WORLD GRAINS/OILSEEDS/ PRODUCTS ANALYSIS

OVER THE NEXT SEVERAL DAYS YOU WILL BE RECEIVING OUR ANALYSIS AND FORECAST OF THE GRAINS, OILSEEDS & PRODUCTS WITH PARTICULAR ATTENTION GIVEN TO CORN, SOYBEANS, SOYBEAN MEAL & SOYBEAN OIL. DUE TO ITS COMPLEXITY I'VE GIVEN YOU THE FORMAT OR OUTLINE WHICH WILL BE FOLLOWED.

OUTLINE

I CORN
- (A) DOMESTIC
- (B) EXPORT

II SOYBEAN COMPLEX
- (A) SOYBEAN MEAL DOMESTIC
- (B) SOYBEAN OIL DOMESTIC
- (C) SOYBEAN MEAL EXPORT
- (D) SOYBEAN OIL EXPORT
- (E) CRUSH BEANS
- (F) EXPORT BEANS

III PRICE FORECASTS
- (A) CORN
- (B) SOYBEANS
- (C) SOYBEAN MEAL
- (D) SOYBEAN OIL

CORN -

(A) DOMESTIC

(1) SUPPLIES

TOTAL SUPPLIES OF CORN AT 7.955 BLN BU (CARRYOUT OF 1.064 PLUS PRODUCTION OF 6.89) ARE UP 9.60 PCT FROM LAST CROP YEAR AND 19.30 PCT FROM THE 76 CROP YEAR. PERHAPS MORE IMPORTANTLY, IT'S WORTH COMPARING THIS YEARS (1) ON FARM/OFF FARM STOCKS AND (2) FREE MARKET SUPPLIES WITH PREVIOUS YEARS.

STOCKS AS OF OCT 1

	1976	1977	1978	78DEVIDE 77	78 DEVIDE 76
ON FARM	232.6	446.1	620.0	1.390	2.666
OFF FARM	166.5	438.0	444.4	1.015	2.669
TOTAL	399.1	884.1	1,064.4	2.667	1.204

ON JAN 25TH WE'LL GET THE JANUARY ONE STOCKS REPORT WHICH WILL GIVE BREAKDOWNS INCLUSIVE OF NEW CROP PRODUCTION AND OCT-DEC EXPORTS AND USAGE. AT THIS TIME OF YEAR WE SIMPLY ADD PRODUCTION TO ON-FARM STOCKS TO GET WHAT WE TERM "FARM MARKETTABLE SUPPLIES".

FARM MARKETABLE SUPPLIES

	1976	1977	1978	78 DEVIDE 77	78 DEVIDE 76
FMS	6.499	6.817	7.510	1.102	1.156

AS NOTED IN OUR SPECIAL REPORT ON SPECULATION, IT'S NOT SUPPLY AND DEMAND WHICH DETERMINES PRICE, BUT RATHER BUYING AND SELLING. (ALTHOUGH OVER THE LONG TERM SUPPLY WILL EQUAL SALES AND DEMAND WILL EQUAL PURCHASES) FOR EXAMPLE SPECULATIVE PURCHASES, ALTHOUGH NOT ALTERING THE SUPPLY/DEMAND PICTURE CERTAINLY INFLUENCES THE PRICE. OVER THE LONG TERM SPECULATIVE LONG AND SHORT POSITIONS WILL BE OFFSET. THE TIMING OF FARM MARKETINGS (HENCE FARM SELLING) IS MORE IMPORTANT IN DETERMINING PRICES THAN TOTAL SUPPLIES. THE DISTINCTION BETWEEN ON-FARM AND OFF-FARM STOCKS IS IMPORTANT SINCE ON-FARM STOCKS ARE PRIMARILY NOT HEDGED OR CONTRACTED FOR (HENCE ARE PRIMARILY NOT YET SOLD AND WHEN SOLD WILL PRESS PRICES.) OFF-FARM STOCKS, BY CONTRAST, ARE PRIMARILY HEDGED OR CONTRACTED FOR(HENCE, ALTHOUGH POSSIBLY EXERTING AN INFLUENCE ON BASIS ARE MUCH LESS OF AN OVERHANG ON PRICES. FOR EXAMPLE WHEN A HEDGED INVENTORY IS SOLD THE SHORT HEDGE IS COVERED THEREFORE THE PRICE IMPACT IS LIMITED.) THIS SAME REASONING REQUIRES A DISTINCTION BE MADE BETWEEN FREE-MARKET AND TOTAL SUPPLIES.

