



WEEKLY OUTLOOK

A joint publication of the Department of Agricultural Economics, College of Agriculture, Purdue University, West Lafayette, Indiana, and the Department of Agricultural and Consumer Economics, College of Agricultural, Consumer and Environmental Sciences, University of Illinois at Urbana-Champaign.

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ONLY SMALL CHANGES IN SUPPLY AND DEMAND PROJECTIONS

As expected, the USDA made relatively few changes in the projections of U.S. and world crop production and use for the current marketing year in its December report. Surprises were small and mainly confirmed to the corn projections. Following is a summary of the changes for corn, soybeans, and wheat.

CORN. The projection of corn consumption during the current marketing year was increased by 55 million bushels, or about 0.6 percent. The export projection was bumped 25 million bushels, to a total of 1.7 billion. The projection is 13 percent larger than last year's shipments. The increase was not completely unexpected since cumulative export sales for the year are about 13.5 percent larger than sales at the same time last year. That rate of increase is expected to be maintained due to a smaller Argentine harvest in 1999. That crop is now projected at 531 million bushels, 10 percent smaller than last month's projection and 43 percent smaller than the 1998 harvest.

The projection of domestic processing use of corn was increased by 30 million bushels, reflecting larger production of ethanol. Use of corn for all purposes during the current marketing year is projected at a record 9.43 billion bushels, reflecting expectations of record feed and residual use of 5.85 billion bushels. The December *Hogs and Pigs* report will be an important indicator of potential feed use during the last half of the 1998-99 marketing year. Year ending stocks are now projected at 1.724 billion bushels, 55 million below last month's projection, but still the largest in six years.

The USDA did not alter its price expectations for corn. The marketing year average is still projected in a range of \$1.80 to \$2.20 per bushel.

SOYBEANS. The projection of the domestic crush of soybeans during the current marketing year was lowered by 10 million bushels, to a total of 1.605 billion bushels. That projection is only 8 million bushels larger than last year's record crush. The weekly crush as reported by the National Oilseed Processors Association has been below the level of a year ago in four of the past 5 weeks.

The projection of exports was unchanged at 840 million bushels, although some had expected a slight decline based on the current pace of export sales. In addition, the USDA increased the projection of the 1999 Argentine crop by nearly 20 million bushels. That projection, however, is still 62 million bushels smaller than last year's harvest. For all of South America, the 1999 crop is expected to be 125 million bushels, or 7 percent, smaller than the 1998 harvest. That projection is subject to change,

depending on how the growing season unfolds. Worries about dry weather in southern Brazil were at least partially alleviated with last week's rainfall.

The projection of year ending soybean stocks was raised by 10 million bushels, to a total of 375 million bushels. The USDA still sees the marketing year average price in a range of \$5.15 to \$5.75 per bushel.

WHEAT. The projections of use for the 1998 U.S. wheat crop were unchanged from last month's projection. The expected size of the Argentine and Australian harvests were lowered by 18 million and 37 million bushels, respectively. The projection for the crop in the former Soviet Union dropped another 37 million bushels. That crop is now expected to be 41 percent smaller than last year's harvest. The projection for the Canadian harvest was increased by 40 million bushels.

Increasingly, there is concern about the USDA's wheat export projection of 1.15 billion bushels. That projection is 110 million larger than last year's shipments, but sales to date (December 3) are nearly 120 million bushels below sales of a year ago. Sales and shipments are expected to expand as the aid package for Russia is initiated, but worries about sales to Pakistan pressured the market last week.

The continuation of economic problems in Asia suggests that crop prices will remain low and under pressure until a crop problem in a major producing area emerges. Concerns could resurface in South America. Barring that, it may be spring before weather becomes a market factor.

THIS IS THE LAST ISSUE OF WEEKLY OUTLOOK FOR 1998. THE NEXT ISSUE WILL BE JANUARY 4, 1999.

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