



ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

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WHAT WILL THE JUNE GRAIN STOCKS REPORT SHOW?

ON JUNE 22 USDA WILL RELEASE ITS ESTIMATES OF U.S. GRAIN STOCKS AS OF JUNE 1, 1978. These estimates are closely watched by the trade for any clues that grain prices need to move up or down in response to the rate of use of a crop. If stocks look smaller (or equivalently, the usage rate is higher) than is currently bid into the market, prices can be expected to adjust upward to slow the rate of use. Conversely, when the stocks are larger than expected, prices tend to move downward.

While numerous factors cause changing grain prices, the rate of usage is one of the most fundamental and important.

An important part of a pricing program for grain is anticipating the size of the grain stocks and the implications for price trends. In this letter we will take a glimpse at what the June 1 stocks report may say relative to corn and soybeans.

JUNE 1 CORN STOCKS: At the last checkpoint, April 1, U.S. corn stocks were reported to be 3.840 billion bushels. Between April 1 and June 1 some 364 million bushels of corn were exported and about 100 million bushels were used for food and seed.

That would leave 3.376 billion bushels, but feed use has not yet been deducted. For the first 6 months of the current crop year corn feeding expanded at a 4-percent rate. During the next 2 months, higher wheat prices relative to corn may have slightly strengthened the feed use of corn. If corn feeding increased at a 6-percent rate in April and May, then 583 million bushels would have been used in this category. That leaves corn stocks of 2.793 billion bushels on hand as of June 1. A stockpile of this size will keep prices under some downward pressure until the size of the 1978 crop becomes clearer.

JUNE 1 SOYBEAN STOCKS: As of April 1 there were 843 million bushels of soybeans in U.S. stockpiles. In the April-May period 150 million bushels were exported and 160 million bushels crushed. If 25 million bushels were used for seed and residual there would be 508 million bushels left on June 1.

While this would be a considerable increase over the 335 million bushel stocks of June 1, 1977, it is not a high level compared to the usage rates during April and May. Over these 2 months we used beans at a rate of 155 million bushels per month for crush and export. If this rate of use were to continue for the last 3 months of

the crop year, we would have almost no carryover stocks of soybeans left. Thus the rate of use will need to be cut from current levels. While there is normally a summer slump in bean usage, the rate of use to date may indicate the need for a rationing action and higher prices. At the very least, bean prices this summer will be quite responsive to the acreage and yield prospects for the 1978 crop.

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