STOCKS AS OF CROP YEAR D

	75/6	76/7	77/8	78/9 FORECAST
IN RESERVE	0	10	269	750
IN LOAN	0	2	355	120
FREE MARKET	399	372	699	595
TOTAL CARRYOUT	399	384	1054	1455

(# WE TERMING STOCKS NOT IN RESERVE OR LOAN FREE MARKET)

RESERVE SUPPLIES CAN'T BE RELEASED UNTIL PRICES RISE ABOVE $2.50 (125 PCT OF LOAN) AND ARE NOT NECESSARILY PUSHED INTO THE FREE MARKET UNTIL PRICES REACH $2.80 (140 PCT OF LOAN).

THE FEEDGRAIN PICTURE IS MODESTLY DIFFERENT.

FEEDGRAIN STOCKS AS OF OCT 1 (MLN METRIC TONS)

	1976	1977	1978	78 DIVIDE 77	78 DIVIDE 76
ON FARM	16,907	25,748	32.33	1.256	1.912
OFF FARM	10,129	17,604	19.22	1.092	1.888
TOTAL	27.036	43,352	51.55	1.189	1.903

(# CORN, SORGHUM, OATS, BARLEY)

AS YOU CAN SEE THE FEEDGRAINS SUPPLY PICTURE IS SOMEWHAT LESS BURDENSOME IN TOTAL. THIS IS DUE TO AN 11 PCT DROP IN SORGHUM PRODUCTION, 13 PCT INCREASE IN BARLEY PRODUCTION AND A 20 PCT DROP IN OAT PRODUCTION THEREBY CAUSING TOTAL FEEDGRAIN PRODUCTION (INCLUDING CORN) TO BE UP ONLY 4.65 PCT WHILE CORN PRODUCTION WAS UP 8.15 PCT.

(2) DEMAND

BY LIVESTOCK SECTOR WE ARE FORECASTING THE FOLLOWING:

	FED CATTLE SLAUGHTER	NON FED	COW/BULL	TOTAL CATTLE	AVERAGE WEIGHT
JAN	2510	215	750	3475	1053
FEB	2520	125	550	3195	1045
MAR	2410	200	575	3185	1046
APL	2300	175	500	2975	1040
MAY	2250	215	510	2975	1037
JUN	2150	200	560	2910	1032
JLY	2115	185	560	2865	1027
AUG	2140	190	600	2930	1023
SEP	2350	125	630	3105	1025
OCT	2400	140	675	3215	1028
NOV	2250	120	660	3030	1031
DEC	2200	130	640	2970	1032

	TTL HOGS & PIGS	AVE LIVE WEIGHT	BROILER PRODUCTION (LV WGT)	EGG PDUCTION	MILK PDCTION
JAN	6365	240	1171	481	10,007
FEB	6272	236	1084	420	9,416
MAR	7490	238	1258	477	10,588
APL	7105	239	1172	462	10,790
MAY	7340	242	1372	478	11,376
JUN	6925	244	1308	458	11,059
JLY	6475	239	1215	459	10,736
AUG	7520	238	1419	462	10,392
SEP	7340	239	1259	455	9,888
OCT	7560	239	1249	481	9,946
NOV	5090	242	1157	470	9,524
DEC	7410	244	1275	496	9,577

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1/15/78
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OUTLOOK CONTINUED

WE'RE FORECASTING CORN AND SOYBEAN MEAL CONSUMPTION BY ANIMAL GROUP AS FOLLOWS (IN MLN METRIC TONS)

