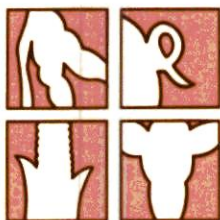




Cooperative  
Extension Service  
University of Illinois  
at Urbana-Champaign



# WEEKLY OUTLOOK

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

**December 14, 1988**

## **SUPPLY AND DEMAND ESTIMATES UNCHANGED**

**As expected, the USDA's December *Supply and Demand* report contained only minor changes for corn, soybeans, and wheat. The range for the projected season's average price was narrowed for soybeans and wheat.**

In the case of corn, the projections for both exports and domestic feed use were unchanged, even though exports and probably feed use have been high during the first quarter of the marketing year. For the year, exports are expected to be 2.5 percent larger than a year ago. Through the first 14 weeks of the marketing year, exports were 23 percent larger. Additional sales to the Soviet Union are expected and should keep the export pace brisk for the next quarter of the year. The projection of 1.775 billion bushels for the year should be easily attained, if not exceeded.

Domestic corn feeding is expected to be down about 5 percent from the extremely high levels of the past two years. Most of the decline, if it occurs, will be the result of lower feeding rates per animal. The December 1 *Grain Stocks* report, to be released on January 13, will reveal the level of corn feeding during the first quarter of the marketing year. The estimate of corn feeding includes unexplained or residual corn disappearance. That residual figure is highly variable and makes forecasting difficult. Based on animal numbers alone, corn feeding should have been extremely large during the first quarter of the 1988-89 marketing year. The December *Hogs and Pigs* report, to be released on January 6, will be an important indicator of potential feed demand for the remainder of the 1988-89 marketing year. If estimates of feed use for the past two years are accurate, the forecast of 4.5 billion bushels for the current year seems conservative.

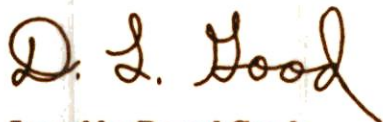
The average price of corn for the 1988-89 marketing year is expected to be between \$2.40 and \$2.80 per bushel. The average price through the first 3.5 months of the year has probably been close to \$2.50.

Projections of soybean use and carryover stocks were unchanged from last month's figures. The projection of oil exports was lowered by 50 million pounds. The season's average price for soybeans is expected to be between \$7.00 and \$8.50 per bushel. The price so far this year has averaged near \$7.75, the midpoint of the USDA's projection. The average price of soybean meal is expected to be between \$240 and \$270 per ton. Oil is expected to have an average price between 21 and 25 cents per pound. Prices so far in the marketing year have averaged in the lower half of the expected range for both meal and oil.

It seems unlikely that soybean use will be less than forecast. Use could be higher, depending on the size of the South American crop. Weather reports and forecasts for Brazil and Argentina remain mixed, but areas of moisture shortages persist. The USDA's estimate of the potential

size of the combined crops of Brazil and Argentina remains at 1.14 billion bushels, 120 million bushels above the 1988 harvest. A crop of that size and stable to lower prices into the spring will result in only a very small increase in soybean acreage in the United States next year. Weather problems and higher prices could bring a large increase in U.S. plantings under provisions of the Disaster Act of 1988.

Changes in the supply and demand estimates for wheat consisted of a five-million bushel increase in imports and a corresponding increase in the projection of ending stocks. Those stocks are projected at 533 million bushels. Ending stocks of soft red winter wheat are expected to total only 30 million bushels, a three-week supply. The average price for the 1988-89 marketing year is expected to be between \$3.60 and \$3.75. If the price is in that range, the deficiency payment for the 1988 crop will be in the range of 48 to 63 cents per bushel.



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