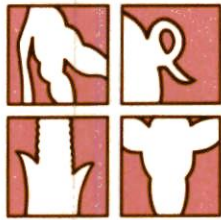




Cooperative  
Extension Service  
University of Illinois  
at Urbana-Champaign



# WEEKLY OUTLOOK

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

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## REVISED ESTIMATES OF GRAIN PRODUCTION, USE, AND STOCKS

Last week the USDA released revised production estimates for the world's grain and oilseed crops. Estimates for the South American corn and soybean crops and the South African corn crop were of the most interest to U.S. markets.

The soybean crop now being harvested in Argentina is expected to total 305 million bushels. That figure is 59 million bushels less than last year's crop and almost 100 million bushels less than was forecast early in the growing season. The Brazilian soybean harvest is now projected at 772 million bushels, nearly 120 million bushels more than was harvested last year and 40 million bushels more than was forecast early in the year. Many private crop forecasters believe that the Brazilian crop could be 50 million bushels larger than the USDA estimate.

The large South American soybean crop is beginning to have a negative impact on the rate of exports of U.S. soybeans. It is still unclear how rapidly that crop will be sold, processed, and moved into the world protein market. One of the key determinants may be Brazil's policy on currency valuation. Many observers believe that farmers' selling will accelerate if a decision is made soon to further devalue the Brazilian currency.

The Argentine corn crop is expected to reach only 210 million bushels. That figure is about 8 million bushels less than the March estimate and 145 million bushels less than last year's harvest. Argentina is expected to export only about 63 million bushels of corn during the year ahead, 110 million bushels less than was exported last year.

The South African corn crop is estimated at 433 million bushels, 10 percent larger than last month's estimate and 56 percent larger than last year's crop. South African corn exports are expected to expand from 30 million bushels last year to 173 million bushels this year. Because of nearly ideal growing conditions, many private crop analysts expect the South African crop to be even larger than the current estimate, perhaps reaching 500 million bushels.

In the case of U.S. crops, the USDA reduced the forecast of grain feeding, increased some export projections, and increased the forecast of the size of the inventory at the end of the year. Feed use of corn during the current marketing year is now

forecast at only 4 billion bushels, 300 million bushels below the March forecast and 736 million bushels less than feed use a year ago. Feed and residual use of all feed grains (corn, sorghum, barley, and oats) is expected to be 16 percent less than use a year ago.

Corn exports are expected to reach 2.1 billion bushels, 21 percent above last year's shipments and the largest annual exports since the 1980-81 marketing year. That figure is 100 million bushels above the March projection and reflects additional sales to the Soviet Union. Sales to the Soviet Union now total 510 million bushels compared with shipments during all of last year of 204 million bushels.

Stocks of corn at the end of the 1988-89 marketing year are projected at 1.83 billion bushels, 170 million bushels above the March forecast. Wheat inventories are expected to total 549 million bushels, up 15 million bushels from last month's figure. The estimate of ending stocks of soybeans is unchanged at 145 million bushels. The projected level of stocks for corn, wheat, and soybeans are the lowest since 1985, 1975, and 1977, respectively.

For the world as a whole, ending stocks of wheat are expected to account for 20 percent of total annual use, down from 34 percent two years ago. Coarse grain inventories will account for 17 percent of use, down from 29 percent two years ago; and soybean stocks will represent 14 percent of use, compared with 19 percent two years ago.

The smaller stocks of grain mean that market attention will now focus on weather conditions in the Northern Hemisphere's growing areas. Persistent dryness in parts of the United States and Canada are sources of concern for the 1989 growing season. Prices could be quite volatile again this spring and summer, offering some excellent opportunities for forward pricing the new crops of corn and soybeans.



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Prices and Outlook

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