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WEEKLY OUTLOOK

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GRAIN STOCKS EXCEED EXPECTATIONS AGAIN

USDA estimates of the June 1 inventories of corn, soybeans, and wheat exceeded the average of traders' expectations. This is the third consecutive report that has exceeded expectations. The margin of difference between USDA numbers and the projections of analysts was not as large as in the December and March figures. This report, however, will likely contribute to the growing discontent with apparent discrepancies in USDA estimates of production and stocks, particularly for corn. Following is a summary of the stock estimates and implications for wheat, corn, and soybeans.

WHEAT. June 1 wheat stocks totaled 694 million bushels, 45 percent below the level of a year ago but about 70 million bushels above expectations and about 80 million bushels above the USDA projection made earlier in the month. The stocks figure implies that feed and residual use of wheat during the last quarter of the 1988-89 marketing year was a negative 73 million bushels. Feed and residual use for the entire year apparently reached only 130 million bushels, only half the amount fed during the previous year and the lowest level of feeding in 8 years. The large stocks figure along with increasing harvest pressure will probably push wheat prices lower over the next few weeks. A revised estimate of the size of the 1989 winter wheat crop will be released on July 12.

CORN. June 1 stocks of corn were estimated at 3.419 billion bushels, 41 percent less than the level of stocks on hand last year. The stocks figure was at the high end of trade guesses and nearly 70 million bushels above the average guess. The stocks figure implies that feed and residual use of corn during March, April, and May totaled only 845 million bushels, 111 million bushels less than was fed during the same period last year and the lowest level for that period since 1975. Through the first three quarters of the 1988-89 marketing year, feed and residual use of corn totaled 3.255 billion bushels, 16.4 percent less than use during the same period last year and the lowest level in 11 years. During that same period, poultry production was record-large and hog production was three percent above the level of a year ago. Feeding of other grains and protein meals was also below the level of a year ago during the first three quarters of the 1988-89 marketing year.

Following the small crops of 1980 and 1983, feed and residual use of corn declined by 400 and 700 billion bushels, respectively. In both those years, livestock numbers and corn-feeding rates declined. This year, the entire decline is coming by way of

reduced feeding rates, as animal numbers are higher than a year ago. The extremely large apparent drop in corn feeding this year implies that the 1988 crop was larger than was estimated and/or the 1986 and 1987 crops were overestimated.

Weather will continue to be the most important price factor. The stocks figure, however, suggests that without weather concerns prices will continue to drift lower. An estimate of planted acreage of corn will be released on July 12.

SOYBEANS. June 1 soybean stocks totaled 465 million bushels, down 190 million bushels from the level of a year ago. Stocks are at the lowest level since 1977. The stocks figure was at the high end of trade guesses and about 10 million bushels above the average guess. The larger-than-expected stocks figure should result in a further narrowing of the premium of old crop prices over new crop prices, but weather conditions and the July 12 estimate of planted acreage will be the major price factors.

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