



Cooperative
Extension Service
University of Illinois
at Urbana-Champaign



WEEKLY OUTLOOK

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

May 18, 1988

USDA REPORTS POINT TO DECLINING GRAIN STOCKS

On May 10, the USDA released its monthly reports on *Supply and Demand*, *Crop Production*, and *World Agricultural Production*. In addition to revised estimates for the 1987-88 marketing year, the *Supply and Demand* report contained the first projections for the 1988-89 U.S. crop year. The production report included the first estimate of the potential size of the 1988 winter wheat crop. Following are summaries for corn, soybeans, and wheat.

Corn. For the 1987-88 marketing year, the USDA increased the projection for domestic processing use by 11 million bushels and lowered the ending stocks figure by an equal amount. At 4.112 billion bushels, stocks on September 1, 1988, would represent slightly more than a 6-month supply.

Based on analysts' judgments about planted acreage and average yields, the 1988 crop is expected to reach 7.3 billion bushels, up 3.3 percent from 1987. Unless acreage exceeds intentions reported in March, the U.S. average yield would have to be 1.5 bushels above the 1987 record of 119.4 bushels per acre. The USDA apparently expects corn acreage to exceed March intentions. Preliminary enrollment figures for the 1988 feed grain program will give further insight into the level of corn acreage. The USDA will release planted acreage figures on July 12.

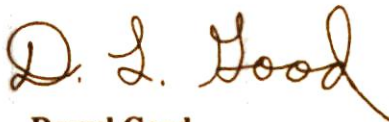
On the demand side, corn use is expected to increase by 189 million bushels next year, resulting in carry-over stocks of 3.389 billion bushels. The forecast of use seems optimistic, particularly the 5-billion-bushel feed and residual figure. The March *Grain Stocks* report suggested that the USDA is overestimating feed and residual use during the current marketing year as well. If both production and use are overestimated, the projection of stocks on September 1, 1989, of 3.389 billion bushels still seems realistic. At that level, stocks would still exceed a 5-month supply. The futures market currently reflects a 1988-89 season's average cash price of about \$2.10 per bushel. Further strength would not be expected unless crop prospects deteriorate significantly.

Soybeans. Stocks on September 1, 1988, are projected at 275 million bushels, the lowest level in four years. That projection is 15 million bushels smaller than last month's figure because of improved export prospects. Such prospects partly reflect lower production estimates for the Brazilian harvest. That crop is expected to total 647 million bushels, 14 million fewer bushels than last month's estimate. At the projected level, stocks at the end of the 1988-89 marketing year would represent only a 1.5-month supply.

USDA analysts see the 1988 U.S. soybean crop at 1.88 billion bushels, 1.3 percent less than the 1987 crop because of lower average yields. The smaller crop will require that soybean use be reduced by an estimated 56 million bushels (2.7 percent) to keep carry-over stocks at a minimum level of 145 million bushels. The futures market is currently offering a 1988-89 season's average price of about \$7.35 per bushel. That price is high enough to adequately ration a crop of 1.88 billion bushels. Price direction, then, will depend on changes in crop prospects. The figure for planted acreage on July 12 will be an important check point.

Wheat. Supply and demand estimates for the 1987-88 marketing year were unchanged. Stocks on June 1, 1988, are projected at 1.231 billion bushels, the lowest level in six years. As of early May, crop conditions pointed to a 1988 U.S. winter wheat crop of 1.62 billion bushels, up 57 million bushels from the 1987 harvest. A larger, soft red winter crop accounts for all of the increase, as the hard red and white winter crops are expected to be slightly smaller. Although not officially evaluated, the spring wheat crop, according to analysts, will be 550 million bushels, about the same size as that crop was a year ago. Continued dry weather could cause it to be smaller, however.

Stocks of wheat on June 1, 1989, are projected at only 796 million bushels, 435 million fewer bushels than expected on June 1 this year. Such a large decline will require a continued high rate of exports. Export prospects, however, are dimmed by the projection of a larger Soviet wheat crop and a potential reduction in imports by the Soviet Union. Subsidies of U.S. wheat exports will have to be very large for those projections to materialize.



Darrel Good
Extension Specialist
Prices and Outlook

Cooperative Extension Service
United States Department of Agriculture
University of Illinois
At Urbana-Champaign
Urbana, Illinois 61801

FIRST CLASS