

WEEKLY OUTLOOK

A joint publication of the Departments of Agricultural Economics, Colleges of Agriculture of Purdue University, West Lafayette, Indiana, and the University of Illinois at Urbana-Champaign

December 5, 1990

AGRICULTURE IN A WORLD OF CHANGE

This was the theme of the 67th USDA Annual Outlook Conference held in Washington, D.C. last week. Both the format of the conference and the occupation of those in attendance has changed dramatically over the years. The scope of the conference has broadened to include topics beyond the farm gate that impact farm production and prices. Topics on transportation, food safety, the environment, rural development, and farm programs overshadow the traditional commodity outlook and home economics topics. Extension personnel comprised the bulk of the audience during the early conferences. Now the attendance is comprised mainly of agribusiness personnel, the media, including live satellite broadcasts, and many foreign visitors. The information is transmitted around the world. The following information is a brief summary of the feed grain outlook presented at this year's conference.

Corn prices during the 1990-91 marketing year are expected to average between \$2.20 and \$2.60 per bushel, comparable to \$2.36 last year. Concern was expressed about the lack of export sales to Russia. Export credit guarantees are needed to boost Soviet sales. Future projections of corn exports may be revised downward.

World production of coarse grains rose 2.5 percent in 1990, to 820 million tons, the highest in 4 years. The largest increases occurred in the Soviet Union, the United States, and China. World consumption is forecast to decline marginally in 1990-91, the first year-to-year drop in 5 years. However, use will exceed production, leading to another reduction in world stocks.

World trade, at 91 million tons, is expected to decline 10 percent from the strong volume of last year. The reduction in trade results from a one-third drop in Soviet imports and sluggish demand by several other importing countries. The U.S. share of coarse grain exports is expected to drop to 66 percent, from the estimated 69 percent of last year. Last year's market share was the second highest on record.

The area harvested for U.S. feed grains is down 1.6 million acres from the 1989 level. Corn harvested for grain increased 1.9 million acres, but was offset by a 3.5 million acre drop in the other feed grains. Higher yields more than offset lower harvested area to post a 4 percent increase in production. Even with larger production, total feed grain supplies are down 4 percent from last year because of a 30 percent decline in beginning stocks.

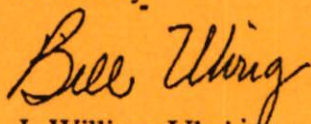
Consumption of U.S. feed grains is expected to decline about 2 percent, to 238 million tons. Feed use is placed at 139 million tons and food, seed, and industrial (FSI) use at 40 million tons, up 4 and 3 percent, respectively from last year's levels. Exports are expected to decline 16 percent, more than offsetting the increase in domestic use. Ending stocks are expected to decline to 39 million tons, the lowest level during the past 14 years. The ending stocks-to-use ratio would be 16.4 percent, the lowest of the past 15 years.

Corn supply and demand statistics mirror the feed grain situation, as corn accounts for 80 percent of the feed grains. Stocks of corn at the end of the 1990-91 marketing year are forecast to continue the pattern of the past 4 years, dropping to 1.2 billion bushels, with a stocks-to-use ratio of 15.7 percent -- the lowest stocks level and the lowest stocks to use ratio of the past 7 years.

Looking to 1991, the new farm legislation offers Feed Grain Program participants new planting flexibility options. With the minimum acreage reduction program (ARP) of 7.5 percent and little net shift in corn planting because of the flexibility provisions, 1991 corn area is expected to be 1 to 3 million acres larger than was planted in 1990. Trend increases in corn yields of 1.5 to 2 bushels per acre would result in 1991 production ranging from 200 to 500 million bushels above this year's 7.935 billion bushels. Increases near the top of the range would allow for a substantial increase in use -- or an increase in stocks, if the larger use did not materialize.

Next week's letter will summarize the wheat and soybean outlook presented at the conference.

Issued by



J. William Uhrig
Extension Specialist
Purdue University

Cooperative Extension Service
United States Department of Agriculture
University of Illinois
At Urbana-Champaign
Urbana, Illinois 61801