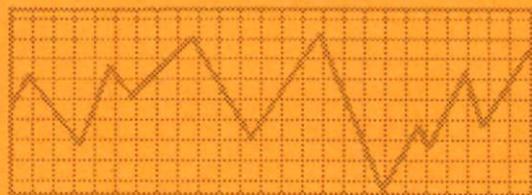




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# WEEKLY OUTLOOK

A joint publication of the Departments of Agricultural Economics, Colleges of Agriculture of Purdue University, West Lafayette, Indiana, and the University of Illinois at Urbana-Champaign

April 4, 1990

## **USDA REPORTS SUPPORT CORN AND WHEAT PRICE PROSPECTS, PRESSURE SOYBEANS**

USDA's *Grain Stocks* and *Prospective Plantings* reports, released March 31, contain no major surprises but are generally supportive for corn and wheat prices and somewhat negative for new crop soybean prices. Following is a summary of the reports and their implications.

**CORN.** March 1 corn stocks were estimated at 4.814 billion bushels, only about 55 million bushels below the average trade guess. The stocks figure implies that 1.288 billion bushels of corn were fed during the second quarter of the marketing year, an increase of 19 percent from the relatively low level of feeding last year. During the first half of the 1989-90 marketing year, feed and residual use of corn is progressing at an annual rate of 4.54 billion bushels. That is 140 million bushels above the most recent USDA projection. It now appears that corn usage for all purposes will reach 8.12 billion bushels, leaving carryover stocks of only 1.34 billion bushels.

Producers reported intentions to plant 74.8 million acres of corn in 1990, an increase of 2.5 million acres from plantings of a year ago. Increases in Indiana, Nebraska, and Ohio totaled 1.1 million acres. Acreage in the two largest corn-producing states, Illinois and Iowa, will apparently be unchanged from last year. With a good growing season, the 1990 corn crop will be near 8.1 billion bushels, an increase of more than 500 million bushels from the size of the 1989 crop. It is likely that a crop of that size will be used entirely and that stocks will remain at a low level at the end of the 1990-91 marketing year.

The USDA reports, in combination with good export demand, indicate that there will be little downside risk in corn prices over the next several weeks. Some additional strength is likely. July futures at \$2.75 and December futures near \$2.65 are realistic targets for additional corn sales.

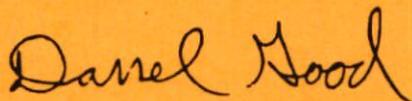
**SOYBEANS.** March 1 soybean stocks were estimated at 1.056 billion bushels, 20 million bushels less than expected but 165 million bushels above the inventory of a year ago. The stocks figure implies a large residual use of soybeans during the December-February period, but not large enough to question the 1989 crop estimate. Future stocks reports could show a negative residual. It still appears that ending stocks of soybeans will be burdensome, in excess of 300 million bushels.

Producers reported intentions of planting 59.4 million acres of soybeans in 1990, a decrease of 1.25 million acres from last year's plantings. The trade had anticipated a decline of 2.2 million acres. The intentions figure implies a 1990 harvest in excess of 1.9 billion bushels. A crop of that size would not allow any reduction in the soybean surplus during the 1990-91 marketing year.

Taken together, the USDA reports are not supportive for soybean prices. The market will look to South American developments and U.S. weather conditions for price direction. Current U.S. moisture conditions, as well as the 90-day forecast by the National Weather Service, are favorable for the 1990 crop. Soybean prices may be supported by higher corn prices, but the trend will probably be sideways at best.

**WHEAT.** March 1 wheat stocks stood at 944 million bushels, down from 1.23 billion bushels on March 1, 1989 and about 30 million bushels below expectations. The figure implies a high rate of wheat feeding even though prices were very high during the December-February period. The low stocks figure, however, may not result in a lower projection for year-ending stocks. It appears that exports will fall short of the 1.3 billion bushel projection. Spring wheat producers reported intentions to plant 20.35 million acres in 1990, down from 21.52 million acres planted last year. The estimate of winter wheat seedings was revised upward to 57.2 million acres, up from 55.1 million planted last year. Wheat seedings and seedings intentions imply a 1990 harvest of about 2.36 billion bushels. A crop of that size would allow for very little, if any, rebuilding of wheat stocks.

Wheat prices are expected to move slightly higher in the wake of these reports. Further price gains are expected over the next few months as export bonus activity resumes. Persistent dryness in the spring wheat areas could add to that strength.



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