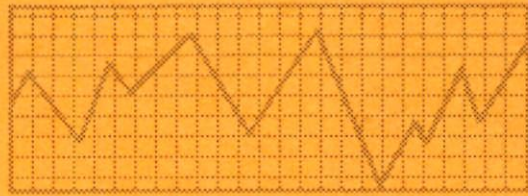




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WEEKLY OUTLOOK

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MORE CORN AND FEWER SOYBEAN ACRES THAN EXPECTED

On June 28, the USDA released its quarterly *Grain Stocks* report and an *Acreage* report. These reports set the stage for the grain markets for the remainder of the summer. Following is a summary of these reports and their implications for corn, soybean, and wheat prices.

June 1 corn stocks totaled 2.839 billion bushels, down 17 percent from stocks of a year ago and the lowest figure for that date in 5 years. The stocks figure implies that 1.023 billion bushels of corn were fed during the third quarter of the 1989-90 marketing year, an increase of 19 percent from feeding of a year ago. Corn feeding is progressing at a faster rate than projected by the USDA. Increased feeding of wheat this summer may reduce that rate, but historically there has been no correlation between summer wheat and corn feeding. September 1 stocks will probably be less than currently projected and at the lowest level in 6 years.

June 1 soybean stocks totaled 596 million bushels, up 28 percent from stocks of a year ago and in line with expectations. The unexplained disappearance of soybeans through the first three quarters of the marketing year is large. It appears that the 1989 harvest has been slightly overestimated. The very high rate of domestic crush in June suggests that stocks on September 1 will be less than the most recent USDA projection of 295 million bushels.

Stocks of wheat on June 1 were estimated at 535 million bushels, down 24 percent from stocks of a year ago and the smallest inventory for that date in 15 years. The figure, however, was about 80 million bushels above the latest USDA projection. The USDA had been projecting an extremely high rate of domestic feed use of wheat.

Planted acreage of all the major grain and oilseed crops is expected to be 3.9 million acres (1.6 percent) less than reported in March and nearly 4.4 million acres less than planted last year. Harvested acreage, however, is expected to be up by 4.8 million acres. Last year only 81 percent of the planted acreage of wheat was harvested, compared to the projection of 90.5 percent this year. In addition, about one million acres of the reduction in planting of oats represents a reduction in set-aside acres.

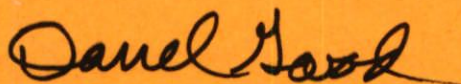
Planted acreage of corn is estimated at 74.57 million acres, down only 230,000 acres from March intentions and 2.28 million acres more than was planted last year. Compared to March intentions, corn acreage increased in the western Corn Belt and declined in the eastern Corn Belt. Except for

Illinois and Missouri, all of the major corn producing states increased acreage from last year. Harvested acreage of corn is projected at 67.1 million acres, down 2.33 million from last year. There is a strong possibility that harvested acreage will be less than projected due to plantings falling short of intentions and by widespread flood damage.

The weather outlook for July is very favorable for most of the Corn Belt. The effects of late planting, however, are difficult to evaluate. Current conditions point to a crop of about 7.8 billion bushels, only 3.5 percent above the 1989 harvest. A crop of that size will not allow for any rebuilding of inventories next year.

Planted acreage of soybeans is estimated at 58.05 million acres, down 1.4 million acres from March intentions and 2.6 million acres less than last year's plantings. Soybean acreage is at the lowest level in 14 years. History of previous wet springs suggests that actual acreage will be near the June figure. That history also suggests that the 1990 average yield will be below trend. The National Weather Service 90-day outlook shows temperatures above normal in the Corn Belt in August. The 1990 crop will probably not exceed 1.8 billion bushels and could be as small as 1.7 billion bushels. Stocks of soybeans will be reduced significantly during the 1990-91 marketing year.

The markets attention will continue to focus on weather conditions and crop prospects. In light of the current weather outlook, the small acreage of soybeans, and the relatively low level of soybean prices, there is greater potential for further price strength for that crop than either corn or wheat. The corn crop remains vulnerable to hot weather, however, and additional strength cannot be ruled out. Based on concerns about hot weather, corn and soybean prices moved sharply higher following the reports. Corn prices reached new highs and soybeans challenged the old highs. Wheat prices are expected to remain in a relatively narrow range through the summer. Opportunities to forward price corn and soybeans will be quite good over the next 5 weeks.



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