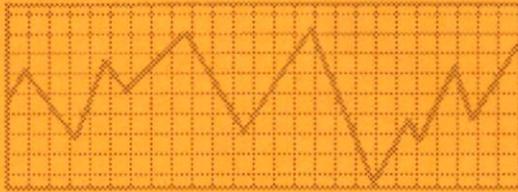




Cooperative
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WEEKLY OUTLOOK

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CORN DEMAND BECOMES MORE UNCERTAIN

The relatively small crop of corn in 1991 will allow only a modest increase in corn use during the 1991-92 marketing year. The price required to ration the crop will depend on the strength of demand. The greatest uncertainty centers around export demand.

Based on USDA estimates of carryover stocks and production made earlier this month, the supply of corn for the 1991-92 marketing year will total 8.95 billion bushels. The projected supply is 3.6 percent smaller than the supply of a year ago and is the smallest in 7 years. That projection will change with subsequent production estimates and with the release of the September *Grain Stocks* report. Carryover stocks may be less than the 1.53 billion bushels currently projected. That projection is based on an export projection of 1.725 billion bushels. Exports need to total 90.5 million bushels during the last 3.3 weeks of the marketing year to reach that projection. As of August 8, sales for delivery during the rest of August totaled 169 million bushels. It is unlikely that all of those sales will actually be delivered before September 1. Shipments for the year may exceed 1.725 billion bushels, however, if the outstanding sales of corn to the USSR are shipped. The ouster of President Mikhail Gorbachev puts those shipments in jeopardy. As of August 8, outstanding sales of corn to the USSR stood at 50 million bushels. Some of those sales have probably already been shipped.

Private crop forecasters are generally estimating a smaller crop than the 7.42 billion bushels estimated by the USDA. A lower crop figure would further reduce the supply of corn for the upcoming marketing year. The supply of corn may be less than 8.9 billion bushels. Assuming that stocks at the end of the year will not be reduced below 1.1 billion bushels, the use of corn may be limited to less than 7.8 billion bushels.

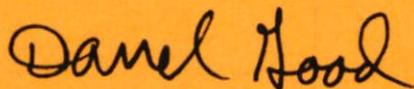
Domestic feed use of corn will be supported by continued expansion in poultry production and a 7 percent expansion in hog production. Lower livestock prices are expected to dampen the increased demand for feed. Current corn prices, however, are not high enough to adversely affect feeding rates. Further reduction in wheat feeding next summer would also be supportive to corn feeding. Feed use of corn could increase to 4.775 billion

bushels. A continuation of the recent rate of expansion in domestic processing use of corn would bring the total to 1.36 billion bushels during the 1991-92 marketing year.

In last week's *Supply and Demand* report, the USDA projected corn exports during the upcoming year at 1.65 billion bushels, the lowest level in 5 years. The most important factor in determining export demand will be developments in the USSR. The combined production of wheat and coarse grains in that country is projected at 177 million tons, 20 percent smaller than last year's crop and the smallest crop in 7 years. Economic difficulties are expected to restrict grain imports. Combined imports of wheat and coarse grains have been projected at 36 million tons, up 10 million tons from the current marketing year. Corn imports are expected to increase by only 27 million bushels. Grain feeding in the USSR is expected to decline by 10.5 million tons, or nearly 8 percent.

The political turmoil in the USSR adds more uncertainty to the grain import situation in that country. The new regime, if it is maintained, seems to give adequate food supply a very high priority. Imports could be larger than previously projected. That outlook, however, depends very heavily on how the rest of the world responds to the change. A reduction or elimination of export credits would reduce the ability of the USSR to import grains.

Based on our projection of supply and domestic use, there is room for exports of 1.665 billion bushels. Any indication that exports will be larger will put upward pressure on prices. Prospects of smaller exports would allow prices to move back to the early July lows.



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