COMMODITY OUTLOOK

CORN - WHEAT - SOYBEANS

ALLAN E. LINES
EXTENSION ECONOMIST

AUGUST 1989
THE OHIO STATE UNIVERSITY
WORLD WHEAT COMMENTS

SECOND HIGHEST PRODUCTION EVER
UTILIZATION TO REMAIN HIGH
STOCKS REDUCTION
    20% OF UTILIZATION
    LOWEST SINCE 72/73
SOVIET/CHINESE IMPORTS REMAIN STRONG
STABILIZE FOOD PRICE
INCREASE SUPPLY
INCREASED COMPETITION FOR EXPORTS
   CANADA AND ARGENTINA BIG COMPETITORS
U.S. SHARE OF EXPORTS DOWN
U.S. WHEAT COMMENTS

PRODUCTION UP 9%
SUPPLIES SMALLEST IN 15 YEARS
EEP
  * SUSPENDED
  * REINSTATED
EXPORTS TO DECLINE
  * RUSSIA/CHINA DOWN 20-25%
89/90 SEASON AVERAGE PRICE -- $3.70-4.00
U.S. WHEAT YIELDS
BUSHEL PER ACRE
COARSE GRAINS
WORLD COMMENTS

PRE-1985 FARM POLICY
ENCOURAGED WORLD GRAIN PRODUCTION

1985 FOOD SECURITY ACT
DISCOURAGE NON-U.S. GRAIN PRODUCTION

WHAT HAS HAPPENED?
ACREAGE -- IN SIGNIFICANT DECLINE
YIELD -- CONTINUED INCREASE
SUPPLY -- CONTINUED INCREASE
U.S. CORN YIELDS
1977-1989

1989 estimated
DEMAND FUNDAMENTALS
'89-'90 U.S. CORN

EXPORTS -- DOWN 130 MILLION BU.

NON-FEED USE -- UP 75 MILLION BU.

FEED USE -- UP 325 MILLION BU.

TOTAL DEMAND -- UP 270 MILLION BU.
SUPPLY FUNDAMENTALS
'89-'90 U.S. CORN

BEG. STOCKS -- DOWN 2,300 MILLION BU.

PRODUCTION -- UP 2,500 MILLION BU.

IMPORTS -- DOWN 2 MILLION BU.

TOTAL SUPPLY -- UP 198 MILLION BU.
PRICE FUNDAMENTALS
'89-'90 U.S. CORN

ENDING STOCKS -- DOWN 72 MILLION BU.

STOCKS/USE RATIO -- 25%

PRICE RANGE -- $2.20-2.50

AVERAGE PRICE -- $2.30
PRICE FUNDAMENTALS
'89-'90 U.S. CORN

ENDING STOCKS -- DOWN 72 MILLION BU.

STOCKS/USE RATIO -- 25%

PRICE RANGE -- $1.85-2.30

AVERAGE PRICE -- $2.10
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<thead>
<tr>
<th>Category</th>
<th>Description</th>
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<tbody>
<tr>
<td>Ending Stocks</td>
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<td>Stocks/Use Ratio</td>
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<tr>
<td>Price Range</td>
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<td>Average Price</td>
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SOYBEAN COMMENTS

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<tr>
<th>'88-'89 YEAR</th>
<th>LARGER THAN EXPECTED CROP</th>
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<tr>
<td></td>
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<td>OIL STOCKS REMAIN AT RECORD LEVELS</td>
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<th>'89-'90 YEAR</th>
<th>WELL BELOW RECORD CROPS ('85-'86)</th>
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<tr>
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<td>LOWER PRICES</td>
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SOYBEAN QUESTIONS

EXPORT RESPONSE?

SOUTH AMERICAN RESPONSE?

SOVIET UNION RESPONSE?

U.S. PRODUCTION?
SOYBEAN ANSWERS

EXPORTS AT 14-YEAR LOW -- LIMITED RECOVERY IN SIGHT

U.S. PRODUCTION UP 25%

DOMESTIC USE UP 4%

SOUTH AMERICAN OLD BEANS BEING HELD

ARGENTINIAN PRODUCTION TO RECOVER FROM DROUGHT

SOVIETS TO INCREASE MEAL IMPORTS
DEMAND FUNDAMENTALS

'89-'90 U.S. SOYBEANS

EXPORTS -- UP 20 MILLION BU.
DOMESTIC USE -- UP 44 MILLION BU.
TOTAL DEMAND -- UP 64 MILLION BU.
SUPPLY FUNDAMENTALS
'89-'90 U.S. SOYBEANS

BEGIN STOCKS - DOWN 160 MILLION BU.

PRODUCTION - UP 350 MILLION BU.

TOTAL SUPPLY - UP 190 MILLION BU.
PRICE FUNDAMENTALS
'89-'90 SOYBEANS

ENDING STOCKS -- UP 126 MILLION BU.

STOCKS/USE RATIO -- 15%

PRICE RANGE -- $5.60-6.40

AVERAGE PRICE -- $6.00
Figure 38
U.S. CORN

YIELD
POTENTIAL
WORLD WHEAT COMMENTS

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20% OF UTILIZATION
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SOYBEAN OIL
CARRYOVER/USAGE RATIO

% OF UTILIZATION

0% 5% 10% 15% 20% 25%

72 75 78 81 84 87
SOYBEAN OIL
CARRYOVER/USAGE RATIO

% OF UTILIZATION

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SEASON AVG PRICE RATIO
SOYBEANS/CORN

Year: 1972-1988
Price Ratio: 1.5 to 3.3
U.S. Soybean Yields
1953--1988

Bushels/Acre

YIELD = 20.99 + 0.538751*YEAR
U.S. SOYBEAN AND MEAL EXPORTS TO THE U.S.S.R.

(1000 METRIC TONS)


- SCYBEANS
- SCYBEAN MEAL
SOYBEAN PLANTINGS vs. PRICE
1974 - 1989

% CHANGE IN PLANTINGS FROM YR. AGO

PLANTINGS = 0.036657(PRICE) - 0.229162

$/BU. (SEP - MAR AVERAGE)
SOYBEAN PLANTINGS vs. PRICE
1974 - 1989

% CHANGE IN PLANTINGS FROM YR. AGO

PLANTINGS = 0.036657(PRICE) - 0.229162

$/BU. (SEP - MAR AVG.)
U.S. SOYBEAN PRICES
1975 - 88 Marketing years
(Excluding short crops)
U.S. SOYBEAN PRICES
1975 - 88 Marketing years
(Excluding short crops)

cents/bu.

Cents difference from Oct. price

Sep Oct Nov Dec Jan Feb Mar Apr May Jun Jul Aug