



WEEKLY OUTLOOK

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June 30, 1982

GRAIN STOCKS REPORT IS A MIXED BAG

THE USDA'S JUNE 1 GRAIN STOCK REPORT CONTAINED GOOD AND BAD news for those looking for higher grain prices. Corn and wheat stocks exceeded expectations, but the soybean inventory figure suggests that the 1981 harvest was overestimated.

As of June 1, corn inventories set a record at 3.854 billion bushels, up 39 percent from June 1, 1981. Seventy percent of those inventories were held on farms, compared to only 65 percent last year. The largest increase in corn stocks was registered in Iowa, up 316 million bushels from a year ago. Increases were also large in Nebraska, Minnesota, and Illinois. Those four states accounted for 73 percent of the increase in corn stocks.

The use of corn during April and May totaled 1.22 billion bushels, nearly the same as last year. Exports were 30 million bushels larger; food use was up an estimated 14 million bushels; and feed use declined by 37 million bushels. The cut in feed use is consistent with the reduction in livestock production that occurred this spring.

Corn use during the first eight months of the 1981-82 crop year reached 5.382 billion bushels, down about 100 million bushels from last year. Based on average seasonal patterns, the projected corn feeding for the year is 4.375 billion bushels. Total use is estimated at 7.335 billion bushels, leaving carry-over stocks of 1.9 billion bushels. Old-crop corn prices will remain very near the loan redemption level. As long as 1982 crop prospects are good, prices for the new crop will be supported only by the loan and reserve programs.

Wheat inventories at the beginning of the 1982-83 marketing year (June 1) totaled 1.159 billion bushels, somewhat higher than the USDA projection of 1.146 billion bushels. In spite of record exports, wheat stocks increased by 170 million bushels during the 1981-82 marketing year. Increases in inventories were large in North Dakota and Minnesota, whereas stocks in Kansas declined as a result of the small harvest last year.

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Preliminary USDA estimates suggest that wheat stocks will increase again during the 1982-83 marketing year. If so, wheat prices will be supported by the loan and reserve program. Prospects for low prices will likely lead to a continuation of some kind of reduced acreage program for the 1983 crop.

Soybean stocks on June 1 were estimated at 658 million bushels, 21 million less than a year ago. Stocks were up 22 million bushels in Iowa, and 9 million in Illinois and Minnesota. The inventory figure indicates that soybean use during the first nine months of the marketing year was 218 million bushels more than during the same period last year. However, preliminary estimates of exports and crush during that same period show an increase of only 168 million bushels. The discrepancy suggests that the 1981 soybean crop was overestimated.

During the first two weeks of June, weekly soybean use averaged 32.4 million bushels. If that pace is maintained for the remainder of the quarter, use will total 421 million bushels, resulting in ending inventories of less than 250 million bushels. The USDA currently projects ending stocks at 305 million bushels.

Soybean prices should strengthen modestly from current levels. The magnitude of the increase will depend on prospects for the 1982 crop. The first indication of crop potential will be revealed in the USDA's June 29 acreage report.

D. L. Good

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Note: Because two high-priority USDA reports were released this week, two issues of *Weekly Outlook* will be published this week and none next week.

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