Cooperative Extension Service

# WEEKLY OUTLOOK

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## USDA REPORTS CONFIRM EXPECTATIONS

On January 16, the USDA released a number of reports relative to the grain market. These reports contained final estimates of the 1995 U.S. crops, estimates of December 1, 1995 U.S. stocks, an estimate of U.S. winter wheat seedings, and revised U.S. and world supply and demand projections. Following is a summary of the estimates and the implications for prices of corn, soybeans, and wheat.

CORN. The 1995 production estimate of corn was unchanged from the November estimate of 7.374 billion bushels. The final yield estimate declined by 0.2 bushels, to 113.5 bushels per acre, but the estimate of harvested acreage was increased by 200,000. Stocks of corn on December 1, 1995 totaled 6.101 billion bushels, 24.5 percent below the level of a year ago. The stocks figure implies 1.78 billion bushels of feed and residual use during the first quarter of the marketing year, 12 percent below use during the same quarter last year. The USDA raised its projection of feed and residual use for the year by 75 million bushels, to a total of 4.6 billion. That is 17 percent less than last year's use and implies that use during the last three quarters of the year must be 20 percent below use of a year ago.

The USDA's estimate of the 1996 harvest in Argentina is at 452 million bushels, 20 million less than the December estimate, but 35 million larger than the 1995 harvest. The projection of U.S. exports during the current marketing year was increased by 50 million bushels, to a total of 2.15 billion. Stocks at the end of the 1995-96 marketing year are projected at only 507 million bushels, representing about a 3-week supply. It is doubtful that stocks can be reduced to that level without an early harvest in 1996.

The extremely tight stocks situation should continue to support corn prices. Nearby futures are expected to remain above $3.50 for the next several weeks, but may not challenge the high near $3.75.

SOYBEANS. The estimate of the 1995 U.S. crop was decreased by 31 million bushels, reflecting a 0.5 bushel reduction in the average yield estimate and a decline in the harvested acreage estimate of 100,000 acres. December 1 stocks totaled 1.833 billion bushels, implying a record first quarter use of 658 million bushels. Even though use is running ahead of last year's pace, the USDA made minor downward revisions in the projections of domestic use during the current marketing year. Year ending stocks are now projected at only 190 million bushels, about equal to the level of stocks following the droughts of 1983 and 1988.

The projections of the 1996 Brazilian and Argentine crops were lowered slightly. Production in those two countries is projected at 1.304 billion bushels, 19 million below the December estimate and 80 million below the record harvest of 1995.

The USDA's projection of ending stocks in the U.S. represent a 1 month supply at the projected rate of use. That is generally considered a minimum level of carryover. Now that crop conditions have stabilized in South America, soybean prices are also expected to stabilize. Nearby futures are expected to remain above $7.00, but are likely to remain below $7.50 unless South American crop problems develop. The market will also begin to think more seriously about production prospects in the U.S. in 1996.

**WHEAT**. The final production estimate for 1995 was essentially unchanged, at 2.186 billion bushels. However, December 1 wheat stocks, at 1.338 billion bushels were larger than expected. As a result, the USDA lowered its projection of feed and residual use during the current marketing year by 25 million bushels, to a total of only 200 million bushels. The projection of exports was increased by 25 million, to a total of 1.225 billion bushels, leaving the carryover projection unchanged at 386 million bushels.

The estimate of the Argentine and Australian crops were unchanged from last month. The Argentine crop is projected at 312 million bushels, 23 percent smaller than the 1995 crop. The Australian crop is estimated at 625 million bushels, 90 percent larger than last year's drought reduced crop.

Winter wheat seedings in the U.S. are estimated at 51.96 million acres, up 3.234 million from last year's seedings. Of the major winter wheat states, acreage increased most in Montana (50 percent), Missouri (26 percent) and South Dakota (25 percent). Seedings increased by 170,000 acres (11 percent in Illinois) and 150,000 acres (21 percent) in Indiana.

Wheat prices will now take direction from winter wheat crop conditions. Expect further weakness in prices until more is known about the extent of winterkill.

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