



ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

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GRAINS STOCKS ARE AMPLE, SOYBEANS REMAIN TIGHT

THE USDA'S GRAIN STOCK'S REPORT released on April 21 shows that the stocks of feed and food grains are more than ample for the remainder of 1977. On the other hand, the report confirmed the need to ration soybeans until the fall harvest.

On April 1, there were about 3.27 billion bushels of corn on farms and in elevators--16 percent more than a year ago. Fundamentally, the picture painted by the corn stocks report is one of ample supply and somewhat sluggish feed demand. It now seems very probable that there will be a substantial increase in the corn carryover into the 1977-78 marketing year. This will place a damper on the price impact of any cuts on corn yields or harvested acreage this fall. In short, a substantial reduction in the U.S. corn crop from last year's 6.2 billion bushel level would be required to realize any significant increase in prices.

Another reason to be pessimistic about substantially higher corn prices in the near term is the report on April 1 wheat stocks. Reflecting very slow exports from the supply on hand and a record 1976 harvest, U.S. wheat stocks on April 1 totalled 1.39 billion bushels--the largest April 1 figure on record. However, even at this level, the wheat supply turned out to be smaller than many had anticipated due to the increasing use of wheat for feed. No doubt, greater wheat feeding is, in part, causing the sluggish feed market for corn.

On April 1, U.S. soybean stocks were 615.5 million bushels. Although the immediate reaction to this news was bullish, the figure is within a few million bushels of what would be anticipated from the January 1 report, less the January-March crush and exports. Thus, the January soybean crop estimate was probably very close to the actual size of the 1976 crop. Soybeans are in tight supply, and we cannot continue to use them for the next five months at the rate we have been since last September. It remains to be seen whether \$10 soybeans and \$300 meal will get this job done. About the only thing that can be said with any certainty about the situation is that the market will remain very sensitive to the weekly crush and export reports, and to any news from Brazil.

In summary, the April 1 stocks report confirmed a weak demand for grains and a continuing high rate of use for soybeans. The stocks of grains are troublesome because of the implications for shortages of storage space during this year's wheat and corn harvests, despite a marked reduction in the soybean carryover and a smaller 1977 wheat crop. This year seems sure to be another one of limited storage space and long lines at the elevators.

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