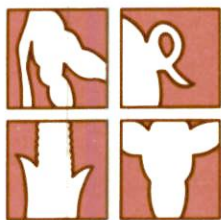




Cooperative  
Extension Service  
University of Illinois  
at Urbana-Champaign



# WEEKLY OUTLOOK

Department of Agricultural Economics  
College of Agriculture  
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July 3, 1987

## GRAIN STOCKS REPORT--A COUPLE OF SURPRISES

The USDA released its June 1 quarterly Grain Stocks report on June 30. The report estimated that the level of wheat and soybean stocks was lower than expected, while corn inventories were higher. For wheat, which has a June 1 to June 1 marketing year, this report contained an estimate of stocks at the end of the 1986-87 marketing year. For corn and soybeans, with September 1 to September 1 marketing years, the estimate covered the first three quarters of their 1986-87 marketing years.

Wheat inventories at the end of the marketing year totaled 1.815 billion bushels: 90 million less than a year ago and 33 million less than the amount projected in the USDA's June *Supply and Demand* report. The feed and residual use of wheat was apparently larger than the projected use of 350 million bushels. Ending stocks of wheat represented 83 percent of total use during the 1986-87 marketing year.

Soybean stocks on June 1 were estimated at 864.8 million bushels: about 16 million bushels more than a year ago and about 25 million bushels less than generally expected. The stocks estimate implies that 520 million bushels of soybeans were crushed, exported, or planted during the third quarter of the marketing year. Based on Census Bureau reports, 297 million bushels were crushed during that period (March, April, and May). Based on two months of Department of Commerce export estimates and one month of USDA export inspection estimates, about 160 million bushels were exported. That leaves 63 million bushels in the seed, feed, and residual category.

During the first three quarters of the marketing year, seed, feed, and residual uses of soybeans totaled about 155 million bushels. The average use in those three quarters for the previous three years was 101 million bushels. Apparently the 1986 soybean crop was overestimated by 50 to 55 million bushels, rather than the 20 to 30 million indicated by the March *Grain Stocks* report.

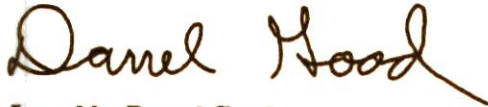
Corn stocks on June 1 were estimated at 6.332 billion bushels: 1.342 billion more than stocks of a year ago. The stocks estimate implies that 1.915 billion bushels of corn were used during the third quarter of the marketing year. If the rate of use for seed, food, and industrial purposes during the first two quarters was the same as during the third, then use for these purposes would total about 315 million bushels. Based on available estimates from the Department of Commerce and the USDA, corn exports during the third quarter totaled about 497 million bushels. The remaining 1.103 billion bushels are allocated to the feed and residual category. That level of disappearance is only about 1.6 percent above the estimate for the same quarter a year ago.

During the first six months of the marketing year, the estimate of feed and residual use was nearly 14 percent over a year ago. The sudden decline in use this past quarter supports the argument that the 1986 corn crop was overestimated, resulting in an inflated estimate of feed and residual use during the first six months of the marketing year. Whether the crop was overestimated or feed use was correctly estimated does not affect the carryover projection for the 1986-87 marketing year, but is important for projecting crop size and potential feed use for 1987-88.

On the surface, the June 1 *Grain Stocks* report should be supportive for wheat prices and old-crop soybean prices, but somewhat negative for corn prices. The positive effect on the soybean market will

be partially offset by the continued improvement in crop prospects. The harvest of the 1987 winter wheat crop may also blunt some of the positive effects of the smaller than expected stocks figure. Improving corn crop prospects should add to the negative impact of the large stocks figure.

On July 9, the USDA will release its July *Crop Production* report and its monthly *Supply and Demand* report. Those reports will contain revised estimates of planted acreage of spring crops, the size of the 1987 winter wheat crop, the magnitude of corn and soybean carryover stocks, and 1987-88 supply and demand figures. One of the most important estimates in those reports will be the estimate of soybean acreage.



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