



WEEKLY OUTLOOK

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UPDATED SUPPLY AND DEMAND PROJECTIONS

On May 10, the USDA released its first estimate of the size of the 1997 winter wheat crop, revised supply and demand estimates for the 1996-97 marketing year, and the first projections for the 1997-98 marketing year. Following are highlights and implications of these estimates.

Wheat. The first estimate of the winter wheat crop is always difficult to interpret because of the stage of the crop and the importance of weather conditions during the last part of the growing season. Due to freeze damage to parts of the hard red winter wheat crop this year, the early production estimate is even more difficult to interpret. As of May 1, the USDA sees potential for that crop at 1.561 billion bushels, compared to 1.478 billion last year, and 1.545 billion in 1995. Compared to last year, harvested acreage is expected to be up 1.14 million acres and the average yield, at 38.2 bushels, is expected to be up 1 bushel per acre.

With a smaller spring wheat crop anticipated, the USDA sees production of all classes of wheat in 1997 at 2.261 billion bushels, about 20 million smaller than the 1996 crop. The world wheat crop is expected to decline by about 2.8 million tons, or only about 0.5 percent. Given the large acreage and yields of 1996-97, a larger decline in 1997-98 was anticipated. Declines in most major producing areas are offset by an expected increase in production in China. A 5 million ton decline in world wheat consumption is projected, leading to another modest increase in ending stocks.

In the case of the U.S., year ending stocks are projected at 465 million bushels on June 1, 1996 and at 557 million bushels for June 1, 1997. The season's average price is expected to be \$4.35 this year and is projected in a range of \$3.60 to \$4.20 for the 1997-98 marketing year.

Corn. The USDA made no changes in the projections for the U.S. 1996-97 crop year. Carryover stocks are still projected at 909 million bushels. Some analysts had expected an increase in the projection of feed and residual use and others had anticipated a decline in the projection of industrial use. The USDA will likely wait for the June *Grain Stocks* report to adjust those projections.

The estimated size of the 1997 coarse grain crop in China was increased by 10 million tons, or about 4 percent, although the projection of Chinese exports was unchanged. The projection of world ending stocks for the current marketing year was increased by 9.3 million tons.

For the 1997-98 marketing year, the USDA sees the potential for a U.S. corn crop of 9.84 billion bushels, an increase of 547 million bushels from the size of the 1996 crop. Consumption is expected to increase by 590 million bushels, with increases in all three categories. Year ending stocks are projected at 1.349 billion and the seasons average price is projected in a range of \$2.25 to \$2.65, down from \$2.80 for the current year.

World coarse grain production is expected to stabilize, with increases in the U.S. offset by declines in other areas, particularly China. World consumption is expected to increase by 19 million tons, or about 2 percent, allowing for only a modest build-up in world stocks.

Taken together the projections for the 1996-97 and 1997-98 marketing years paint a picture of large production, growing consumption, and relatively tight world stocks. If the large crops materialize, downward pressure on prices can be expected. Any threat to the 1997-98 crops would be expected to fuel higher prices.

Soybeans. For the 1996-97 U.S. marketing year, the USDA increased the projection of imports and domestic crush by 5 million bushels and left the carryover projection at 125 million bushels. Analysts had generally expected a decline of 5 to 10 million bushels in the carryover projection.

As anticipated, the estimated size of this year's harvest in both Brazil and Argentina was reduced. Production in Brazil is estimated at 974 million bushels (down 18 million from last month) and the Argentine crop is pegged at 457 million bushels (down 31 million). The South American crop, including Paraguay, is estimated at a record 1.525 billion bushels, 110 million bushels larger than last year's crop.

For the 1997-98 marketing year, the USDA sees the potential for a record U.S. crop of 2.6 billion bushels. That projection is based on a trend yield of 38.5 bushels per acre, and a relatively large unharvested acreage of 1.3 million acres. Exports are expected to remain large at 890 million bushels. World demand for U.S. soybeans should remain strong due to the shortfall in South American production, but could be tempered by increases in production of other oilseeds. The domestic crush is expected to increase by 25 million bushels and year ending stocks are projected at 260 million bushels. The season's average price is projected in a range of \$5.50 to \$7.00, down from the \$7.35 average seen for the current year. Near term prices will reflect weekly consumption figures. Combined crush and exports need to remain at no more than 31 million bushels to indicate that sufficient rationing has occurred.



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