



# WEEKLY OUTLOOK

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## CORN AND SOYBEAN STOCKS ARE SMALLER THAN EXPECTED

THE USDA'S JANUARY 1 GRAIN STOCKS REPORT was released on January 23. The inventory of corn was estimated at 4.928 billion bushels, 40.5 percent less than last year's inventory. The general decline in inventories was expected because of the small crop that was harvested last fall, but inventories were 200 to 400 million bushels less than expected.

One reason for the unexpectedly low figure was the 140 million bushel downward revision in last year's inventory figure. Analysts tend to think in terms of how figures change from one year to the next. The revised figure for last year fouled up the projections. The other reason for the large difference in the actual and expected stocks figure was the market's failure to recognize the high level of corn feeding that took place during October, November, and December. It is now clear that corn feeding during that period equaled last year's level of 1.646 billion bushels. The level of feeding would have been even larger if it were not for the increased level of wheat feeding during that time period.

The January corn stocks figure underscores the tight supply situation. Assuming that a minimum carryover level is 500 million bushels, the use of corn during the 1983-84 marketing year must be 9 percent less than during the 1982-83 marketing year. During the first quarter of the year, use was up 2.3 percent. Over the next 9 months, corn use must be 14 percent less than during the same period last year. Assuming that the USDA's estimate of processing and export demand is correct, feed use of corn must be cut by 23 percent. Higher corn prices will be needed to accomplish such a cut.

January 1 soybean stocks were estimated at 1.291 billion bushels, 28.4 percent less than a year ago. As in the case of corn, soybean stocks were smaller than expected. The average trade guess was 1.347 billion bushels. One reason that stocks were smaller than expected was the 22 million bushels downward revision in last year's stocks estimate. In addition, it appears that the 1983 soybean crop may have been overestimated. Based on known use through December, the seed, feed, and residual category of soybean use calculates to 48 million bushels. That is about 40 million bushels too large. In effect, we lost a good share of the additional soybeans reported in the January 13 crop production report.

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Assuming that a minimum carryover level of soybeans is about 120 million bushels, soybean use during the next 8 months will be limited to 1.171 billion bushels. That is 17.4 percent less than the amount used during the same period last year. At a minimum, soybean prices should regain the 50 to 60 cents lost last week. For the near term, price increases beyond that will be limited by the good crop prospects in South America. However, if the current rate of soybean use continues, higher prices will be required.

January 1 wheat stocks were estimated at 2.325 billion bushels, about 8 percent less than a year ago and very close to the expected level. That figure suggests that wheat feeding during the first 7 months of the marketing year totaled about 390 million bushels, as compared with about 175 million last year. Wheat feeding for the year will exceed the USDA's estimate of 400 million bushels. However, the surplus situation is not altered and a significant price improvement is not expected.

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