



WEEKLY OUTLOOK

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GRAIN STOCKS REPORT--WHAT WILL IT SHOW?

ON APRIL 23, THE USDA WILL RELEASE THE APRIL 1 *Grain Stocks Report*. This report will be especially significant for corn and soybean prices. The last several *Grain Stocks* reports have shown smaller-than-expected inventories of these two commodities. As a result, there is more than the usual amount of uncertainty about what this report will show.

Let's look at corn first. The January 1 *Grain Stocks Report* showed corn inventories of 4.93 billion bushels. Based on that figure, feed and residual disappearance of corn during the first quarter of the marketing year calculates to be 1.667 billion bushels. Given the level of livestock production and the increased level of wheat feeding during that time period, many analysts doubt that corn feeding was really that large. They argue instead that the 1983 corn crop was overestimated. It is possible that the January stocks estimate will be revised.

Assuming that both the final corn production estimate and the January 1 corn stocks figure are correct, we can forecast the April 1 corn stocks figure. Weekly estimates indicate that corn exports for January, February, and March totaled 485 million bushels. Processing uses of corn during the first quarter of the marketing year were 8.4 percent greater than during the same quarter a year ago. If that rate continued in the January-March period, use totaled 183 million bushels.

The most uncertainty surrounds the feed use of corn over the past three months. The combined production of red meats, poultry, and eggs was about 1 percent greater than a year ago. Dairy cow numbers were down slightly. The level of wheat feeding was probably larger than a year ago. Our best guess is that corn feeding was just slightly less than the 1.36 billion bushels of a year ago.

The scenario outlined above would point to April 1 corn stocks of 2.95 billion bushels. Trade estimates at this early date range from 2.8 to 3.1 billion bushels. If April 1 stocks come in at 2.95 billion bushels, corn use during the last half of the marketing year will be limited to 2.45 billion bushels, 21 percent less than used during that period last year.

The January 1 stocks of soybeans were reported at 1.29 billion bushels. Based on the Bureau of the Census reports of soybean crush and exports during the September-December period, the inventory figure implied that the 1983 crop had been overestimated by 30 to 50 million bushels. The exact magnitude of the discrepancy is difficult to determine because over the last several years there has been a wide range in the level of seed, feed, and residual uses of soybeans during the first quarter of the marketing year.

Weekly estimates show that 233 million bushels of soybeans were exported and 260 million crushed during January, February, and March. Again it is difficult to estimate seed, feed, and residual uses of soybeans during that period because of the large variation over the last several years. Based on the variation in this category over the last 3 years, the April 1 stocks of soybeans could be as low as 750 million bushels or as high as 800 million bushels. Our estimate is 780 million bushels. If April 1 stocks are 780 million bushels, soybean use for the last 5 months of the marketing year will be limited to 660 million bushels, 18 percent less than a year ago.

Price reaction to the April 1 *Grain Stocks Report* will obviously depend on the figures in the report. Price reaction will also depend on expectation as reflected in the change in prices prior to the report. May corn futures, for example, have advanced 25 cents since March 1. Further increases over the next 10 days would lower the probability of a bullish report, and vice versa. Even the most bullish USDA report of the past 6 months has generated only 1 day of strong prices.

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