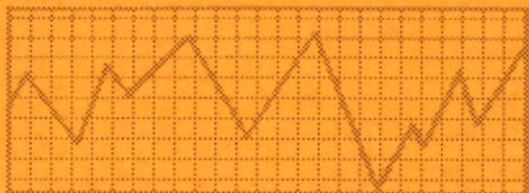




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WEEKLY OUTLOOK

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ANTICIPATING USDA GRAIN REPORTS

The USDA will release its quarterly *Grain Stocks* report March 30, revealing the level of inventory as of March 1. For corn, the stocks figure will allow an assessment of feed and residual use of corn during the second quarter of the 1989-90 marketing year. For soybeans, the report will provide a check on the accuracy of the 1989 production estimate. The USDA's *Prospective Plantings* report will also be released March 30. This report will shed some light on the prospective size of 1990 crops.

The corn inventory December 1, 1989 was estimated at 7,079 billion bushels. Exports of corn during December, January, and February reached record highs, totaling about 670 million bushels. The use of corn for seed, food, and industrial purposes probably totaled 297 million bushels. Over the past six years, feed and residual use of corn during the first half of the marketing year has ranged from 60.4 to 62.5 percent of the total for the year. The average was 61.3 percent. Currently, the USDA is projecting feed and residual use of corn for the year at 4.4 billion bushels. If that projection is correct, use during the December-February period should have been near 1.214 billion bushels. Total use during the second quarter of the 1989-90 marketing year should have been about 2.181 billion bushels, resulting in a March 1 inventory of 4.898 billion bushels. A larger figure implies a lower rate of feeding than currently projected and vice versa.

The soybean inventory December 1, 1989 totaled 1.61 billion bushels. Approximately 303 million bushels of soybeans were crushed during December, January, and February. An estimated 223 million bushels of soybeans were exported during the same three months. Seed and residual use of soybeans is highly variable from quarter to quarter. Over the past six years, seed and residual use during the first half of the year ranged from 67 to 100 percent of the total for the year. The average was 77 percent. Based on the current projection of seed and residual use for the year, use during the December-February period should have been near 12 million bushels. Total use during the quarter was probably near 538 million bushels, resulting in a March 1 inventory near 1.07 billion bushels.

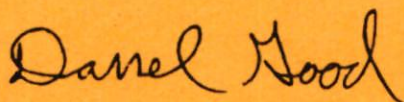
The *Prospective Plantings* report is expected to show producers' intentions to plant between 74 and 75 million acres of corn in 1990. The range of expectations, however, has widened in recent weeks. Acreage harvested for grain averages about 90 percent of planted acreage. Yield expectations for the 1990 crop have generally improved as more moisture has moved into the Midwest. A yield of approximately

120 bushels per acre is likely with favorable growing conditions. If the planted acreage estimate is within the expected range, the market will be thinking in terms of a 1990 crop between 8 and 8.1 billion bushels.

Soybean planting intentions are expected to be between 58 and 59 million acres. Typically, about 98 percent of the planted acreage is harvested. A normal growing season would result in an average yield of 33 bushels per acre. If acreage expectations are correct, the market will be anticipating a crop near 1.9 billion bushels.

Corn and soybean prices will obviously react to surprises in the March 30 USDA reports. Over the past 18 months, the stocks report has provided a number of surprises. In the case of corn, friendly reports might allow both May and December futures to break through the recent highs of \$2.60, providing a good opportunity to add to both old and new crop sales. Larger-than-expected numbers could see those contracts retreat to the \$2.45 area.

For soybeans, a friendly surprise could push May futures through the recent high of just over \$6.00. A move above \$6.20 to \$6.25, however, is not expected. November futures have run into resistance in the \$6.27 to \$6.28 level. A smaller-than-expected acreage figure would be required to push through that level. Bearish reports along with increased movement in South America could result in a \$0.20 drop in soybean prices.



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