



WEEKLY OUTLOOK



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ANTICIPATING THE GRAIN STOCKS REPORT

The attention of the grain market will be focused on the USDA's *Acreage* report to be released on June 30. On the same date, the USDA will also release its quarterly *Grain Stocks* report. That report will indicate the magnitude of inventories on June 1 and will likely be most important for the corn market. The release of the corn stocks figure will allow the calculation of the level of feed and residual use of corn during the March-May period.

Calculations based on previous stocks reports show that feed and residual use of corn was record large during the first quarter of the marketing year (September-November, 1991). Use totaled 1.689 billion bushels, 3.2 percent above the previous record use of a year ago. During the second quarter of the year, feed and residual use was 1.288 billion bushels, 5.8 percent less than use during the same period last year and 3 percent less than the 6 year average for that quarter.

For the first half of the 1991-92 marketing year, feed and residual use of corn totaled 2.977 billion bushels, 27 million bushels less than use during the same period last year. For the entire marketing year, the USDA is projecting feed and residual use at a record 4.9 billion bushels, 231 million bushels more than was used last year. To reach that level, use during the last half of the year will have to total 1.923 billion bushels, an increase of 258 million bushels from use during the same period last year and 87 million bushels above the record level of use during that period in 1987.

Feed use of corn during the March-August period this year will be supported by increased livestock production, particularly hogs, and reduced wheat feeding. The magnitude of the reduction in wheat feeding this summer will depend heavily on the quality of the crop. To be on target for reaching 4.9 billion bushels for the year, feed and residual use of corn during the March-May period needed to be near 1.15 billion bushels. The June 1 corn stocks figure, then, needs to be near 2.66 billion bushels. Stocks on June 1, 1991 totaled 2.588 billion bushels. A stocks figure significantly different than 2.66 billion bushels could give some direction to the market, but will have to be taken in the context of the *Acreage* report and in context of the weather at that time.

The soybean stocks figure will not likely provide much new information to that market. Weekly reports on domestic crush and exports are available so that use is pretty well known. Seed and residual use of soybeans is unknown, but is a very small proportion of total use. Based on the weekly reports of use this year, June 1 stocks of soybeans should be near 695 million bushels, compared to stocks on the same date last year of 723.5 million bushels.

For wheat, the stocks report will reflect the inventory of old crop wheat on hand at the end of the 1991-92 marketing year. In last week's *Supply and Demand* report, the USDA projected those stocks at 423 million bushels, the lowest level for that date since 1974. The size of the 1992 wheat crop will obviously be more important than the magnitude of stocks on June 1. Last week, the USDA estimated the 1992 winter wheat crop at 1.537 billion bushels, 81 million bushels less than the May estimate and only 165 million bushels larger than the small crop of 1991. The 1991 crop was the smallest since 1978. The crop estimate was smaller than expected and many observers believe the actual crop size will be less than the current estimate because of late season weather damage. Wheat prices, however, have declined about 20 cents per bushel since the production estimate was released. The market recognizes that export subsidies can be adjusted to make export demand fit about any crop size.

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