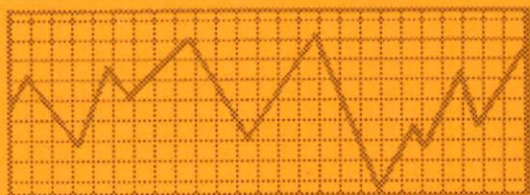




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WEEKLY OUTLOOK

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NEW SUPPLY AND DEMAND ESTIMATES ABOUT AS EXPECTED

On December 11, the USDA released its monthly world crop production and supply and demand estimates. Following is a review of those estimates and implications for corn, soybean, and wheat prices.

CORN. The 1991-92 world corn crop is estimated at 483.1 million metric tons, 4.7 million tons larger than last month's projection and 3.9 million tons larger than last year's crop. Most of the increase from last month came in China, where the crop is estimated at 95 million tons, only slightly smaller than last year's record crop. China is now expected to export 7 million tons of corn during the current marketing year. China has emerged as the second largest corn exporter, providing competition for the United States in the Asian market.

World coarse grain production is estimated at 803.8 million tons, 2.3 million larger than last month's estimate, but 29.6 million tons smaller than last year's crop. Of the world's largest producers, production is expected to be larger than last year's crop in Eastern Europe, European Community, and Brazil. The largest decline, 27.8 million tons, occurred in the USSR.

World stocks of corn at the end of the current marketing year are expected to stabilize at just over 81 million tons, while stocks of all coarse grains are projected to decline by 6 million tons, to a total of 129.4 million. Stocks will be nearly 45 percent smaller than the recent peak at the end of the 1986-87 marketing year.

In the United States, corn inventories on September 1, 1992 are expected to total 1.234 billion bushels, 50 million less than projected last month, and 287 million less than stocks on September 1, 1991. The reduction from last month's estimate reflects a 50 million bushel increase in the estimate of feed use. Feed and residual use of corn is now projected at a record 4.85 billion bushels. The first look at the rate of feed use will be provided by the USDA's *Grain Stocks* report to be released on January 13. Exports are projected at a 5-year low of 1.575 billion bushels.

SOYBEANS. Changes in U.S. and world soybean production and demand estimates were very small. World soybean production in 1991-92 is projected at 105.08 million tons, 2.08 million larger than last year's crop. Production outside of the United States is expected to total 51.69 million tons, 1.11 million larger than last year's crop. World production of major oilseed crops other than soybeans is projected at 158.8 million tons, only 1.8 million larger than the crop of 1990-91. Production of other oilseeds outside of the United States is expected to be only 690,000 tons larger than last year's crop.

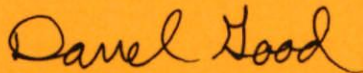
World and U.S. stocks at the end of the current marketing year are expected to be essentially unchanged from the level of stocks at the beginning of the year. Ending stocks in the U.S. represent an 8 week supply while world stocks represent a 9 week supply.

WHEAT. World wheat production is now estimated at 545.4 million tons, 2 million tons smaller than estimated last month and 47.7 million tons smaller than the record crop of a year ago. The crop in the USSR is down 30 million tons and at the lowest level since 1984. The crop in the European Community is 5.8 million tons larger than last year's crop.

As a result of increased export credits to the USSR, the USDA increased the estimate of U.S. wheat exports during the current marketing year by 100 million bushels, to a total of 1.225 billion bushels. Stocks of U.S. wheat on June 1, 1992 are expected to decline to a 17 year low of 414 million bushels. Stocks at that level represent a 9-week supply, making wheat stocks relatively more abundant than either corn or soybeans. Assuming that wheat feeding declines sharply next summer, wheat stocks are much more abundant than generally perceived by the market. Ending stocks of wheat in the rest of the world are projected at 118 million tons, only 1 million less than stocks at the beginning of the year.

The new supply and demand projections generally conformed to market expectations. Near term price direction will reflect export policy toward the USSR and South American weather. Longer term, 1992 weather and crop prospects will be dominant. The current trading range on corn and soybeans is expected to persist until March. Assuming that the U.S. will be less aggressive with export subsidies for wheat for the next several months, wheat is overpriced. Uncertainty about the condition of the U.S. winter wheat crop may keep prices firm, however, until spring.

Weekly Outlook will not be published for the next two weeks. The next issue will be dated January 6, 1992.



Issued by Darrel Good
Extension Economist
University of Illinois

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

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