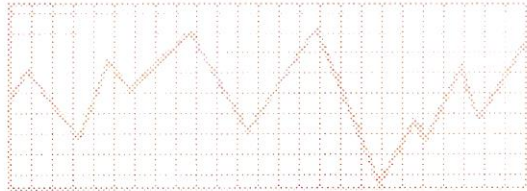




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WEEKLY OUTLOOK

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USDA RELEASES BENCHMARK REPORTS

The grain futures markets have trended irregularly lower since mid-January. Lack of new information, particularly positive information, is one of the causes behind sluggish prices.

The first indication of 1994 crop production was released on March 31 in the form of the *Planting Intentions* report. This survey was taken during the early stages of the sign-up period for the 1994 government programs. It is the best unbiased estimate of farmers' cropping plans for the year ahead. The actual plantings will be influenced by the weather during planting season and the price response to this report.

The report showed that corn growers intend to plant 78.6 million acres of corn for all purposes, up 5.3 million or 7 percent from last year. This is also 1 percent below the 1992 planted acreage of 79.3 million acres. The report indicated producers were cutting back on other feed grains. However, the area intended for harvest of oats is up 14 percent. Total planted acreage of feed grains, at 103.1 million acres, is 3.5 million acres larger for 1994, an increase of 3.6 percent. All of the major corn producing states registered increases of 8 to 9 percent compared to their 1993 acreage.

Soybean plantings are estimated at 61.1 million acres, up 1.76 million, or 3 percent. This is the largest soybean acreage since 1985. Winter wheat seedings for 1994 are 50.8 million acres, up slightly from the December estimate. Total wheat acreage for 1994 is expected to be 75.1 million acres, down 708,000 acres or 1 percent. About 1.5 million acres will be kept out of production in 1994 due to last year's heavy rains and floods in 9 Midwestern states.

The corn acreage was about 1 million below, and soybean acreage about 1 million acres above the average pre-report trade estimates. Corn was at the low end of the range of estimates and soybeans slightly above the high estimate. The immediate trade reaction to these reports was considered bullish for corn and wheat and bearish for soybeans. The larger soybean acreage appears to be the result of farmers switching flex acres from corn and wheat to soybeans.

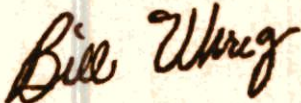
If farmers follow through on their plans, and favorable weather occurs, we can expect trend yields of around 122 bushels per acre and a 1994 corn crop of around 8.7 billion bushels. This would be large enough to exert downward pressure on the corn market, once the crop is assured. With a record South American soybean crop and a 3 percent increase in U.S. soybean acres, we can also expect lower soybean prices, if favorable weather occurs during the growing season.

The March 1 stocks of grain represents the half-way point of the 1993-94 marketing year. Corn in all positions totaled 3.99 billion bushels, 30 percent below stocks of a year earlier. For the period December 1993 through February 1994 corn disappearance was 1.94 billion bushels, 13 percent below the disappearance of 2.33 billion bushels during the second quarter of the 1992-93 marketing year. The report also showed an increase in wheat feeding.

Soybean stocks in all positions totaled 1.01 billion bushels, 17 percent below inventories of a year earlier. Indicated disappearance for the second quarter totaled 545 million bushels, 12 percent below the comparable period a year earlier. Disappearance during the first half of the 1993-94 marketing year totaled 1.09 billion bushels, 13 percent below the previous year.

The two important benchmark reports indicate there is no immediate shortage of corn or soybeans. Prices have been high enough (along with sluggish demand) to reduce use.

A continuation of these trends means USDA ending stocks estimates will be achieved or exceeded. There is a price premium due to the relatively low stocks level and potential unfavorable weather during the 1994 growing season. Farmers should make plans to complete sales of old crop corn and soybeans and forward price a large portion of their 1994 production on price rallies. With favorable weather during the planting and growing seasons, grain prices will be much lower by fall. If a drought should develop, you can offset your marketing decision by buying futures or call options.



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