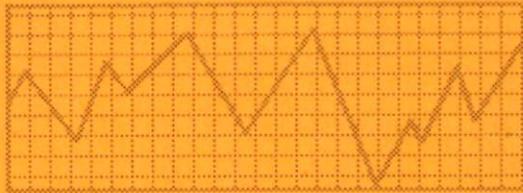




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WEEKLY OUTLOOK

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

OCTOBER 7, 1991

GRAIN STOCKS INDICATE SLUGGISH CORN AND SOYBEAN DEMAND

The USDA's quarterly *Grain Stocks* report is used to monitor the rate of use of grains and soybeans. The stocks report provides the only indication of the rate of domestic grain feeding. The report which was released on September 30, reported stocks as of September 1. The September report is particularly important for corn, sorghum, and soybeans, as it marks the end of the marketing year and the start of the next year.

The stocks of old crop corn on September 1 totaled 1.52 billion bushels, up 13 percent from stocks of a year ago. The amount of corn stored on farms declined by 8 percent, while commercially stored stocks increased 41 percent from stocks of a year ago. The report indicated that the use of corn for all purposes during the June-August quarter totaled 1.47 billion bushels, 2 percent less than use of a year ago. The decline reflected sluggish export demand.

For the 1990-91 marketing year, corn use was down 354 million bushels, or 4.5 percent, from use during the previous year. Processing use increased by 2.5 percent and feed and residual use increased by 5.5 percent. Exports declined by 632 million bushels, or 27 percent. September stocks were 10 million bushels less than projected in the USDA's September *Supply and Demand* report.

Stocks of other feed grains were generally smaller than stocks of a year ago. At 143 million bushels, sorghum stocks were 35 percent less, and at the lowest level in 10 years. The inventory of oats, at 282 million bushels, were 20 percent smaller. Stocks of barley, however, were up 7 percent, at 41 million bushels. The disappearance of other feed grains during the June-August quarter was down from last year's use. The decline totaled 33 percent for sorghum, 8 percent for oats, and 7 percent for barley.

Soybean stocks on September 1 totaled 329 million bushels, up 38 percent from stocks of a year ago and 9 million bushels larger than projected by the USDA. The use of soybeans during the 1990-91 marketing year totaled 1.83 billion bushels, 2 percent less than use during the 1989-90 marketing year. The domestic crush was 3 percent larger, but exports declined by 10 percent.

The stocks of wheat on September 1 totaled 2.04 billion bushels, down 15 percent from stocks of last year. That figure implies that summer wheat feeding totaled 395 million bushels, only slightly less than the record of a year ago.

The current stocks and crop production estimates indicate that corn and soybean supplies are adequate to meet the projected demand for the 1991-92 marketing year. Corn stocks on September

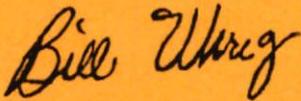
1, 1992, however, could dip below 1.1 billion bushels for the first time since 1984. The national average price of corn during the 1983-84 marketing year was \$3.21 per bushel.

There are two major differences between the current situation and the 1983-84 marketing year. First, production was more severely reduced by drought and early supply and demand projections for the 1983-84 marketing year projected corn stocks below 500 million bushels by the end of the year. As prices increased, however, use declined and ending stocks actually totaled 1 billion bushels. Feed and residual use declined by 15.5 percent from the previous year and total use declined by nearly 8 percent. Use during the current marketing year can equal that of last year and still provide a 1 billion bushel carryover. The need for price rationing is not the same as in 1983.

Second, over 3 billion bushels of corn were isolated from the market in 1983-84 in either the Farmer Owned Reserve (FOR) or in Commodity Credit Corporation (CCC) stocks. This corn was not available to the market at prices below \$3.00 per bushel. This year, there is no FOR and CCC stocks are less than 400 million bushels.

Current projections suggest that corn supplies are fully adequate. Future estimates, however, could show a smaller crop or an increased rate of use, particularly feed use. This means that corn may have to be stored into the summer of 1992 to realize the higher prices expected. The situation in 1992-93 could be quite different. Corn acreage will likely increase due to a smaller set aside requirement (5 percent versus 7.5 percent in 1991), but favorable weather will be required to maintain adequate supplies.

For soybeans, future crop estimates may be larger due to excellent yields in some areas. The U.S., however, is the major source of soybeans until the 1992 South American crop becomes available. Prices are expected to rally after harvest, and the best gains achieved by next February or March.



Issued by J. William Uhrig
Extension Economist
Purdue University

Cooperative Extension Service
United States Department of Agriculture
University of Illinois
At Urbana-Champaign
Urbana, Illinois 61801

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