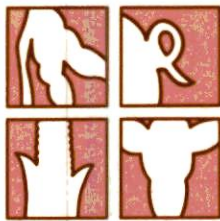




Cooperative
Extension Service
University of Illinois
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WEEKLY OUTLOOK

Department of Agricultural Economics
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April 1, 1987

USDA GRAIN REPORTS IMPROVE PRICE PROSPECTS

On March 31, the USDA released the March 1 *Grain Stocks* report and a *Prospective Plantings* report. Generally, these reports were friendly for near-term price prospects. Following is a summary of the reports and implications for corn, soybeans, and wheat.

CORN. March 1 stocks of corn were estimated at 8.247 billion bushels, 25 percent more than a year ago, but below the average trade guess of 8.4 billion bushels. The smaller-than-expected stocks figure implies that domestic corn feeding is continuing at a very rapid pace. Feed and residual disappearance of corn during the first six months of the marketing year totaled about 2.87 billion bushels, about 13.5 percent more than a year ago. The USDA's April *Supply and Demand* report will likely contain an upward revision in the projection of feed and residual use of corn for the year and a downward revision in the estimated level of carryover stocks. Carryover stocks will be burdensome but probably significantly smaller than expected just two months ago.

According to the *Prospective Plantings* report, U.S. producers intend to plant 67.556 million acres of corn in 1987. That level of planting represents a 9.12 million acre reduction from 1986, compared with the average trade guess of about 10.5 million acres. The less than expected reduction in acreage will probably not result in a significant decline in new crop prices. There is some speculation that the conservation reserve program will be reopened for bids before the scheduled bid period in July. In addition, there is considerable uncertainty about the 1987 growing season. Recent weather developments have reinforced ideas that growing conditions could be less than ideal in 1987.

Planted acreage of 67.556 million acres projects to harvested acreage for grain of 60.3 million. An average U.S. yield of 115 bushels per acre, then, would produce a crop of about 6.9 billion bushels. Adverse growing conditions could reduce the crop to 6.5 or 6.6 billion bushels and allow a reduction in carryover stocks next year.

Soybeans. March 1 stocks of soybeans were estimated at 1.384 billion bushels, only one percent more than a year ago and about 2 percent less than generally expected. Given the level of known exports and domestic crushing, the stocks figure implies a high level of "residual" disappearance of soybeans to date. The 1986 harvest may have been overestimated.

Soybean producers reported intentions to plant only 56.885 million acres of soybeans in 1987. That is 4.6 million acres less than planted a year ago and about 2.3 million less than expected. Expected reductions are very modest in the eastern Corn Belt, somewhat larger in the western Corn Belt and largest (percentage wise) in the South.

Planted acreage projects to harvested acreage of 55.5 million acres. Average yield potential is increased by the relative shift in acreage from the South to the Corn Belt. However, yields would be expected to be below the record of 34 bushels per acre of the past two years. A yield of 32.5 bushels would result in a crop of 1.8 billion bushels and allow for a significant reduction in carryover stocks next year.

While the USDA reports set a friendly tone for the soybean market, price advances will be limited in the short run by the harvest and sale of a large South American crop.

Wheat. March 1 wheat stocks were estimated at 2.253 billion bushels, almost identical to the level of a year ago and near the low end of the range of expectations. The stocks figure implies a high level of wheat feeding during the winter quarter.

Winter wheat seedings are estimated at 48.195 million acres, 5.735 million acres less than seeded last year and 510 thousand acres less than estimated in January. Seedings of durum wheat are expected to total 3.137 million acres, almost 5 percent more than a year ago. Intentions for other spring wheat were reported at 13.515 million acres, 1.594 million less than a year ago.

Planting intentions for all classes of wheat total 64.847 million acres, 7.186 million less than seeded a year ago. The reduction reflects participation in the set aside and conservation reserve programs.



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