



WEEKLY OUTLOOK



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PROSPECTIVE PLANTINGS AND GRAIN STOCKS REPORTS

On March 28, the USDA released a *Prospective Plantings and Grain Stocks* report. Following is a summary of these reports and implications for corn, soybeans, and wheat prices.

CORN. Stocks of corn on March 1 totaled 4.789 billion bushels, 23 million bushels less than stocks on the same date last year. Corn stocks are at the lowest level in 6 years. The March 1 inventory figure implies that 1.372 billion bushels of corn were fed during the second quarter of the marketing year, an increase of 6.3 percent from the second quarter last year. Feed and residual use of corn during the first half of the marketing year totaled a record 3.023 billion bushels. Based on the quarterly distribution of feed and residual use of corn for the past 7 years, use to date projects to a total for the year between 4.84 and 4.93 billion bushels. The current USDA projection is 4.85 billion.

Producers reported intentions to plant 76.124 million acres of corn in 1991. That figure is 1.953 million acres above last year's plantings, but 1.376 million less than reported in the January survey. Corn acreage is expected to be up in most major producing states. The exceptions are New York, North Carolina, Pennsylvania and Texas. Several other states in the South showed intentions to reduce corn acreage.

Taken together, the reports for corn are supportive for prices. A major rally is not expected, but a move back to the upper end of the recent trading range is possible. The lower-than-expected acreage figure, will make prices very sensitive to weather conditions. Assuming a market for 8 billion bushels of corn, the 1991 average yield needs to be near 117 bushels per acre to keep stock levels about constant. The May-June period is seen as the best opportunity for pricing.

SOYBEANS. Stocks of soybeans on March 1 totaled 1.19 billion bushels, 135 million bushels larger than stocks of a year ago and the largest inventory in 4 years. The inventory is identical to expectations based on the known level of exports and crush so far in the 1990-91 marketing year.

Producers reported intentions to plant only 57.115 million acres of soybeans in 1991. That figure is 680,000 acres less than acreage planted last year, 1.385 million less than intentions

reported in January, and the smallest acreage since 1976. The intentions reflect a continuation of the reduction in soybean acreage in southern growing areas. Acreage in the mid-south and southeastern states will apparently be reduced by 1.5 million acres, while plantings in the midwest will increase by 1.85 million acres. The regional shift in acreage along with favorable growing conditions could result in record high average yields in 1991.

The reports are supportive for soybean prices, but are not expected to trigger a significant rally. Prospects of carryover stocks of at least 350 million bushels and ideas that acreage could exceed intentions will keep a lid on prices. Without weather problems, July futures will have difficulty moving above \$6.25 and November will find resistance near \$6.40 per bushel.

WHEAT. March 1 wheat stocks totaled 1.396 billion bushels, 450 million bushels above inventories of a year ago, but slightly less than expected. The stocks figure implies a record rate of wheat feeding during the third quarter of the marketing year. Stocks of wheat on June 1 (the end of the marketing year) may be slightly less than the current USDA projection of 957 million bushels.

Planted acreage of winter wheat at 51.033 million acres, is down nearly 6 million acres from seedings of a year ago. Producers reported intentions to plant 3.29 million acres of durum and 14.7 million acres of other spring wheat, down 8 and 12 percent, respectively, from seedings of a year ago. The decline in wheat acreage, along with prospects of lower winter wheat yields and a decline in harvested acreage as a percent of planted acreage all point to a sharp decline in wheat production in 1991. Substantial price recovery has already occurred in the wheat market. Further recovery will be limited unless or until a decline in world wheat production is confirmed.

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