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SEPTEMBER GRAIN STOCKS—MORE SURPRISES

The USDA's quarterly estimates of corn and soybean stocks have become some of the most difficult estimates to forecast. The September 1 stocks estimates were released on September 28. For the fourth consecutive report, estimates for corn and soybeans were larger than expected. The September figures appear to confirm that the 1988 crops of corn and soybeans were larger than previously estimated. The estimate of wheat stocks was in the lower half of the range of expectations.

The stocks of old-crop corn on hand on September 1 totaled 1.93 billion bushels, 55 percent below the level of a year ago but 40 million bushels above the average trade guess and 75 million bushels above the USDA's projection released two weeks earlier. The relatively large stocks figure implies that summer corn feeding totaled 666 million bushels, 21 percent below the amount of corn fed last summer. Feed and residual use of corn for the entire marketing year totaled 3.925 billion bushels, 17 percent below the level of last year.

The apparent low level of feed and residual use of corn in the face of increased livestock production and lower levels of feeding of other grains and protein meals implies that the 1988 corn crop was larger than the current estimate of 4.921 billion bushels. The crop was likely well above 5 billion bushels. The larger-than-expected stocks figure may have been the deciding factor to keep the set-aside requirement at 10 percent for the 1990 crop rather than reducing the requirement to 5 percent. The USDA also announced that the 1990 Commodity Credit Corporation loan rate will be $1.75 per bushel, 8 cents lower than the 1989 rate. The target price is $2.75 per bushel.

September 1 soybean stocks totaled 182 million bushels, 40 percent below the level of a year ago but 27 million bushels more than projected by the USDA earlier in the month. The stocks figure was 10 million bushels above the upper end of the prereport trade guesses. The stocks figure implies that the 1988 soybean harvest was 20 to 30 million bushels larger than the current estimate of 1.539 billion bushels.

In contrast to the corn and soybean estimates, the estimate of September 1 wheat stocks was smaller than expected. At 1.911 billion bushels, the figure was 15 percent below the level of stocks last year and about 80 million bushels below the average trade guess. The small stocks figure implies that the feed and residual use of wheat during the summer months totaled 285 million bushels. Given the level of wheat prices in relation to other feed ingredients, that figure appears to be too large. The 1989 wheat harvest may have been less than the current estimate of 2.064 billion bushels.

The corn stocks figure is slightly negative for prices but will be overshadowed by the October 12 *Crop Production* report and by export developments. The pace of export sales has accelerated with sales to Mexico, Egypt, Japan, and South Korea. Rumors also circulated that the USSR could soon be in the market for as much as 3 million tons of U.S. feedgrains, mostly corn. Price strength before the October production estimate should be used to add to new crop sales. Considerable friendly news will be required to push December corn futures above $2.50 per bushel.

The soybean stocks figure is decidedly bearish. Combined with reports of better-than-expected yields and low levels of exports and domestic crush, the report will keep pressure on soybean prices. Initially, the market was able to remain above contract lows following the release of the report. Those lows may be in jeopardy, however, if the October production estimate is larger than the September figure.

The wheat stocks figure should support the recent strength in the wheat market generated by a new round of export sales and delayed seeding of the winter wheat crop. A near term rally should be used to price additional quantities of old crop wheat and some 1990 crop wheat. Strength in December futures at Chicago may be limited to the recent highs near $4.15. July futures could rebound to the $3.60 level due to lateness in seeding the winter wheat crop. Strength will be limited, however, by expectations that acreage will increase sharply due to program changes and attractive prices.

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