



WEEKLY OUTLOOK

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GRAIN INVENTORIES SMALLER THAN EXPECTED

ALTHOUGH STOCKS OF MAJOR GRAINS are significantly larger than a year ago, inventories are smaller than expected. According to the USDA April Grain Stocks report, April 1 inventories of corn totaled 6.363 billion bushels, 24 percent more than a year ago. This inventory figure implies that the use of corn during the first three months of 1983 totaled 2.061 billion, up 225 million bushels, or 12.3 percent, from last year. Weekly inspection figures show that corn exports during that period were down 7 million bushels. Seed, food, and industrial use of corn was probably 15 to 20 million bushels greater than a year ago. The calculation for feed and residual use of corn is up 214 million bushels, or 18 percent, from a year ago.

Such a large increase in feed use is not consistent with livestock numbers and mild weather conditions during the winter. It appears that the 1982 crop may have been about 120 million bushels less than the current estimate of 8.4 billion bushels. For the time being, the USDA raised its corn feeding estimate by 100 million bushels. Under any circumstances, the April corn stocks figure implies that free market supplies of corn are tighter than previously thought. The chances that corn prices will advance to the reserve trigger price (\$3.15, national average farm price) have increased significantly.

The April 1 inventory of soybeans was estimated at 1.197 billion bushels, up 15 percent from last April. Subtracting the April stocks figure from the January 1 stocks figure reveals that soybean use during the first three months of the year totaled about 630 million bushels. Weekly export inspections and soybean crush estimates show that only about 545 million bushels of soybeans were actually used during that period. The residual of about 85 million bushels is 20 to 30 million bushels too large. As in the case of corn, this discrepancy suggests that the 1982 soybean crop has been overestimated. The USDA revised supply and demand estimates released on April 22 contained no changes in production or disappearance estimates. Soybean supplies still appear to be adequate, even if the crop has been overestimated.

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The April 1 stocks of wheat were estimated at 1.869 billion bushels, up 20 percent from a year ago. On the basis of this estimate, wheat use during the January through March quarter totaled 652 million bushels. Exports during that period (including the wheat equivalent of wheat products) totaled about 410 million bushels. Domestic use, then, totaled 242 million bushels, 34 percent more than a year ago. Again, such a large increase is not logical. Food use of wheat was likely higher than a year ago, but probably by only about 15 million bushels. It is unlikely that feeding of wheat was 50 million bushels greater than a year ago. The implication is that the 1982 wheat crop was overestimated by about 50 million bushels. The USDA new supply and demand estimates contained a 35-million-bushel upward revision in projected feed use for the current crop year rather than a reduced production estimate. Wheat is still in surplus.

Prices of all three commodities rose significantly, following the Grain Stocks report. Soybean prices were also supported by an American Soybean Association survey that projects 1983 soybean acreage at only 64.1 million acres, compared to 72.2 million last year.

Grain and soybean prices will likely continue firm, but choppy, over the next several weeks. Weather conditions, along with results of the USDA loan redemption program and the Planting Intentions report of May 10, will set the tone for the market.

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