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

March 13, 1995

UPCOMING USDA REPORTS

On March 31, the USDA will release three reports that could influence the corn and soybean markets. The most important of these is probably the Prospective Plantings report. The planting intentions for both corn and soybeans are expected to be less than last year's acreage of 79.158 million for corn and 61.94 million for soybeans.

Reduced corn acreage is expected primarily because of the 7.5 percent Acreage Reduction Program (ARP) in 1995 compared to a zero APR last year. The magnitude of the reduction will depend heavily on the level of participation in the ARP and producers' cropping decisions for the "flex" acres. In Illinois, the rate of sign up in the ARP has been relatively slow, suggesting that participation could be lower than our earlier expectations of near 85 percent. New crop corn prices continue to favor planting of corn on set-aside acres, although soybean prices have strengthened enough to push the new crop soybean to corn price ratio a little higher. Soybean acreage is expected to decline as cotton acreage expands in response to extremely high prices. We expect to see corn plantings decline to about 76.2 million acres and soybean acreage to drop to about 61 million.

The March 1 Grain Stocks report will be especially important for corn prices. The report will allow a calculation of the domestic feed and residual use of corn during the second quarter of the 1994-95 marketing use. Apparent use during the first quarter was nearly 18 percent larger than use during the same quarter last year. For the year, the USDA projects use at 5.65 billion bushels, an increase of 20 percent from that of a year ago. For the past three years, feed and residual use during the first half of the marketing year has ranged from 60.9 to 62.8 percent of the total use for the year. The average was 61.6 percent. If the USDA projection is correct, and use is following the recent seasonal pattern, use during the second quarter should have been near 1.475 billion bushels, or about 18 percent above the level of use last year. A March 1 stocks figure near 5.62 billion bushels would indicate that feed and residual use is on pace with the USDA projection.

For soybeans, known and projected use during the second quarter of the marketing year points to a March 1 stocks figure near 1.44 billion bushels. At that level, March 1 inventories would be 41 percent larger than on the same date last year and 5 percent above the previous record March 1 stocks in 1986.

Finally, the March 1 Hog and Pigs report will be important for further evaluation of prospective feed and residual use of corn for the remainder of the marketing year. Most observers believe that herd liquidation this winter was more moderate than revealed by intentions last December. The December survey revealed intentions for spring farrowings to be reduced by six percent from farrowings of a year ago.

Beyond the USDA reports, prices will continue to reflect export prospects and weather forecasts. In its March Supply and Demand report, the USDA increased its forecast of corn exports for the current marketing year by 50 million bushels, to a total of 2 billion bushels. The increase, in part, reflects further deterioration in the South African corn crop. At the projected level, exports would be 51 percent larger than exports of a year ago and at the highest level in six year.

Little can be said at this time about yield prospects for the 1995 corn and soybean crops. Almost no one expects the record yields of 1994 to be repeated in 1995 so that stock levels will likely be reduced by the end of the 1995-96 marketing year.

Cash corn prices in central Illinois have recovered by $.50 per bushel from the extreme low experienced in October 1994. That is slightly less than the average price range during the 1989-90 through 1992-93 crop years and well below the $.89 range experienced last year. It is still expected that spring/summer weather concerns could add another $.10 to $.20 to the cash price of corn.

Cash soybean prices in central Illinois have recovered only about $.60 from the extreme low during the first week of October 1994. The smallest price range for any marketing year of the past 20 years was $.615 in 1985-86. History, then, suggests that spring/summer weather events could still add another $.20 to $.25 to the cash price of soybeans.

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