



WEEKLY OUTLOOK

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JANUARY 1 GRAIN STOCKS REVEALED

THE USDA'S JANUARY REPORT ON GRAIN STOCKS provides a valuable checkpoint for the projection of grain and soybean use. The rate of use to date can be compared with available supplies to determine if adjustments are needed in utilization rates. The price implications of such adjustments can then be drawn.

CORN

In the case of corn, the USDA'S report revealed that the January 1 inventory was 5.853 billion bushels, 15 percent below a year ago. The stocks of grain being held on farms were down nearly 18 percent. Off-farm stocks were only 7 percent smaller than a year ago. Of the major producing states, only Ohio, Texas, and Wisconsin had larger inventories than they did a year ago.

Corn disappearance during the first 3 months of the 1980-81 crop year totaled 2.413 billion bushels, 55 million bushels more than during the same period the year before. Exports were 48 million bushels higher; food and industrial uses were up an estimated 13 million; and feed use was down about 16 million bushels, only 1 percent.

The USDA expects corn exports to reach 2.6 billion bushels and food and industrial uses to reach 750 million bushels by the time the 1981 crop is harvested. If these estimates are correct and if ending inventories cannot be reduced below 500 million bushels, 4.416 billion bushels would be available for feed use. This would be a reduction of nearly 3 percent from the previous marketing year. Feed consumption of corn over the next 9 months will have to be reduced about 4 percent, compared to the same period last year, if export demand reaches the projected total.

SOYBEANS

The January 1 soybean inventories totaled 1.551 billion bushels, nearly 12.5 percent below year-ago levels. On-farm stocks were reduced 17 percent. Off-farm stocks were down only 7.5 percent. Soybean inventories were unchanged from a year ago in Indiana, higher in Iowa and Ohio, and lower in all of the other major producing states.

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Soybean use during the first 4 months of the crop year totaled 625 million bushels, compared to 671 million bushels a year ago. The reduction reflects a disappointing export rate to date. Since January 1, however, weekly export inspections have averaged about 19 million bushels, compared to about 14 million bushels per week during the previous 4 months. This rate may remain high over the next several months. In addition, the domestic crush rate is likely to continue at a high level in order to supply the domestic and export demands for soybean meal. The ending soybean inventories could be well below the USDA'S projection of 210 million bushels.

WHEAT

Wheat stocks on January 1 totaled 1.902 billion bushels, 11 percent more than a year ago. Wheat supplies will be ample. Ending inventories could exceed the USDA'S projection of 910 million bushels.

IMPLICATIONS

Corn prices currently are high in relation to those for soybean meal and livestock. Only modest strength could be expected in the near term. However, ending supplies will be small. A very large 1981 corn crop will be required if use is to continue at the current rate for another year. Without an increase in corn acreage, near record yields would be required this year. Any indication that this will not occur is likely to result in further price increases. If the rate of soybean use continues to be high, as expected, prices should show a significant recovery over the next few weeks. Large wheat inventories and an increase of 11 percent in winter wheat acreage point to abundant supplies. Average yield prospects would suggest a minimum price strength.

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