Cooperative Extension Service

WEEKLY OUTLOOK

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USDA REPORTS WILL PROVIDE SOME DIRECTION FOR CROP PRICES

The corn and soybean markets continue to be dominated by weather and crop prospects. At the end of this month, the USDA will release its quarterly *Grain Stocks* report and its annual *Acreage* report. The estimates in both these reports will have significance for summer price direction.

As usual, the *Grain Stocks* report will be most important for corn. The stocks figure will reveal the level of domestic corn feeding for March, April, and May. The most useful exercise is to calculate what the June 1 inventory of corn would be if use was at the level projected by the USDA. Deviations from the calculation, then, give insight into potential price direction. For the 1993-94 marketing year, the USDA projects processing uses of corn at 1.6 billion bushels, a 5.9 percent increase from use of a year ago. During the first half of the year, use in that category was up 5.5 percent from use of a year ago. If the USDA projection is correct, use during the third quarter should have been near 428 million bushels, up 6.2 percent from use of a year ago. Based on weekly export inspection figures, exports during the quarter were near 263 million bushels, down 36 percent from the same period last year.

For the year, the USDA projects feed and residual use of corn at 4.825 billion bushels, down 9 percent from use of a year ago. During the first half of the year, use was down 8.8 percent. If the USDA projection is correct,use during the third quarter should have been near 1.05 billion bushels. Based on these calculations, the June 1 inventory of corn should have been near 2.26 billion bushels. That inventory would be 39 percent below the inventory of a year ago and the smallest June 1 figure since 1984.

For soybeans, the domestic crush during the third quarter was down about 2 percent from the crush of a year ago (based on Census Bureau figures for March and April and National Oilseed Processor Association estimates for May). The crush, then, should have totaled about 319 million bushels for the quarter. Weekly export inspection figures show a 29 percent decline during the quarter, so exports should be near 132 million bushels. With seed and residual use of 20 million bushels, total soybean use during the third quarter should have been near 471 million bushels. If so, June 1 stocks should have been near 535 million bushels. That figure is 22 percent below stocks of a year ago and the smallest June 1 figure since 1989.

In March, producers indicated they would plant 78.625 million acres of corn in 1994, an increase of 5.3 million acres from last year's plantings. Historically, there have been years when actual plantings deviated significantly from March intentions. Those year typically reflected large price changes between March and June and/or significant weather problems. This year, we expect the June corn acreage figure to be very near the March intentions figure.

In March, soybean producers indicated they would plant 61.115 million acres of soybean, an increase of 1.76 million acres from plantings in 1993 and the most acreage since 1985. As in the case of corn, there has been little in the way of adverse weather or relative price change that would point to a significant deviation from planting intentions.

While the June 30 reports will provide some insight into possible direction for corn and soybean prices, weather will continue to be the dominant price factor. The latest National Weather Service 6 to 10 day forecast for June 9 through 13 shows prospects for normal precipitation in much of the corn belt. Below normal precipitation is expected in Indiana and Ohio. Some private meteorologists expect a return of hot, dry conditions by the middle of the month. It appears that prices will continue to be volatile as long as the weather pattern remains uncertain. For a consistent price trend to develop, a stable weather pattern, dry of wet, would likely have to be established. The process of pricing crops could continue to be frustrating, but the window of production uncertainty over the next 2 months should provide good opportunities to price remaining old crop inventories, additional 1994 production, and perhaps, some of the 1995 crops.

Darrel Good

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

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