

WEEKLY OUTLOOK



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THE MISSING ACREAGE HAS BEEN FOUND, WHEAT STOCKS EXCEED EXPECTATIONS

The USDA's much anticipated *Acreage and Grain Stocks* reports were issued on June 30. Planted acreage of the major crops exceeded the March intentions by 3.6 million acres, correcting the under counting of acreage in the earlier report. The larger acreage came mainly in corn, soybeans, and wheat. Cotton and rice acreage are slightly larger than intentions, while barley, oats, and sunflower acreage are slightly less than intentions. The stocks of corn and soybeans on June 1 were about as expected, but wheat stocks were larger than anticipated. Following is a summary of the reports and their implications for corn, soybean, and wheat prices.

CORN. Stocks of corn on June 1 totaled 2.739 billion bushels, 253 million bushels smaller than last year's inventory and the smallest June 1 stocks figure since 1984. The stocks figure implies that 1.06 billion bushels of corn were fed during the third quarter of the marketing year. Feed and residual use was 8.5 percent larger than during the same quarter last year and was at the highest level for the quarter since 1987. With a 5 percent larger inventory of hogs than last year and summer wheat feeding likely to be down sharply, feed and residual use of corn for the entire marketing year could easily reach 5 billion bushels. Stocks of corn at the end of the marketing year (August 31) may be close to 1 billion bushels, the lowest level since 1984.

Planted acreage of corn in 1992 is now estimated at 79.335 million acres, 328,000 above March intentions and 3.384 million above last year's plantings. Acreage is generally less than expected. Under normal conditions, about 71.8 million acres will be harvested for grain in 1992. It appears that the 1992 harvest will barely exceed 8 billion bushels unless ideal growing conditions emerge. Stocks of corn will not be accumulating during the 1992-93 marketing year.

Taken together, the June 30 reports are fundamentally friendly for corn prices. Near term weakness, however, cannot be ruled out if soybean prices falter. Over the next several weeks, weather rallies may push December futures to or above the contract high of \$2.75³/₄.

SOYBEANS. Stocks of soybeans on June 1 totaled 696 million bushels, extremely close to the average trade guess and about 28 million bushels less than stocks of a year ago. The current rate

of use of soybeans suggests that stocks at the end of the marketing year will not exceed the current estimate of 300 million bushels.


Planted acreage of soybeans is estimated at 59.03 million acres, almost identical to last year's plantings, 1.6 million above the March intentions, and well above the average trade guess. Compared to the March report, soybean acreage is up 500,000 acres in Illinois, 200,000 in Arkansas, and 150,000 in Indiana. So far, the soybean acreage estimates have followed last year's pattern -- smaller than expected in March and larger than expected in June. The final acreage estimate last year was 720,000 less than the June estimate. We believe that final acreage will be close to 58.5 million acres and harvested acreage will be near 57.3 million. It now appears that the 1992 crop will fall short of 1.9 billion bushels.

Soybean prices will likely come under immediate pressure due to the large acreage figure. November futures may take out the recent low of \$6.05 and perhaps move down to the \$5.90 level. Higher prices are expected as the summer progresses.

WHEAT. Stocks of wheat on June 1 (the end of the 1991-92 marketing year) totaled 472 million bushels, nearly 50 million bushels above the USDA's projection earlier this month.

Wheat acreage is now estimated at 72.327 million acres, 2.25 million above the March estimate. At 51.1 million, winter wheat acreage is about equal to that of a year ago. Spring wheat acreage is estimated at 18.76 million, 1.5 million above the March estimate and 3.15 million above last year's plantings. Durum acreage is at 2.47 million, down 780 thousand from last year's seedings.

Wheat prices are expected to decline following these reports. July futures could take out the recent low of \$3.38.



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