8	76/77 CORN	76/77 MEAL	77/78 CORN	77/78 MEAL	78/79 CORN	78/79 MEAL	CORN PCT CHG	MEAL PCT CHG
CATTLE ON FEED	18.7	.8	21.5	1.0	22.71	1.0	5.62	-0-
OTHER BEEF CATTLE	5.8	.5	5.7	.6	5.85	.6	2.63	-0-
HOGS	32.6	4.7	32.3	5.2	37.54	5.8	16.23	11.5
BROILERS	6.8	2.4	7.1	2.8	7.68	3.1	8.17	9.2
HENS & PULLETS	8.8	2.3	9.1	2.7	9.31	2.8	2.31	2.9
DAIRY CATTLE	15.4	1.4	16.3	1.6	16.82	1.7	3.19	6.25
OTHER	3.1	1.4	3.3	1.7	3.52	1.9	6.67	11.76
TOTAL	91.2	13.5	95.3	15.6	103.43	~~16.9~~ 17.1	8.53	8.33
TOTAL IN BLN BU	(3,590)		(3,752)		(4,072)			

(#NOTE: MEAL ADJUSTED TO 44PCT CRUDE PROTEIN EQUIVALANT)

+1.19 1500% 5.98 38.44

RATIO OF MEAL/CORN FED AND ALL FEEDGRAINS/ALL PROTEINS

(SOYMEAL:SM CORN:C FEEDGRAINS:FG PROTEIN:PT)

	76/77 SM/C	76/77 TTL FG/PT	77/78 SM/C	77/78 TTL FG/PT	78/79 SM/C	78/79 TTL FG/PT
CATTLE ON FEED	.043	.039	.047	.041	.044	.042
OTHER BEEF CATTLE	.086	.083	.105	.097	.103	.096
HOGS	.144	.132	.161	.163	.155	.160
BROILERS	.353	.465	.394	.486	.404	.492
HOGS & PULLETS	.261	.276	.297	.297	.301	.303
DAIRY CATTLE	.091	.102	.098	.101	.101	.102
OTHER	.452	.507	.515	.522	.54	.529
TOTAL	.148	.167	.164	.174	.163	

(NOTE: THE FAVORABLE FEEDING MARGINS WILL KEEP FEEDERS COMPARATIVELY INSENSITIVE TO DISPLACING MEAL WITH CORN AND FEED GRAINS. THE TIGHTER COTTONSEED MEAL SITUATION WILL ALSO HELP SOYBEAN MEAL USAGE, PARTICULARLY IN DAIRY RATIONS. CORN FEEDING WILL GAIN RELATIVE TO TOTAL FEEDGRAINS PRIMARILY BECAUSE OF A MODEST IMPROVEMENT IN ITS RELATIVE PRICING.)

FEED, SEED AND INDUSTRIAL USE IS FORECAST AT 5.70 MLN BU.

NEW CROP

SUPPLY: AS WE MOVE INTO THE SPRING AND SUMMER MONTHS NEW CROP
------ PLANTING AND CROP PROGRESS WILL INCREASINGLY BE AN INFLUENCE ON OLD CROP PRICES. ON JAN 22ND THE FIRST PLANTING INTENTIONS REPORT WILL BE RELEASED. ALTHOUGH THIS FIRST REPORT IS OF LITTLE IMPORTANCE IT WILL SIGNAL THE BEGINNING OF NEW CROP WARCHING. AS INDICATED IN 12/7/78 TELEX ON 1979 CROP ACREAGE CONTRARY TO GENERAL OPINION WE ARE ESTIMATING FINAL CORN ACREAGE TO BE DOWN BY APPROXIMATELY 2.8 PCT TO 76.3 MLN ACRES. OF COURSE OUR YIELD GUESTIMATES ARE UNRELIABLE DUE TO THE FACT THAT WE DON'T HAVE RELIABLE MEANS OF FORECASTING WEEKLY TEMPERATURE AND MOISTURE DURING THE GROWING SEASON. (OUR YIELD MODELS HINGE ON THESE FIGURES) FOR PRELIMINARY PURPOSES WERE USING 92.8 BU. HENCE WOULD LOOK TO A MOST LIKELY CORN CROP OF 5.99 BLN BU.

