

WEEKLY OUTLOOK



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ANTICIPATING THE MARCH GRAIN STOCKS REPORT

On March 31, the USDA will release the results of its March survey of 1993 planting intentions and the estimate of grain stocks on March 1. Earlier in the month, expectations about corn and soybean acreage in 1993 were outlined. This letter is an attempt to put the estimate of March 1 inventories of corn and soybeans in perspective.

For corn, the March 1 inventory figure is important because it allows a calculation of the feed and residual use of corn during December, January and February. That calculation is used to evaluate the USDA's projection of feed and residual use for the entire marketing year. The distribution of feed and residual use of corn between the first half and last half of the marketing year has been fairly consistent since the 1983-84 marketing year, when a significant change in distribution took place. A much higher percentage of feed and residual use has occurred in the first half of the year since 1983-84. Over the past 9 years, use during the first half of the year has ranged from 60.4 to 64.3 percent of the total for the year. The average was 61.8 percent.

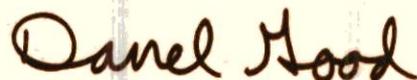
For the current marketing year, the USDA projects feed and residual use at 5.2 billion bushels. If that total is to be reached, use during the first half of the year should be between 3.14 and 3.34 billion bushels, based on recent patterns. Use during the first quarter of the year was estimated at 1.83 billion bushels. Use during the second quarter should be between 1.31 and 1.51 billion bushels if use for the year is on target to reach 5.2 billion bushels. Based on the weekly estimates of exports for the past quarter and the projected level of processing uses for the quarter, the March 1 inventory of corn should be between 5.6 and 5.8 billion bushels if feed use is progressing at the rate projected by the USDA.

The quarterly estimate of soybean stocks is somewhat less important than the estimate of corn stocks. There are weekly estimates of domestic use and exports of soybeans as well as monthly estimates from the Census Bureau. Since quarterly estimates of use are available, the soybean stocks estimate can be well anticipated. There is, however, a fair amount of variation in the seed and residual use of soybeans by quarter.

For the months of December, January and February, weekly estimates from the USDA show soybean exports of 271 million bushels. Estimates from the Census Bureau are available for the months of December and January. Those estimates show exports about 15 million bushels less than the USDA figures. Domestic crush figures are available from the Census Bureau for December and January and from the National Oilseed Processors Association for February. Based on those figures, the crush during the second quarter of the marketing year is estimated at 336 million bushels.

Seed and residual use of soybeans during the second quarter of the marketing year has averaged 22 million bushels over the past three years. Using that average as a projection for this year, soybean use during the second quarter should have been between 615 and 630 million bushels. March 1 stocks should be between 1.2 and 1.22 billion bushels.

The March stocks report will be important for prices only if the figures are significantly different than expected. If they are not, the market will focus on the acreage figures, weather conditions, and developments in Russia and the implications for U.S. grain exports. Both corn and soybean prices seem poised for at least a small seasonal rally into the spring and early summer months. Late last week, cash soybean prices in central Illinois moved to the highest level of the marketing year. Cash corn prices were at the highest level since early September 1992. Based on historical ranges from low price to high price during the marketing year, cash soybean prices in central Illinois could move to the \$6.00 level or higher during periods of weather concerns. Cash corn prices could move to the \$2.30 level, if weather concerns emerge.



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