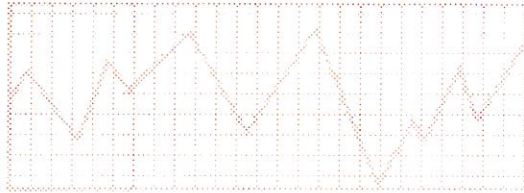




Cooperative
Extension
Service



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

APRIL 5, 1993

USDA REPORTS SUPPORT SOYBEAN AND WHEAT PRICES

The USDA's March *Grain Stocks* and *Prospective Plantings* reports were generally friendly for soybean and wheat prices and neutral for corn prices. Following is a summary of the reports and their implications for price prospects.

Soybeans. March 1 stocks of soybeans were estimated at 1.215 billion bushels, 38 million bushels more than stocks of a year ago. March 1 inventories were at a 6-year high, but were about 15 million bushels less than the average trade guess. Soybean disappearance during the second quarter of the marketing year totaled 621 million bushels, slightly above the previous record disappearance for the quarter established in 1986-87. Residual disappearance during the first half of the marketing year has been relatively large (depending on which export estimates are correct), suggesting that the 1992 crop may have been slightly overestimated. The stocks figure supported the market's expectation that stocks at the end of the marketing year will be less than the current USDA projection of 340 million bushels.

The *Prospective Plantings* report indicated that producers will plant 59.3 million acres of soybeans in 1993, slightly less than the 59.33 million planted last year. Based on current old crop prices of soybeans relative to corn, the market had anticipated planting intentions near 60 million acres. The lower than expected acreage figure probably reflects the fact that new crop soybean prices have not been as high in relation to corn prices as have old crop prices. Percentagewise, the largest declines in soybean acreage are intended in the smaller producing states of the southeast and in Texas. Intentions were down 100,000 acres in Illinois and up an equal amount in Indiana. The smaller planted acreage figure points to a 1993 crop of less than 2 billion bushels and a significant reduction in stocks by the end of the 1993-94 marketing year.

Wheat. March 1 stocks of wheat were estimated at 1.045 billion bushels, an increase of 158 million bushels from stocks of a year ago, but about 30 million less than generally expected. The figure implies a significant level of wheat feeding during the winter quarter.

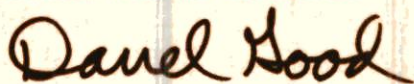
Intentions to plant spring wheat, other than durum, were estimated at 18.956 million acres, only slightly larger than last year's acreage of 18.698 million, and very close to market expectations. The major surprise in the report was the reported intentions to plant only 2.092 million acres of durum, about 455 thousand acres less than anticipated, and down from last year's seedings of 2.507 million.

In January, winter wheat seedings were estimated at 51.506 million acres. That figure was revised to 51.241 million in the March report. Acreage is essentially unchanged from last year, even though the set-aside requirement was reduced to zero for 1993. Acreage of all wheat is estimated at 72.289 million, virtually unchanged from that of a year ago.

Corn. The March 1 corn inventory was estimated at 5.679 billion bushels, 1.118 billion bushels above the inventory of a year ago and about 30 million bushels above the market expectation. The stocks figure implies that feed and residual use during the second quarter of the marketing year totaled 1.417 billion bushels, nearly 10 percent more than during the same period last year. Feed and residual use during the first half of the 1992-93 year was a record 3.242 billion bushels, nearly 9 percent more than use during the same period last year. Consumption to date is right on target to reach the USDA projection of 5.2 billion bushels.

Intentions for corn acreage in 1993 totaled 76.486 million acres, down from 79.325 million in 1992. The figure was about 900,000 acres above the market expectation, implying that producers do not plan to increase soybean plantings on corn "flex" acres. With favorable growing conditions, the acreage figure points to a crop of about 8.25 billion bushels in 1993, about 1.2 billion bushels less than the record 1992 crop. If consumption remains at current levels, stocks should be reduced at least moderately during the 1993-94 marketing year.

With the USDA reports now out of the way, the grain markets will focus on the details of the food aid package to Russia and on spring weather conditions in the Midwest. The seasonal recovery in corn and soybean prices which began about a month ago is expected to continue into the planting season. Periods of weather concerns could push July soybean futures in the \$6.30 to \$6.50 range, while July corn could move up to the \$2.50 level. July wheat at Chicago should manage a recovery back to the \$3.20 mark. Additional strength in these markets will have to come from more than just routine weather concerns.



Issued by Darrel Good
Extension Economist
University of Illinois

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

FIRST CLASS