DEMAND: WEATHER AND CROP CONDITIONS HERE AND WORLDWIDE, DEVELOPMENTS
------ WITHIN THE ECONOMY, ETC MAKE CROP YEAR 1979/80 FORECAST VERY PRELIMINARY. THIS IS LARGELY TRUE IN THE LIVESTOCK SECTOR. OUR MODELS INDICATE, CONTRARY TO POPULAR BELIEF THAT WE WON'T HAVE ANY SIGNIFICANT CONSUMER RESISTANCE TO MEAT PRICES DURING CALANDAR YEAR 1979 - ONLY TEMPORARY RESISTANCE SEVERE INCREASES OVER SHORT TIME PERIODS. WHILE OUR LIVESTOCK MODEL SHOWS VERY HIGH MEAT PRICES IN 1979, IT ALSO SHOWS THAT EVEN WITH THESE HIGH PRICES CONSUMER MEAT EXPENDITURES AS A PERCENTAGE OF DISPOSABLE INCOME WILL ONLY BEGIN APPROACHING NORMAL LEVELS, UP FROM THE DEPRESSED 1977 AND BELOW NORMAL 1978 LEVELS. FOR THIS REASON AND BECAUSE OF THE MARGINAL UTILITY TO CONSUME OTHER MEATS/MOST PARTICULARLY CHICKEN AND PERHAPS PORK-DEPENDING LARGELY ON DEVELOPMENTS OF THE NITRATE SQUABBLE.) BEEF PRICES ARE LIKELY TO GAIN SHARPLY. THE BEEF/FEED PRICE RELATIONSHIP WILL ENCOURAGE FEEDING, BUT LOW AND BEHOLD LIMITED FEEDER CATTLE SUPPLIES. THE INABILITY OF BROILERS AND HOGS TO FULLY BENIFIT FROM THE HIGH CATTLE PRICES COULD SOMEWHAT INHIBIT THE EXPANSION. THIS ALSO IMPLIES THAT DAIRY CATTLE NUMBERS WILL BE LIMITED BY HIGH CULL COW PRICES AND THE ALTERNATIVE OF DAIRY PRODUCERS IN THE MIDWEST TO TURN IN FAVOR OF BEEF COW-CALF OPERATIONS. OUR PRELIMINARY FEED USE ESTIMATES ARE AS FOLLOWS:

	1979/80	PCT CHG
CATTLE ON FEED	21.39	-5.84
OTHER BEEF CATTLE	6.03	3.0
HOGS	41.74	11.2
BROILERS	8.19	6.6
HENS & PULLETS	9.31	1.9
DAIRY CATTLE	17.02	1.2
OTHER LIVESTOCK	3.71	5.4
	107.39	3.83
TOTAL IN B.BU.	4.228	

WORLD

IN LOOKING AT THE WORLD COARSE GRAIN SUPPLY/DEMAND PICTURE WE WILL BE FOCUSING OUR ATTENTION ON

(1) JAPAN
(2) USSR
(3) W. EUROPE
(4) EASTERN EUROPE
(5) P.R. CHINA
(6) TAIWAN
(7) ARGENTINA
(8) CANADA
(9) SOUTH AFRICA

IN LOOKING AT THESE FEEDGRAIN SITUATIONS WE WILL ALSO BE LOOKING AT THEIR OILSEED & LIVESTOCK SITUATIONS DUE TO THEIR INTERDEPENDENCE. OUR DISCUSSION OF THE WORLD OILSEEDS PICTURE WILL THEREFORE DEAL WITH OTHER AREAS, ALTHOUGH DRAWING UPON THE INFORMATION DERIVED FROM THIS SECTION.

JAPAN

WE'RE NOW EXPECTING JAPAN TO IMPORT 17.0-17.25 MT OF FEED GRAINS OF WHICH 10.0-10.1 WILL BE CORN, ALTHOUGH TOTAL IMPORTS ARE PROJECTED UP MODESTLY, U.S. NET EXPORTS CAN BE DOWN MODESTLY PRIMARILY BECAUSE OF INCREASED COMPETITION FROM '. AFRICA AND THAILAND. Below ARE RECENT BALANCE SHEETS AND OUR 78/9 CROP YEAR PROJECTIONS. (NOTE SOURCE OF HISTORICAL DATA, MINISTRY OF AGRICULTURE, FORESTRY & FISHERIES, JAPAN)

(CROP YEAR JULY-JUNE)

