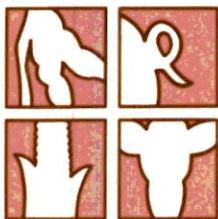




Cooperative
Extension Service
University of Illinois
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WEEKLY OUTLOOK

Department of Agricultural Economics
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USDA REPORTS INCLUDE A FEW SURPRISES

When the much anticipated USDA quarterly *Grain Stocks* and annual *Prospective Plantings* reports were released March 31, several numbers in those reports differed from those generally expected. Following is a review of the figures for corn, soybeans, and wheat.

Corn. The corn inventory on March 1 was estimated at 7.631 billion bushels, 617 million less than a year ago, but about 75 million more than the average trade guess reported before the USDA release. The stocks figure implies that the rate of feed and residual use of corn declined during the second quarter of the 1987-88 marketing year. The rate of use in that category for the first half of the year projects to total use for the year of 4.8 billion bushels. Before the report, USDA had projected use at 4.9 billion bushels.

In early March, U.S. farmers intended to plant 66.926 million acres of corn in 1988, 1.22 million more than planted a year ago. The average trade guess for that figure was 67.6 million acres. Most of the increase in acreage is expected in Illinois, Iowa, and Minnesota. Other Midwest acreage is expected to be slightly above last year's planting level, while acreage in the Southeast is declining. If intentions materialize and there are no serious weather problems, the 1988 crop projects to about 7.15 billion bushels, which would further reduce the corn surplus by 600 to 650 million bushels. Stocks would still be large by historical standards.

Soybeans. March 1 stocks of soybeans were estimated at 1.146 billion bushels, 193 million less than a year ago and nearly 30 million less than the average pre-report guess. The smaller-than-expected figure leaves a high level of unexplained soybean use during the first half of the 1987-88 marketing year. Apparently the 1987 soybean crop has been overestimated by 20 to 30 million bushels, and carryover stocks could be substantially less than the 315 million bushels currently estimated by the USDA. However, the seasonal pattern of seed and residual use of soybeans varies considerably, and subsequent stocks reports may not confirm an overestimate of the crop. If the crop has been overestimated and exports remain strong because of weather problems in South America, stocks at the end of the year could be around 275 million bushels.

The possibility of lower carryover stocks is made even more significant by the prospective plantings figure for soybeans. In early March, U.S. farmers reported intentions to plant 57.99 million acres of soybeans, only 575,000 more than seeded a year ago. The plantings figure fell about 1 million acres below the average expectation. Soybean acreage is expected to increase in the mid-South and Southeast and to be about unchanged in the Midwest. The largest change in acreage reflected in this report is the 400,000-acre reduction in Missouri.

If these intentions materialize and the growing season has no serious weather problems, the 1988 soybean harvest projects to about 1.88 billion bushels. At the current rate of use, stocks at the end of the 1988-89 marketing year would then decline to about 125 million bushels. With that prospect, weather problems during the growing season would fuel the current price rally. Without weather problems, however, the current higher price level would probably be adequate to ration the 1988 crop.

Wheat. March 1 stocks of wheat totaled 1.908 billion bushels, 342 million less than a year ago, but about 15 million above the average expectation. Winter wheat seedings are estimated at 48.59 million acres, about 200,000 less than a year ago, but 250,000 more than estimated in January. Soft red winter acreage is up from last year, while seedings of hard red winter wheat are down.

Spring wheat acreage intentions were estimated at 16.483 million, down 540,000 acres last year. Acreage of durum is expected to be up, while other spring wheat acreage is down.

The information in the USDA reports suggested that soybean prices will continue to rally. The rally may be moderated to some extent by the fact that prices have already moved sharply higher and by the expectation that soybean plantings will exceed intentions. The figures for corn had mixed implications. Large stocks may moderate the potential price strength associated with the lower-than-expected plantings figure. Weather now becomes the most important price factor.



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