



WEEKLY OUTLOOK

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GRAIN STOCKS MEET HIGH EXPECTATIONS

STOCKS OF GRAINS AND SOYBEANS IN ALL POSITIONS on January 1 were released on January 25 and were very large though slightly below expectations.

Stocks of corn totaled 6.9 billion bushels, up 143 million from a year ago but only 14 million above the record set on January 1, 1980. We mainly use corn stocks to estimate feed disappearance: The beginning inventory plus the crop size minus the January 1 stocks indicated a total disappearance during the October-December quarter of 2,336 million bushels. Exports during the quarter were about 547 million, and we are currently estimating food and industrial use at 160 million. The derived total for feed was 1,628 million bushels, a record for the fall quarter and up 6.8 percent from last year.

The rate of corn use for feed is encouraging. Data from the fall quarter can be used to project total feed use for the crop year. The fall quarter rate suggests a feed disappearance of 4,426 million for the year. If this materializes, if exports will be the 2,250 million now estimated, and if food and industrial use is 770 million, the carryover will be slightly under 1.8 billion bushels. The carryover last October 1 was 1.0 billion, and that of two years ago was 1.6 billion. The projected carryover is of near record size but moderately less than the current USDA estimates of 2.0 billion. Corn is over-abundant, and its price will continue to be dominated by loan and reserve programs until production conditions begin to influence prices in the spring. Production conditions as adverse as those in 1980 will be necessary for prices to rise significantly.

Stocks of other feed grains, as of January 1, were also large. Grain sorghum stocks were 679 million bushels compared to 464 million a year ago; oats supplies were down 26 million bushels from a year ago, and barley supplies were up 29 million. The large grain sorghum stocks will continue to compete with corn.

Stocks of soybeans in all positions were 1,644 million bushels, up 116 million from a year ago but down 127 million from two years ago. The main value of the soybean stock report is to second-guess the estimate of the crop size. We know the use for processing and export during the first quarter. Adding the estimate of the beginning stocks and the crop size, and subtracting processing and export use results in a stock estimate of 1,664 million bushels. The actual stock estimate of 1,644 suggests that the crop may be overestimated by 20 million bushels. This amount is not large and has little price significance.

The crush of soybeans during the September-December period totaled about 371 million, comparable to 373 million last year and 378 million during the same period in 1979. At 315 million, exports were sharply above 245 million a year ago and slightly above 309 million in 1979. Soybean disappearance to date is about equal to that of the 1979-80 crop year. If this trend continues, the carryover will be 268 million. Such a carryover is fully adequate, and we should not expect price strength even if this low carryover becomes the market expectation.

Whether disappearance will match that of two years ago will depend in part on the size of the crop in Brazil and Argentina. That area is now in the critical production period, and weather conditions are favorable. There is no sound basis for expecting soybean price strength at this time.

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