ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
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GRAIN STOCKS--BEARISH CORN, NEUTRAL FOR BEANS

THE USDA'S JANUARY 1 REPORT ON STOCKS OF CORN AND SOYBEANS indicates that there will be ample supplies of grain, but continued tight supplies of soybeans.

Stocks of corn in all positions on January 1 totaled 4.86 billion bushels, slightly more than the figure expected by most analysts. We had about 6.61 billion bushels of corn available at the start of this crop year. Thus, corn usage between October 1, 1976 and January 1, 1977, totaled 1.75 billion bushels, or about the same amount as in the corresponding period a year ago.

Corn usage for the first quarter of the 1976 crop year breaks down as: 0.13 billion for food and industrial purposes; 0.48 billion for export and 1.14 billion for feed. Surprisingly, the level of feed use was down slightly from the first quarter of the 1975 crop year, in spite of a 25-percent increase in pork output last fall, compared to the corresponding period a year earlier.

The October-December feed use of corn was probably larger than last year's, despite the report, and the size of the 1976 corn crop probably was underestimated. A larger crop estimate would show up as larger October-December feed use. For example, if the 1976 corn crop had been underestimated by only 2 percent, this would be sufficient to place first-quarter feed usage at a level which would correspond with that of production of pork and other livestock products.

As surprising as the level of January 1 corn stocks was the immediate reaction of prices. Although many observers expected a sharp downward adjustment in prices following this report, corn lost only 3 to 6 cents a bushel, about half of what could have been forseen. This strength is apparently due to the continued cold and dry weather and the belief that actual feed use was higher than that implied by the report.

One implication of the corn stocks report is a potential carryover of 0.75 billion bushels from the current crop. This is 0.40 billion larger than minimum pipeline supplies. A "free" carryover of 0.40 billion bushels will dampen weather-based crop scares this summer, as it represents a yield of 5.5 bushels per acre on the 1977 prospective corn acreage.

Stocks of soybeans in all positions on January 1 were 1.03 billion bushels. This confirmed what prices have been telling us over the past several months, namely that soybeans are in tight supply.

At current rates of use, U.S. soybean stocks will be zero by the end of the 1976 crop year. This will not happen, of course. As Brazil's crop comes to market this spring, the rate of U.S. soybean exports will decline. Also, the current high prices of soybean meal will tend to curtail the use of this product in livestock feeding.

The size of the Brazilian crop will be of more importance than normal in terms of indicating the direction of soybean prices over the next few months. The tight supply of U.S. beans means that we are depending on our southern competition to get us through the crop year. Current price levels have a good Brazilian crop bid into them. Any significant problems with the soybean crop there could substantially increase bean prices over the next eight months.

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