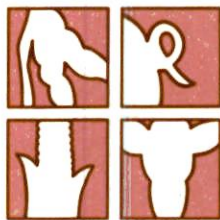




Cooperative
Extension Service
University of Illinois
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WEEKLY OUTLOOK

Department of Agricultural Economics
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CORN USE REMAINS HIGH

Even though the *October Crop Production* report contained a larger estimate of the size of the 1988 corn crop, the projected level of stocks at the end of the year has been reduced. Corn use is expected to remain high in spite of significantly higher prices.

Domestic use of corn is being supported by continued expansion in hog and broiler production. The USDA's *Grain Stocks* report released on September 30 showed the inventory of old crop, on September 1, to be 4.26 billion bushels. That figure was about 90 million bushels less than expected, suggesting that the level of corn feeding during the summer quarter was record large. Feed and residual use of corn during the 1987-88 marketing year totaled 4.736 billion bushels, slightly higher than the previous record established during the 1986-87 marketing year.

Prospects for a 4-percent expansion in broiler production during the year ahead and indications of a 4-percent increase in hog numbers over the next 6 months bode well for domestic corn feeding. The USDA has increased the projection of feed and residual use of corn for the 1988-89 marketing year to 4.5 billion bushels. That estimate is still 5 percent below the level of use during the previous year.

Corn exports have been large during the first 5 weeks of the marketing year, and the level of outstanding sales suggests that the export pace will remain brisk. Shipments of corn during the 5-week period beginning September 1 totaled 185.2 million bushels, about 3 million bushels more than were shipped during the same period last year. Exports to the Soviet Union, Taiwan, and Egypt were up sharply while exports to South Korea and Mexico were down. Export sales of corn not yet delivered are about 80 percent above the level of a year ago. Much of that increase represents sales to the Soviet Union, although large sales have also been made to Japan.

The USDA now expects exports for the 1988-89 marketing year to reach 1.7 billion bushels, just 30 million bushels less than exports of last year. Sales to the Soviet Union will be one of the key determinants of the magnitude of exports. Because of a smaller coarse-grain crop in the Soviet Union and indications that livestock production is expanding, some analysts believe sales to the Soviet Union could reach 400 million bushels. That would be double the amount shipped last year. It is unclear how the breakdown in trade talks between the United States and the Soviet Union will affect the pattern and level of corn trade for the year.

The October corn production estimate of 4.553 billion bushels was 91 million bushels larger than the September estimate. The level of stocks at the beginning of the 1988-89 marketing year, 4.26 billion bushels, was 92 million bushels less than projected. The estimate of the total

supply of corn for the year, including imports, remains unchanged from last month's estimate of 8.818 billion bushels. The use of corn for all purposes is expected to total 7.41 billion bushels. That figure is 280 million bushels less than actual use last year, but is up 150 million bushels from last month's projection. Stocks of corn at the end of the marketing year (September 1, 1989) are expected to be reduced to 1.407 billion bushels.

Corn prices have increased about 15 cents per bushel over the past 3 weeks as demand strength has been revealed. The increase, however, has been tempered by the expectation of a sharp rebound in corn production in 1989. Planted acreage of corn could increase by as much as 10 million acres because of fewer acres idled under government programs. A return to the yield levels of the 3 years prior to 1988 would result in a crop near 8 billion bushels.

Further increases in corn prices will be limited in the near term unless the Soviet Union buys significant quantities of U.S. corn. Longer term prospects depend on U.S. weather conditions.



**Issued by Darrel Good
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