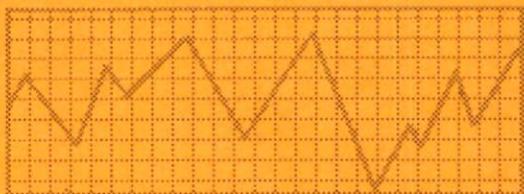




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WEEKLY OUTLOOK

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GRAIN SUPPLIES EXPECTED TO BE ABUNDANT

On July 11, the USDA released updated supply and demand estimates and forecasts for the world grain and oilseed crops. Following is a brief summary of those reports and some thoughts about corn, soybean and wheat prices.

CORN. As expected, the projection of feed and residual use of corn for the current marketing year was reduced by 100 million bushels. The forecast of exports was bumped up by 25 million bushels. Stocks of corn on September 1, 1991 are now expected to total 1.475 billion bushels, or 19 percent of total use.

Based on current growing conditions and the June *Acreage* report, the World Outlook Board sees a potential 1991 corn crop of 8.275 billion bushels, up 4.3 percent from the 1990 crop. The production figure implies a record national yield of 120.2 bushels per acre. Corn production outside of the United States is expected to increase by nearly 6 percent, led by a 30 percent increase in the European Community and a 48 percent increase in the USSR. Production of all coarse grains is expected to decline by 1.3 percent, led by a 12 percent decline in the USSR.

The sharp decline in coarse grain production in the USSR is not expected to be fully offset by an increase in imports. A 6 percent reduction in domestic use in that country is forecast. Some of the shortfall in grain production is expected to be accommodated by a 10 million ton (28 percent) reduction in dockage and waste. Coarse grain imports are expected to increase by only 3.5 million tons. Corn imports are expected to grow only 1.3 million tons (50 million bushels).

For the United States during the 1991-92 marketing year, the USDA sees a 230 million bushel increase in domestic corn use, a 25 million bushel increase in exports and a 217 million bushel increase in year-ending stocks. On average, prices are expected to be equal to or lower than the average of \$2.25 to \$2.30 during the current marketing year. Whether or not, corn prices have bottomed out, depends on weather conditions over the next 6 weeks. It is likely that new lows will be established if the August crop report confirms a crop in excess of 8.2 billion bushels. We expect a crop estimate well below 8.2 billion bushels, suggesting that the price low has already occurred. Post-harvest price recovery will likely exceed 50 cents per bushel.

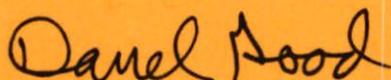
SOYBEANS. Stocks of soybeans in the United States at the end of the current marketing year (September 1, 1991) are projected at 350 million bushels, just 5 million less than projected last month. Current prospects for 1991 point to a crop of 1.97 billion bushels, 2.5 percent larger than the 1990 harvest. That

figure reflects a national average yield of 33.5 bushels per acre. While that estimate seems realistic, uncertainties about acreage still exist. The June *Acreage* report reflected some planting intentions that may not have materialized.

Soybean exports during the 1991-92 marketing year are projected at 640 million bushels, 95 million more than expected for the current year. The increase reflects a shortfall in the South American crop this spring. The domestic crush is expected to increase by 45 million bushels, supported by a 10 percent increase in soybean meal exports and a 3 percent increase in domestic meal use. Even with a significant increase in use, soybean stocks are projected to grow to 375 million bushels by September 1, 1992. Prices are expected to average slightly less during the year ahead than the \$5.75 projected for the current marketing year. If the August crop report confirms prospects for a crop near 2 billion bushels, new lows may be reached. As in the case of corn, we expect a crop estimate below the current USDA figure, suggesting the low is already in. Those lows will likely be followed by a recovery of \$1.00 to \$1.50 per bushel by the spring of 1992.

WHEAT. The 1991 wheat crop is estimated at 2.032 billion bushels, about equal to last month's projection and 700 million bushels smaller than the 1990 harvest. The soft red winter crop totaled only 337 million bushels, 39 percent smaller than last year's crop. Hard red winter production is off 27 percent and the spring wheat crop is down 5 percent. Production in the rest of the world is expected to be down 3.5 percent, led by a 15 percent reduction in the USSR. The USSR is expected to reduce crop losses, increase imports, and reduce consumption.

Stocks of wheat in the U.S. are expected to be reduced by 220 million bushels by the end of the 1991-92 marketing year, while foreign stocks are expected to increase by 140 million bushels. The biggest uncertainty is whether or not the USSR can meet its need for grain without significant western aid. Wheat prices are expected to generally follow corn prices over the next several weeks.



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