



WEEKLY OUTLOOK

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CORN AND SOYBEAN STOCKS ARE LARGE, BUT SO ARE THE DISAPPEARANCE FIGURES

STOCKS OF CORN IN ALL POSITIONS ON APRIL 1 totaled 4.78 billion bushels, the largest April 1 figure since the early 1960's and up 8.7 percent from a year ago; also, 23.3 percent above 2 years ago. The principal use of the total figure in the report is to estimate feed use during the preceeding quarter. The use of corn for feed during January-March was 1.281 billion bushels, up 4.2 percent from the same quarter last year. This is relatively low disappearance in view of the large numbers of hogs and broilers marketed during the period and the large number of heavyweight cattle on feed. The increase in feed use over a year ago during the October-December quarter was 4.0 percent. The rate of increase was maintained during the second quarter of the crop year.

Feed disappearance for the first half of the year can be used to project the disappearance for the entire crop year. Using years when livestock numbers were stable from first half to the second half as a basis for projection indicates a feed and residual use of corn for the entire year of 4.406 billion, slightly less than our earlier estimates. Exports remained very large at 581 million bushels during the January-March quarter. A seasonally adjusted projection indicates exports of 2.383 billion bushels for the crop year. Adding 590 million for food and industrial use would produce a total use of 7.379 billion bushels, up from 6.9 billion during 1978-79. Such a disappearance would result in a carryover of 1.671 billion bushels, up 385 million from last October 1.

At present, the CCC owns and has under loan about 355 million bushels and has 812 million bushels in the extended reserve. Presumably, the CCC will hold its corn. Also, a large part of the amount under loan may move into the reserve. Furthermore, the reserve has been opened up so that as much as 275 million bushels could be added. How much corn will move into the reserve is uncertain. With 1.167 billion bushels currently tied up and the potential of 275 million more, the government could control 1.442 billion bushels. If this were to happen, the "free" carryover would be only 229 million bushels, tending to force up the market price toward the \$2.63 release figure. But if there is no large movement into the reserve, we may face a late-summer surplus and price decreases.

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Soybean stocks in all positions on April 1 were consistent with the January 1 stocks, minus the known disappearance. We use the stocks report as an indirect check on the size of the soybean crop. The January-March disappearance other than the amounts used for crush and export was about equal to the average for recent years. The January 1 report suggested the possibility that the 1979 crop might have been underestimated by about 30 million bushels. The possibility was confirmed by the April 1 report.

Soybean stocks in all positions totaled 1.184 billion bushels, up 312 million from a year ago. Total disappearance so far in the present crop year was reported as up 127 million bushels (11.2 percent).

Using the crush and export rates for the first 7 months to project total disappearance for the whole year, we get a carryover of about 300 million bushels, a figure below most expectations. The rate of use during the remainder of the crop year is apt to decline because of the very large crop of soybeans in South America. However, total disappearance for the year will be substantially larger than it was last year.

Prices have played a major role in generating the record rate of use for soybeans. The price of soybean meal decreased from \$210 last June to \$155 in April; and soybean oil, from 30 cents last September to about 20 cents by April. Continued low prices will keep the rate of use high and make further inroads on the soybean surplus. If the yields in 1980 are close to the average, soybean production may not exceed the current rate of use.

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