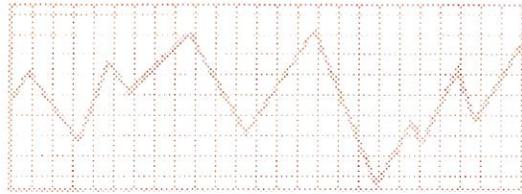




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WEEKLY OUTLOOK

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AGRICULTURE'S CHANGING HORIZON

The U.S. Department of Agriculture recently held its 69th Annual Outlook Conference. The USDA staff summarized the past year's events and made projections for the year ahead. The theme of this year's conference was "The New Forces of Change". Some of the forces of change that will intensify in the years ahead include: new industrial uses for agricultural products; fair rules of international trade; innovative and productive agricultural research; sound farm programs based on incentives; better delivery of USDA services; policies that reflect the wishes and best interests of USDA client groups; and the developing realm of biotechnology.

In terms of current commodity outlook, the feed grain situation commanded significant interest. The most prominent feature of the feed grain outlook is the record yields forecast for 1992. Each of the four feed grains (corn, sorghum, barley and oats) set record yields. For 1993, the trend yield for corn will be 122 bushels per acre, reflecting a yearly trend increase of 1.8 bushels per acre.

Another impressive aspect of the feed grain sector is the continued strong gains expected for domestic use. Domestic disappearance of corn in 1991-92 was almost 300 million bushels above the previous record established in 1987-88. Further gains are expected in 1992-93, as animal numbers continue to increase and additional corn wet milling plant capacity comes on line.

The strong performance in the domestic market has not been matched on the export side. Feed grain exports in 1991-92 were the lowest since 1986-87, even with large sorghum and barley exports. Exports for 1992-93 are expected to increase only modestly, but market share will rise. New records were set for corn, barley, and oats imports in the 1991-92 marketing year. Other significant changes include the lowest level of sorghum stocks at the beginning of a marketing year since 1975 and the lowest planted and harvested acreage of oats ever reported by the USDA.

World trade in coarse grains is expected to decline 6 percent, to 88.7 million tons, in 1992-93, despite lower prices. A sharp decline is expected in imports by the former Soviet Union. A surge in feed wheat exports by Canada is expected. Fairly sizable declines in corn shipments are forecast for China, Eastern Europe, and South Africa.

As recently as 3 years ago, the former Soviet Union was the world's largest coarse grain buyer, but now has virtually abandoned the cash market, relying on credit, barter, and other arrangements. Its 1992-93 grain imports are forecast to drop nearly 5 million tons from imports during 1991-92. Imports of corn, barley, and oats are all expected to decline due to larger crops, continued financial

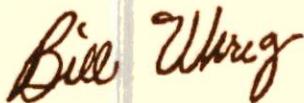
problems, and stable levels of consumption. USDA economists expressed concern over tardiness by the former Soviet Union in meeting recent loan repayment schedules. They were cautiously optimistic that the problems could be solved and that the payments would be made. Barring any major weather problems, there is little to suggest a significant rise in world trade or U.S. exports in 1993-94.

In 1992-93, U.S. coarse grain exports are forecast to increase 2 percent, to 51.5 million tons. This year's lower prices will provide little incentive to competitors to expand production or exports in 1993-94. In addition, there is potential for a reduction in exports by the EC because of reform of the Common Agricultural Policy.

USDA policy is to provide broad price ranges in their forecast. The U.S. average farm price for corn is forecast to be between \$1.90 and \$2.20 per bushel for the 1992-93 marketing year. Ending stocks will rise to over 2 billion bushels. Planted acreage will decline in 1993 due to the 10 percent acreage reduction program, increased enrollment in 0/92, more acreage "flexed" to soybeans, more idled normal flex acres, and reduced acreage planted outside the program.

Correction: According to the 1990 Farm Bill, the calculation of the feed grain deficiency payment will reflect the 12 month average price beginning with the 1994 crop, not the 1993 crop as reported last week. For corn, the price to be used is the 12 month average price or the 5 month average price plus 7 cents, whichever is lower.

Note: This the last issue of *Weekly Outlook* for 1992. The next issue will be dated January 4, 1993.



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