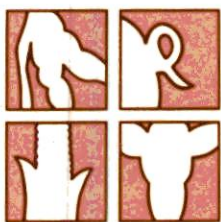




Cooperative
Extension Service
University of Illinois
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WEEKLY OUTLOOK

Department of Agricultural Economics
College of Agriculture
University of Illinois at Urbana-Champaign

July 6, 1988

GRAIN INVENTORIES EXCEED EXPECTATIONS

The USDA's *Grain Stocks* report for June 1, released on June 30, showed larger-than-expected inventories of corn, soybeans, and wheat. The largest surprise was the magnitude of corn stocks.

Corn inventories for June 1 were estimated at 5.833 billion bushels--500 million fewer bushels than inventories a year ago, but the second largest on record for June. The average prereport guess was near 5.6 billion bushels. The higher-than-expected stocks suggest that feed and residual use of corn declined sharply during March, April, and May. Yet prices during that period were very low, and livestock production was high. It appears that the obvious overestimate of corn use in the feed and residual category for the past 18 months is being corrected.

Feed and residual use of corn for the 1986-87 marketing year totaled 4.715 billion bushels, nearly 4 percent more than the previous record level reached in the 1979-80 marketing year and approached in the 1982-83 marketing year. That figure still appears too high in light of the magnitude of feeding of other grains and the level of livestock production. The USDA has been projecting feed and residual use of corn for the current marketing year at 4.9 billion bushels. Use through the first half of the marketing year projected to total use in this category for the year of 4.8 billion bushels. Use for 9 months now projects to annual use in this category ranging from 4.45 to 4.65 billion bushels. Given the higher price of corn, use may be at the low end of that range.

The inventory of corn on September 1, the end of the 1987-88 marketing year, will surely exceed the current projection of 4.1 billion bushels, even if exports exceed 1.7 billion bushels. But prospects of larger stocks will be overshadowed by weather conditions. An additional 200 million bushels in inventory is equivalent to about 3 bushels per acre of corn harvested. Continued dry weather could reduce the average yield by considerably more than 3 bushels.

Stocks of soybeans on June 1 totaled 655 million bushels, 22 percent less than stocks on the same day last year, but slightly higher than the average prereport guess of 620 million bushels. The higher-than-expected figure follows three consecutive quarters of lower-than-expected soybean stocks. The projection of soybean stocks for September 1 is not directly affected by the stocks figure for June 1 because the USDA was projecting a larger-than-normal residual disappearance of soybeans for the 1987-88 marketing year. Stocks for September 1 may exceed the current projection of 275 million bushels if high prices slow the rate of exports and domestic crush. The market, however, will continue to focus on weather and crop developments. Increased rainfall in western growing areas will tend to keep prices in check. The market recognizes that there is still a fairly large window of time for the soybean crop to recover and make respectable yields.

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The 1987-88 wheat marketing year ended with 1.266 billion bushels of wheat in inventory. That figure is about 30 million bushels above the USDA projection but is the smallest stocks figures for June 1 since 1982. The USDA will update its winter wheat production estimate on July 12. No significant changes from the figures for June are expected. In a special report, the USDA will assess the impact of the drought on potential spring wheat yields. That crop is expected to be significantly below the level of recent years. Wheat prices will be influenced by export bonus activity and the development of 1988 feed grain crops.

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