



WEEKLY OUTLOOK

Department of Agricultural Economics
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GRAIN STOCKS REPORT IN PERSPECTIVE

THE USDA RELEASED THE LONG-AWAITED APRIL GRAIN STOCKS REPORT on April 23. The report cleared up some of the uncertainty surrounding the supply and rate of use of soybeans, but left questions about corn unanswered.

April 1 stocks of soybeans were estimated at 753 million bushels, 36 percent less than a year ago and the lowest level since 1977. The stocks were somewhat smaller than the average trade guess, but they were in line with January 1 stocks and known use since then. The low stocks estimate seems to confirm that the 1983 crop was overestimated by about 50 million bushels.

Assuming that a minimum pipeline carryover is about 120 million bushels, soybean use for the last five months of the marketing year will be limited to 633 million bushels. That level of use would be 20 percent less than during the same period last year and again, the lowest level since 1977. The current rate of use of soybeans is higher than can be maintained for the rest of the marketing year.

Soybean prices following the stocks report repeated the pattern that has been characteristic of other "friendly" reports this year. Old-crop futures closed 10 cents higher the day after the report and then dropped sharply. As of April 27, May futures were 10 cents lower than they were the day before the report. It does not appear that the current price is high enough to allow sufficient rationing of the available supplies. If the current rate of use continues for a few more weeks, old-crop prices may rally back to the \$8.50 level.

April 1 corn stocks were estimated at 3.258 billion bushels, 48 percent less than a year ago and the lowest level since 1976. The stocks figure was larger than generally expected. At face value, it implies that corn consumption in the January-March period totaled 1.676 billion bushels, about one third less than during the same period a year ago. Based on known exports and estimated uses for domestic, non-feed purposes, corn feeding during the period totaled only 1.014 billion bushels. That level of feeding is 25 percent below the same period a year ago and the lowest level for that period since 1975. Corn feeding dropped 39 percent from the October-December period, one of the largest declines on record.

When considered together, the corn feeding estimates for the first two quarters of the 1983-84 marketing year are consistent with livestock numbers and the

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level of feeding of other grains, but the distribution is not. Subsequent reports may well revise the stocks estimates and the 1983 production estimate.

Assuming that the minimum pipeline carryover of corn is 500 million bushels, corn use during the last half of the 1983-84 marketing year will be limited to 2.758 billion bushels, 11 percent less than last year and the lowest level since 1977. Based on the estimates for non-feed use of corn for the rest of the year, corn feeding will be limited to 1.319 billion bushels, 24 percent below a year ago and 18 percent below the 4-year average for that period.

Old-crop corn futures declined about 19 cents following the stocks report. In light of the magnitude of rationing that must occur, the decline appears to be overdone. This is particularly true because planting of the 1984 crop will be later than normal, which will create some uncertainty about the size of that crop. Old-crop corn prices could very well rally back to the pre-stocks report level.

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