	76/7	77/8	78/9
BEG STOCKS			
CORN	794	915	1040
SORGHUM	337	429	570
BARLEY	365	545	700
OATS	60	67	60
TOTAL	1525	1956	2370
PRODUCTION			
CORN	11	8	11
SORGHUM	0	0	0
BARLEY	210	206	326
OATS	22	18	20
TOTAL	243	232	357
IMPORTS			
CORN	8874	9717	10,050
SORGHUM	4984	5165	5,250
BARLEY	1733	1773	1,770
OATS	160	150	150
TOTAL	15752	16805	17,150

DOMESTIC USAGE

FEED			
CORN	6856	7604	7950
SORGHUM	4852	5013	5200
BARLEY	1210	1260	1350
OATS	145	150	145
TOTAL	13063	14050	14545
NON FEED			
CORN	1908	1996	2025
SORGHUM	10	11	10
BARLEY	553	564	580
OATS	30	30	30
TOTAL	2501	2601	2645
TTL DOMESTIC	15564	16651	17190

END STOCKS

CORN	915	1040	1126
SORGHUM	429	570	610
BARLEY	545	700	796
OATS	67	60	55
TLTAL	1956	2370	2587

TOTAL STOCKS AS PCT OF USAGE
15.0 14.2 17.8

WE ARE NOW FORECASTING CORN IMPORTS BY COUNTRY OF ORIGIN AS FOLLOWS:

	77/78	78/79	PCT CHG
U.S.	7.77	7.68	-1.16
SOUTH AFRICA	1.20	1.49	24.17
THAILAND	.31	.45	45.16
ARGENTINA	.22	.21	-4.55
MOZAMBIQUE	.15	.15	0
OTHER	.07	.07	0
	----	----	-----
	9.72	10.05	3.40

THE INCREASED IMPORTS ARE PRIMARILY ATTRIBUTABLE TO INCREASED FEEDING. COMPOUND FEED USE IS EXPECTED UP 5.5 PCT , MOST RECENT REPORTS OUT OF JAPAN SHOW THE FOLLOWING ANIMAL NUMBERS.

	CATTLE INVENTORY	DAIRY CATTLE INVENTORY	HOG INVENTORY	TTL POULTRY PRODUCTION	EGG PROD
1976	3723	1811	7459	839	30,990
1977	3875	1888	8132	919	31,308
1978	4009	1979	8780	955	31,600
1979#	4050	2000	9000	1003	31,920

FORECAST

OILSEEDS JAN-DEC

(1000 METRIC TON)

	76	77	78	79
BEG STOCKS				
SOYBEAN	248	360	284	350
RAPESEED	21	48	45	45
OTHER	34	25	31	28
TOTAL	303	433	360	423
PRODUCTION				
SOYBEANS	110	111	140	150
RAPESEED	6	5	5	5
OTHER	40	44	54	55
TOTAL	156	160	189	210
IMPORTS				
SOYBEANS	3554	3602	4100	4110
RAPESEED	726	776	795	810
OTHER	477	448	455	460
TOTAL	4757	4826	5350	5380
CRUSH				
SOYBEANS	2671	2878	3235	3280
RAPESEED	700	752	799	820
OTHER	380	362	376	375
TOTAL	3751	3992	4410	4480
FOOD				
SOYBEANS	790	819	840	860
OTHER	132	129	126	125
TOTAL	922	948	966	985
FEEDSEED & WASTE				
SOYBEANS	91	92	99	100
RAPESEED	1	1	1	1
TOTAL	92	93	100	101
END STOCKS				
SOYBEANS	360	284	350	370
RAPESEED	48	45	45	45
OTHER	25	31	28	30
TOTAL	433	360	423	447

OUR FORECAST

WWE'RE PROJECTING TOTAL GRAINS , CORN & PROTEIN MEALS (OILSEED AND FISH) USE BY CLASS AS FOLLOWS. (THOUSAND METRIC TONS)

