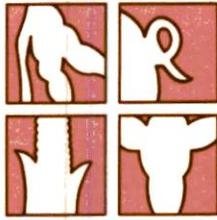




Cooperative  
Extension Service  
University of Illinois  
at Urbana-Champaign



# WEEKLY OUTLOOK

Department of Agricultural Economics  
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**January 18, 1989**

## **GRAIN PRODUCTION AND STOCKS EXCEED EXPECTATIONS**

**Final 1988 production estimates** for the corn and soybean crops and the inventories of corn, soybeans, and wheat on December 1, 1988, were all larger than anticipated. As a result, the USDA's projections of corn and soybean stocks at the end of the 1988-89 marketing year have been increased.

The 1988 corn crop is now estimated at 4.92 billion bushels, 250 million bushels larger than the November estimate and 459 million bushels above the September figure. The 5 percent increase is one of the largest November-to-January increases on record. The increase reflected a 1.4-million-acre increase in the estimate of harvested acreage and a 2.3-bushel increase in the average yield. The state yield estimates were increased by 10 bushels in Colorado, 9 bushels in Ohio, and 5 bushels in Indiana, Kansas, and Michigan. The Illinois average yield was increased by 1 bushel to 73 bushels per acre. The estimated production of other feedgrains (sorghum, oats, barley) was increased by 5 percent.

Corn stocks on December 1 were estimated at 7.071 billion bushels, 2.7 billion fewer bushels than corn stocks a year ago, but about 400 million more than expected. The large figure implies that feed and residual use of corn during the first quarter totaled 1.34 billion bushels, almost 11 percent less than use a year ago. As a result, the USDA now projects that feed and residual use of corn for the 1988-89 marketing year will total 4.3 billion bushels. That projection is 200 million bushels below the December figure and about 400 million fewer bushels than feed and residual use for the two previous years.

The projection for corn exports was increased by 150 million bushels to 1.925 billion bushels. The use of corn for other purposes was increased by 10 million bushels, to 1.225 billion. Stocks of corn at the end of the 1988-89 marketing year are now projected at 1.735 billion bushels, 289 million more bushels than last month's projection.

The 1988 soybean production estimate was increased by 27 million bushels, to 1.539 billion bushels. The harvested acreage figure was increased by 565,000, and the average yield estimate was raised by 0.2 bushel to 26.8 bushels per acre. Stocks of soybeans on December 1 were just slightly higher than expected at 1.367 billion bushels. Residual disappearance of soybeans during the first quarter was exceptionally large again this year.

In revised supply-and-demand estimates, the USDA increased its projection of the domestic soybean crush by 10 million bushels and the estimate of residual use by 2 million bushels. As a result, the projection of stocks at the end of the 1988-89 marketing year was increased by 15 million bushels, to 140 million.

In the case of wheat, reduced projections for domestic use were offset by a larger export projection. Endings stocks are still projected at a meager 534 million bushels. Soft red winter wheat inventories are expected to be especially small at 30 million bushels.

An estimated 54.456 million acres were seeded to winter wheat in 1988. The increase of 5.66 million acres was 2 to 3 million fewer acres than expected. Percentagewise, the largest increase in acreage is expected for the soft red class.

On the surface, the USDA reports released last week appear to be most negative for the corn market. The larger production figure and lower estimate of feed and residual use suggest that the farmer-owned reserve will not have to be released.

Corn prices moved 20 cents lower following the release of the reports. Whether prices continue to trend lower or mount a recovery will hinge primarily on U.S. weather patterns during the spring and summer.

With a brisk domestic crush rate and some uncertainty about South American weather, the reports were not especially negative for soybeans. Selling in sympathy with corn pushed prices 40 cents lower, but a recovery is expected unless South American weather becomes and remains favorable.

The reports were generally constructive for wheat prices, particularly for the 1989 crop. With continued weather concerns, prices for that crop could move to new highs.



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