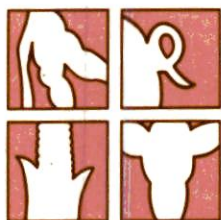




Cooperative
Extension Service
University of Illinois
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WEEKLY OUTLOOK

Department of Agricultural Economics
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USDA REPORTS PROVIDE MIXED PRICE SIGNALS

The USDA released the *March Grain Stocks* report and a *Prospective Plantings* report on March 31. The inventory of corn, soybeans, and wheat on March 1 was larger than expected. Intentions for planting corn and soybeans were less than expected, while spring wheat intentions exceeded expectations. A summary of the estimates for the three crops follows.

CORN. The inventory of corn on March 1 was estimated at 5.205 billion bushels, 32 percent less than was on hand a year ago, but 200 to 300 million bushels more than was expected. The figure implies that 1.867 billion bushels of corn were consumed from December 1988 through February 1989. Domestic processing use probably totaled about 280 million bushels, and exports totaled 536 million bushels. The remaining 1.051 billion bushels are allocated to the feed and residual category. That figure is 27.3 percent less than feed and residual use during the same quarter last year. Feed and residual use during the first half of the 1988-89 marketing year has totaled only 2.391 billion bushels, 18.6 percent less than a year ago and the smallest use since the 1983-84 marketing year.

The apparent magnitude of corn feeding is too low to be believable. Based on the average seasonal pattern of feed use over the past 5 years, the rate of use to date suggests that use for the entire marketing year will be only 3.9 billion bushels, compared to USDA's projection of 4.3 billion bushels and use during the 2 previous years of 4.7 billion bushels. One possible explanation for the apparent discrepancy is that feed use in 1986-87 and 1987-88 was overestimated due to an overestimate of the crop size, and use this year is underestimated due to an underestimate of the size of the 1988 crop. A second possible explanation lies with the seasonal pattern of feed and residual use. The seasonal pattern of feed and residual use over the past 5 years has been dramatically different than in the previous 8 years. Compared to the previous years, feed and residual use over the past 5 years has been much higher in the first half of the year and lower in the second half. If the earlier seasonal pattern returns, feed and residual use to date does project to 4.3 billion bushels.

Producers reported intentions to plant 73.253 million acres of corn in 1989, 5.6 million acres above last year's plantings. That figure is about 2 million bushels less than expected. If that figure materializes, about 66.3 million acres will be harvested for grain. If the U.S. average yield is 111 bushels per acre or less, stocks of corn

will continue to decline during the 1989-90 marketing year. A return to record yields near 119 bushels per acre would lead to a 500-million-bushel increase in carryover stocks.

SOYBEANS. March 1 stocks of soybeans were reported at 890 million bushels, 22.3 percent below last year's inventory and the smallest March 1 figure since 1977. The stocks figure was within the range of expectation, although slightly above the average expectation.

Soybean planting intentions were reported at 61.72 million acres, an increase of 2.85 million acres from planted acreage in 1988. The intentions figure implies harvested acreage of about 60.5 million. If yields rebound to a "normal" 32-bushel level, the crop will be near 1.94 billion bushels, about equal to the size of the 1986 and 1987 crops. A crop that large would probably lead to a rebuilding of carryover stocks.

WHEAT. March 1 wheat stocks totaled 1.22 billion bushels, nearly 37 percent less than stocks of a year ago, but just slightly more than expected. Stocks are at the lowest level since 1976. Winter wheat acreage was revised upward from the January estimate by 250 thousand acres to 54.73 million acres. Intentions to plant durum wheat totaled 3.855 million acres, 15.6 percent above last year's seedings. Acreage of other spring wheat is estimated at 15.699 million acres, up 17.2 percent from a year ago. Acreage of all wheat is estimated to be up 13.4 percent.

The negative impact of the *Grain Stocks* report will be moderated by the sharp price declines that occurred before the report was released. Even though the corn and soybean planting intentions were below expectations, new crop price increases will not be large due to improving moisture conditions.



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