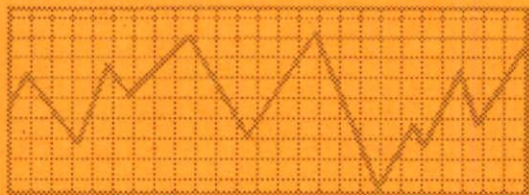




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WEEKLY OUTLOOK

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EXPORT PROJECTIONS INCREASE FOR CORN, SOYBEANS, WHEAT

The USDA's February *Supply and Demand* report, released last Friday, was expected to contain no significant changes for corn, soybeans, or wheat. The higher export projections for all three crops were a pleasant surprise. Following is a summary of the revised projections and an evaluation of the price implications.

CORN. The USDA now expects corn exports for the 1989-90 marketing year to reach 2.275 billion bushels. That projection is 125 million bushels above the January figure and 215 million bushels above last year's exports. Analysts had generally expected that the projection would be increased, but not this early in the marketing year nor by the magnitude of 125 million bushels. The increase reflected smaller corn production estimates for Argentina and South Africa and an increase in the projection of grain imports by the USSR.

Stocks of corn at the end of the 1989-90 marketing year are projected at 1.48 billion bushels, 450 million bushels less than the inventory at the beginning of the year. The use of corn for all purposes is expected to total a record 7.98 billion bushels, 720 million bushels more than was used last year. Carryover stocks of corn will represent about a 2.2-month supply, the lowest relative supply in 6 years. The average carryover of the last 5 years represented a 5.7 month supply. If, as some expect, the March 1 corn inventory figure shows a higher rate of domestic corn feeding, the projection of carryover stocks will be lowered again.

Assuming that the high rate of corn use continues into the 1990-91 marketing year, the 1990 corn crop will have to be very large to prevent a further reduction in the corn inventory. If planted acreage is at the high end of current expectations (75 million planted and 67.5 million harvested) and the average yield is at the high end of expectations (120 bushels), the 1990 corn crop would total 8.1 billion bushels. Most, if not all, of that crop would be used.

Corn prices are on a very firm foundation. Futures prices in the \$2.40 to \$2.50 range should be the norm for the next several months. Any threat to the 1990 crop would be expected to generate a significant rally, offering a good opportunity to sell additional old crop and new crop corn.

SOYBEANS. Few changes were made in the supply and demand estimates for soybeans. The projection of the domestic crush was lowered by 10 million bushels, and the export projection increased by 10 million. Although the lower crush number was not a surprise, the larger export figure was. The level of export sales to date is not very impressive, and the South American crop is still expected to be record large.

The lower crush estimate reflects the dismal export demand for U.S. soybean meal. Meal exports during the current marketing year are now projected at 4.65 million tons, 150 thousand tons less than projected last month and 480 thousand tons below exports of a year ago. The western European market has been all but lost to South America.

The projection of domestic soybean oil use was increased by 150 million pounds, reflecting the high rate of use to date. The inventory of soybean oil at the end of the year is projected at 1.25 billion pounds, the lowest level in 4 years, but not an especially low level.

Current estimates reflect a surplus of soybeans. Ending stocks are projected at 335 million bushels. A comfortable level of carryover is about 200 million bushels. Prices have probably reached a seasonal low, but recovery will be very limited.

WHEAT. The wheat export projection was increased by 25 million bushels to a total of 1.3 billion bushels. Carryover stocks, at 434 million bushels, represent less than 20 percent of annual use. Wheat prices will likely continue to make a modest recovery from the January decline. Increasingly, however, new crop prospects will be the most important price factor.

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