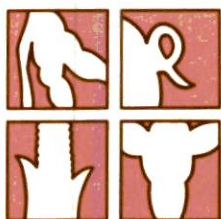




Cooperative
Extension Service
University of Illinois
at Urbana-Champaign



WEEKLY OUTLOOK

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

February 17, 1988

SUPPLY AND DEMAND ESTIMATES UPDATED

The USDA released revised supply and demand estimates on February 9 for the 1987 corn, wheat, and soybean crops. In the case of corn, these estimates were unchanged from the previous month. Corn stocks at the end of the marketing year (August 31, 1988) are projected at 4.123 billion bushels, 759 million bushels below the level of stocks at the beginning of the marketing year. These stocks, however, would represent more than a six-month supply at the projected level of use.

The projection of wheat exports for the current marketing year (ending May 31, 1988) was increased by 100 million bushels to 1.55 billion bushels. At the projected level, exports will be at the highest level since 1981-82 when a record 1.771 billion bushels were exported. The lowest level of exports in recent history was 915 million bushels in 1985-86. The rapid recovery in exports reflects the very aggressive export subsidy program implemented by the USDA.

Stocks of wheat on June 1, 1988 are projected at 1.281 billion bushels, 540 million bushels below the level of stocks on June 1, 1987. At that level, ending stocks will be at the lowest level since 1982 and will represent slightly less than a six-month supply. Stocks of soft red winter wheat are expected to total only 50 million bushels or about a 1.5 month supply. The projection of ending stocks for that class of wheat is 5 million bushels above last month's projection.

In the case of soybeans, the projected level of domestic crush was lowered by 10 million bushels to 1.18 billion bushels. That level of crush is equal to last year's crush. The decline reflected waning export demand for soybean meal. Meal exports are expected to reach 7 million tons in the current marketing year, 200,000 tons below last month's projection and 343,000 tons below shipments a year ago. Stocks of soybeans at the end of the marketing year (August 31, 1988) are now projected at 305 million bushels, compared to 436 million bushels at the beginning of the year.

It is likely that the U.S. soybean meal export projection will be lowered again in subsequent reports. Sales to non-Soviet destinations were running 25 percent behind last year's pace through the first five months of the marketing year. If the South American crop reaches its potential, U.S. soybean meal export sales will be limited for the remainder of the marketing year. The South American soybean crop potential is now estimated at 1.05 billion bushels, 12 percent above the 1987 harvest. Carryover stocks of U.S. soybeans could exceed the projection of 305 million bushels.

The USDA increased the projection of U.S. soybean oil exports for the current year by 255 million pounds to a total of 2.205 billion pounds. At that level, oil exports would be at the highest

level since 1979-80. The large level of exports reflects subsidized sales to India and Pakistan. The larger export projection and the lower soybean crush projection results in a soybean oil carryover projection of 1.4 billion pounds, 325 million pounds below the level of beginning stocks.

Corn and soybean prices have increased sharply since harvest. Soybean futures are 25 percent higher than at the end of September 1987, while corn futures are up 15 percent. Prospects for declining surpluses account for much of the increase. New crop corn futures reached new highs during the second week of February, while new crop soybean futures were moving back toward the highs reached in mid-January.

Expectations that stock levels will continue to decline during the 1988-89 marketing year have been behind the rise in new crop prices. Projections of corn prices averaging as high as \$2.25 per bushel and soybean prices above \$7.00 per bushel in the 1988-89 marketing year are not uncommon. The optimistic price attitude is based on only a marginal or no increase in corn and soybean acreage and lower average yields in 1988. The March 31 *Prospective Plantings* report will be pivotal for new crop corn and soybean prices.



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