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EXTENSION



# 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.

**MARCH 15, 1999**

## CHANGES IN SUPPLY DEMAND ESTIMATES GENERALLY AS EXPECTED

The USDA's March 11, *World Agricultural Supply and Demand Estimates* report contained some important changes for corn, soybeans, and wheat. The direction of changes were well anticipated, but the magnitude of some were larger than expected.

**CORN.** The projection of corn exports for the current marketing year was increased by 75 million bushels, to a total of 1.8 billion bushels. Pre-report guesses were for an increase in the 25 to 50 million bushel range. The large increase reflected a number of factors, including recent large sales, more credit for South Korea, and a reduction in the estimated size of the South African crop. That crop is estimated at 276 million bushels, 22 percent smaller than the February estimate, but only 7 percent smaller than last year's harvest.

To reach the projection of 1.8 billion bushels, weekly exports will have to average 31.3 million bushels through August. New sales will need to be near 22 million bushels per week. The new projection appears to be a little optimistic. Year ending stocks of corn are now projected at 1.711 billion bushels, or 18.3 percent of projected use.

**SOYBEANS.** The projection of both the domestic crush and exports of soybeans for the current marketing year were reduced by 30 million bushels. At 780 million bushels, projected exports are the smallest in five years. The domestic crush is expected to decline from the previous year's crush by more than 5 million bushels for only the sixth time in 24 years. The other occurrences were small crop years. While domestic consumption of meal and oil are on the rise, exports are expected to be down sharply (25 percent for meal and 28 percent for oil) from the record levels of last year.

In addition to increased production of palm oil, U.S. soybeans are competing with large South American supplies. The 1998 harvest there was a record 1.973 billion bushels. The 1999 crop is now estimated to be 1.958 billion bushels, 62 million larger than last month's projection. South American exports are expected to be larger than a year ago – 6 percent for soybeans, 16 percent for soybean meal, and 11 percent for soybean oil.

Year ending stocks of soybeans are now projected at 470 million bushels, the second largest ever. At 470 million bushels, year ending stocks would represent nearly 19 percent of annual use. There is some likelihood that stocks will exceed even the current projection.

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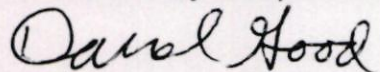


**WHEAT.** The projection of wheat exports was increased by 25 million bushels, to a total of 1.05 billion bushels. The increase reflected recent export activity and the beginning of the export program for Russia. The recent talk of drought in parts of China did not cause any changes in the Chinese production estimate this month. Year ending stocks of wheat are not projected at 955 million bushels, or 40 percent of projected use.

The markets showed little reaction to the new projections and will now focus on world and U.S. weather and additional USDA reports this month. Weather conditions in China and South Africa will be watched for indications of further crop deterioration. Dry conditions in Texas will be monitored for implications for spring planted crops.

As indicated before, the March 31 *Prospective Plantings* report is potentially very important. News reports indicate that Spark's Commodities most recent forecast is for a 2.26 million acre increase in soybean acreage; a 2.56 million acre reduction in corn acreage, a 790,000 acre reduction in spring wheat seedings; and a 10 percent increase in cotton acreage. Coupled with the 3.1 million acre reduction in winter wheat seedings reported by the USDA in January, these estimates imply a 2.8 million acre net reduction in the acreage of these five crops. Such a reduction appears to leave some acreage uncounted, since increased acreage of other crops is unlikely to be as large as 2.8 million acres. If these is a surprise in the March *Prospective Plantings* report it may be intentions for more corn than the market is expecting. In addition, market conditions after March 1 may alter producer intentions.

It seems likely that prices will continue in a narrow range until he end of the month.



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