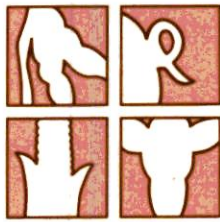




Cooperative
Extension Service
University of Illinois
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WEEKLY OUTLOOK

Department of Agricultural Economics
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QUARTERLY GRAIN STOCKS REPORT TO BE RELEASED NEXT WEEK

The importance of the USDA's *Prospective Plantings* report, to be released on March 31, has been much discussed. The focus on planted acreage of corn and soybeans in 1989 has overshadowed the *Grain Stocks* report, to be released on the same day. The estimate of corn and soybean stocks on March 1 is potentially important for both corn and soybean prices. For corn, the stocks figure will allow an assessment of feed and residual use of corn during the second quarter of the 1988-89 marketing year. For soybeans, the report will provide the basis for judging the accuracy of the 1988 production estimate.

First, a look at corn. Corn stocks on December 1, 1988, were estimated at 7.071 billion bushels. That figure implied that feed and residual use of corn during the first quarter of the marketing year totaled 1.34 billion bushels, down 10 percent from the same quarter the previous year. As a result of that report, the USDA lowered its projection of feed and residual use of corn for the entire marketing year by 200 million bushels, to a total of 4.3 billion bushels. That figure is 435 million bushels less than feed and residual use in the 1987-88 marketing year.

Feed and residual use of corn during the first quarter of the 1988-89 marketing year was the third largest on record and only 3 percent less than during the first quarter of the 1986-87 marketing year. Use for the entire 1986-87 marketing year exceeded 4.7 billion bushels--nearly as much as was used in that category last year. Some observers believe that the USDA projection for the current marketing year is too low. The stocks report will allow a reevaluation of the feed and residual projection. Here's how to interpret the report.

Based on the rate of domestic processing use of corn during the first quarter of the year, use during the second quarter is estimated at 280 million bushels. Based on weekly export inspection figures, exports of corn and corn products are estimated at 536 million bushels for the quarter. Over the past 5 years, feed and residual use during the first half of the year has ranged from 60.6 to 62 percent of the total. If that pattern holds this year, and the projection of 4.3 billion bushels is correct, second quarter use should be between 1.266 and 1.326 billion bushels. Based on these projections of use the March 1 stocks figure should be between 4.929 and 4.989 billion bushels, if feed and residual use is on target for reaching 4.3 billion

bushels for the year. A stocks figure below 4.875 billion would be friendly, while a figure above 5.0 billion bushels would probably have a negative impact on prices.

Based on export estimates from the Bureau of the Census and the USDA, soybean exports during the second quarter of the year should be near 197 million bushels. Based on crushing estimates from the Bureau of the Census and the National Soybean Processors Association, the domestic soybean crush during the quarter should be near 290 million bushels. Apparent seed and residual use of soybeans was very large during the first quarter of the marketing year. Typically, 70 percent of seed and residual use occurs during the first half of the year. Use during the second quarter this year should be a relatively small 6 million bushels.

Use of soybeans for all purposes during the second quarter of the 1988-89 marketing year is expected to be close to 493 million bushels. Soybean stocks on December 1, 1988, totaled 1.367 billion bushels. March 1 stocks, then, should be near 874 million bushels. A smaller figure would imply that the 1988 harvest was overestimated, while a larger figure would suggest an underestimate. Unless the March 1 stocks figure is substantially different than 874 million bushels, the price impact will be negligible.

The March 31 USDA reports have the potential to push corn and soybean prices out of the relatively narrow trading range of the past nine weeks. If prices continue to strengthen before the release of those reports, additional pricing of old and new crop corn and soybeans should be considered. Friendly reports and higher prices would provide the opportunity to add to those sales.



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