feed grain prices and a sharp increase in the amount of corn reportedly fed during that same period.

As a result of the increased projection for wheat feeding, the projection of carryover stocks on June 1, 1988 was lowered to 1.511 billion bushels, 310 million bushels less than on June 1, 1987. If that projection materializes, stocks will be at the lowest level in 4 years but would still represent a 7.5 month supply. This projection may increase with the release of the December *Grain Stocks* report.

In addition to the changes in production, use, and stocks projections, prices are being supported by a number of other factors. Farmers continue to be tight holders of corn and soybeans. Recent trade talks with the Soviet Union have resulted in a number of rumors of additional large sales of U.S. wheat and soybeans to the Soviet Union. Processor demand for soybeans continues to be strong in the face of good processing margins. Fundamentally, however, further price strength does not seem warranted at this time. Corn prices are above the net Commodity Credit Corporation (CCC) loan value and soybean prices are bumping into the CCC resale price. Corn and soybean prices appear to be vulnerable to an acceleration in the rate of selling by farmers. That selling may not surface until January.



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