	76/77			77/78			78/79#			77-78 PCT CHG		
	TTL GRNS	CORN	MEAL	TTL GRNS	CORN	MEAL	TTL GRNS	CORN	MEAL	TTL GRNS	CORN	MEAL
POULTRY	6404	4489	1844	6840	4849	1977	7125	5050	2075	4.16	4.15	4.96
HOGS	3703	1717	899	4066	2004	985	4210	2065	1015	3.54	3.04	3.05
DAIRY CATTLE	745	217	402	822	253	406	875	280	426	6.45	10.67	4.93
BEEF CATTLE	1310	380	174	1383	432	174	1455	460	185	5.21	6.48	6.32
OTHER	95	53	113	113	66	123	110	70	126	-2.66	6.06	1.02
TOTAL	12257	6856	3432	13224	7604	3665	13775	7950	3827	4.17	4.55	4.42

MEALS AS PCT OF TOTAL GRAINS AND CORN

	76/77		77/78		78/79/#	
	PCT TTL GRAINS	PCT CORN	PCT TTL GRAINS	PCT CORN	PCT TTL GRAINS	PCT CORN
POULTRY	.288	.411	.289	.408	.291	.411
HOGS	.243	.522	.242	.492	.241	.492
DAIRY CATTLE	.540	1.853	.494	1.605	.487	1.521
BEEF CATTLE	.133	.458	.126	.403	.127	.402
OTHER	1.189	2.132	1.088	1.864	1.145	1.800
TOTAL	.280	.501	.277	.482	.278	.481

FORECAST

IN PREVIOUS TELEXES WE POINTED TO THE CONCERN THAT THEY COULD INACT A RICE DISPOSAL PROGRAM, IN WHICH CASE RICE FEEDING WOULD CUT INTO FEEDGRAIN DEMAND. THEY HAVE INFACT INITIATED SUCH A PLAN FOR BOTH RICE AND WHEAT. LAST SEASON REDUCED FISH SUPPLIES AND HIGHER PRICES (1) ENCOURAGED INCREASED CONSUMPTION OF MEAT AND (2) EXPANDED USE OF OTHER PROTEIN MEALS (PARTICULARLY SOYBEAN MEAL.) TO MAKE UP FOR THE LOWER SUPPLIES OF FISH MEAL. SOYBEAN IMPORTS WERE UP A HEALTHY 18 PCT AND MEAL IMPORTS WERE UP OVER 25 PCT. IN 1979 THESE GAINS WILL BE MODERATING, FEEDING WILL TAPERING OFF; WITH FISHMEAL EXPORT AVAILABILITIES UP IN BOTH CHILE AND PERU, (JAPANS TWO MAJOR SOURCES) AND PEANUT MEAL EXPORT AVAILABILITIES ALSO SHARPLY HIGHER, IMPORTS OF THESE TWO MEALS WILL TO SOME EXTENT DISPLACE SOYBEAN MEAL.

HIGH PROTEIN MEALS (JAN-DEC)

	76	77	78	79#
BEG STOCKS				
SOYBEAN	85	110	88	115
FISH	46	47	52	45
RAPESEED	11	22	19	21
OTHER	19	17	19	15
TOTAL	161	196	178	196
PRODUCTION				
SOYBEAN	2052	2225	2492	2528
FISH	805	605	630	650
RAPESEED	358	426	447	460
OTHER	186	178	186	185
TOTAL	3401	3434	3755	3823
IMPORTS				
SOYBEAN	193	314	385	410
FISH	57	178	115	140
RAPESEED	14	24	30	30
OTHER	164	79	27	75
TOTAL	428	595	557	655
FEED				
SOYBEAN	1873	2142	2400	2470
FISH	748	682	675	700
RAPESEED	124	168	130	150
OTHER	321	225	180	220
TOTAL	3066	3217	3385	3540
OTHER USE				
SOYBEAN	347	419	450	465
FISH	64	59	50	55
RAPESEED	237	284	345	339
OTHER	31	30	37	37
TOTAL	679	792	882	896
EXPORTS				
FISH	49	37	27	30
TOTAL	49	38	27	30
END STOCKS				
SOYBEAN	110	88	115	118
FISH	47	52	45	50
RAPESEED	22	19	21	22
TOTAL	196	178	196	208

OUR FORECAST

WHILE SOYBEAN AND SOYBEAN MEAL IMPORTS ARE RUNNING ABOUT ONE-THIRD AHEAD OF LAST YEAR WE ARE FORECASTING THEM TO TAPER OFF SHARPLY AS THE SEASON PROGRESSES.

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