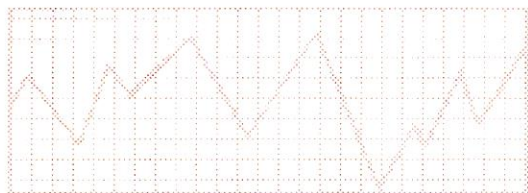




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WEEKLY OUTLOOK

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USDA REPORTS SUPPORT NEW CROP GRAIN PRICE PROSPECTS, PRESSURE OLD CROP PRICES

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

CORN: March 1 corn stocks were estimated at 4.559 billion bushels, 116 million bushels above the average trade estimate. The stocks figure implies that 1.3 billion bushels of corn were fed during the second quarter of the marketing year, down 5.6 percent from last year. During the first half of the 1991-92 marketing year, feed and residual use of corn is progressing at an annual rate of 4.9 billion bushels. That is 100 million bushels below the most recent USDA projection. It now appears that corn use for all purposes will reach 7.825 billion bushels, leaving carryover stocks of 1.2 billion bushels, 15 percent of last year's use.

Producers reported intentions to plant 79.0 million acres of corn in 1992, an increase of slightly over 3 million acres from plantings of a year ago. Iowa farmers reported plans to increase corn acreage by 800,000 acres. Increases of 200,000 acres were reported in Illinois, Indiana and Nebraska. The increase in corn acreage was widespread, with 35 states showing increased plantings, 4 states showing reductions, and 8 states with the same acreage as in 1991. With a good growing season, the 1992 corn crop could exceed 8.4 billion bushels, an increase of nearly 1 billion bushels from the size of the 1991 corn crop. Early projections indicate 1992-93 corn use of around 8 billion bushels. Corn stocks could exceed 1.6 billion bushels at the end of the 1992-93 marketing year.

While the corn stocks were generally larger than expected, they are not burdensome. The 3 million acre increase in 1992 corn acreage was anticipated and is less than earlier estimates made by private firms. The type of weather during the planting and growing season clearly becomes a dominant factor in future price prospects. For the next couple months, a weather premium of an addition 10 to 15 cents per bushel is likely. July futures at \$2.85 and December futures near \$2.75 are realistic targets for additional corn sales.

SOYBEANS: March 1 soybeans stocks were estimated at 1.177 billion bushels, only slightly larger than the average of pre-report estimates, and 13 million less than the inventory of a year ago. Exports are currently running 125 million bushels larger than last year, slightly larger than anticipated. During the next 4 months, soybean exports will encounter increased competition for South American production. It still appears that ending stocks of soybeans will be burdensome, in excess of 300 million bushels.

Producers reported intention of planting 57.4 million acres of soybeans in 1992, a decrease of 3 percent or 1.65 million acres from last year's plantings. If realized, this would be the lowest U.S. soybean acreage since 1976. With good growing weather, the intentions figure implies a 1992 harvest in excess of 1.9 billion bushels.

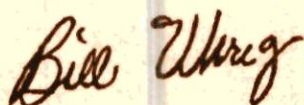
A crop of that size would not allow for much reduction in the soybean surplus during the 1992-93 marketing year.

The USDA reports are not very 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 1992 crop. Look for rallies of 20-30 cents to make additional sales, with August soybean futures around \$6.20 and November soybeans futures around \$6.30. If unfavorable weather conditions develop later in the growing season, these decisions can be offset by purchasing futures contracts or call options.

WHEAT: March 1 wheat stocks stood at 886 million bushels, down from 1.396 billion bushels last year, and the lowest March 1 stocks on record. The figure reflects the high rate of exports during the December-February period. The stocks indicate third quarter disappearance of 558 million bushels, up 9 percent from the same period a year ago. Stock on June 1, 1992 may fall to 380 million bushels.

The winter wheat seedings for 1992 are 50.3 million acres, 743,000 less than were planted in 1991. Durum wheat acreage seeded for 1992 is expected to total 2.54 million acres, down 22 percent from 1991. This would be the smallest area devoted to durum wheat since 1970. Other spring wheat planted for 1992 is expected to exceed 17.2 million acres, up 10 percent from 1991. Total wheat acreage is nearly the same as the 1991 acreage. Wheat seedings and seeding intentions imply a 1992 harvest of about 2.3 billion bushels. A crop of that size would allow for a modest rebuilding of wheat stocks.

Wheat prices have declined about 70 cents per bushel from early February peaks. While there are reports of severe damage to winter wheat in Illinois and Indiana, wheat is in generally good condition in the major wheat producing states. It would take additional weather problems to sharply boost wheat prices.



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