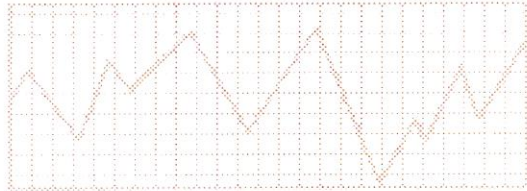




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WEEKLY OUTLOOK

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FOCUS ON MARCH 1 CORN STOCKS

This is the time of year when the corn market typically turns its attention from old crop considerations and begins to seriously focus on new crop prospects. That focus has begun as market participants ponder the likely magnitude of planted acreage and pursue the long term weather forecasters for insight into the 1994 growing season. This year, the extremely tight stocks of corn puts unique importance on the USDA's March 1 estimate of corn stocks, to be released on March 31. That estimate will allow the calculation of feed and residual use of corn during the winter quarter (December 1993-February 1994).

There is a significant difference of opinion about what the estimate will reveal about corn use during the winter quarter this year. Those expecting a large feed disappearance point to a number of convincing factors, including: a larger number of cattle on feed, even though placements slowed in December and January; increasing poultry production; poor quality corn in some areas which may have required higher feeding rates; and periods of extremely cold weather which also may have increased feed requirements per animal.

On the other side of the ledger are equally convincing arguments, including: reports of increased domestic wheat feeding; larger imports of feed wheat and barley from Canada; a smaller inventory of hogs reported on December 1, 1993; a statistical tendency for corn feeding rates to decline as prices rise; and an apparent 6.4 percent reduction in feed and residual use during the fall quarter, before corn prices increased significantly.

Anticipating quarterly feed and residual use of corn is complicated by the fact that all use in that category is by definition residual. In the case of the winter quarter, for example, the March 1 stocks figure is subtracted from the December 1 stocks estimate to find total corn use for the quarter. Export and processing uses are subtracted from total use to yield an estimate of feed and residual use. Any errors in the production estimate or estimates of other uses result in errors in the feed and residual figure. As a result, there can be significant "noise" in the quarterly estimates of feed use.

For the 1993-94 marketing year, the USDA has projected feed and residual use of corn at 4.8 billion bushels, nearly 9.5 percent below use of last year, but about equal to feed and residual use in the previous year. Use in that category during the first half of the 1992-93 marketing year totaled 3.247 billion bushels. A 9.5 percent reduction from that level would put use during the first half of this year at 2.939 billion bushels. First quarter use came in at 1.713 billion, so that second quarter use would total 1.225 billion, if the projected reduction has occurred. Under that scenario, March 1 stocks would total about 4.03 billion bushels. Such a number would likely put downward pressure on old crop corn prices.

If feed and residual use in the winter quarter declined from last year's use at the same rate as use in the fall quarter, March 1 stocks would be near 3.93 billion bushels. Stocks at that level would be supportive to old crop prices. Smaller figures would be proportionally more friendly for prices.

The March 1 soybean stocks figure usually holds less uncertainty. Based on known export and processing uses for the quarter and normal residual use, March 1 stocks should be near 995 million bushels. A significant deviation would suggest an error in the 1993 soybean production estimate.

The impact of the stocks report will be modified by the *Prospective Plantings* report. Some private analysts have lowered the projected acreage of both corn and soybeans from previous forecasts.



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