



WEEKLY OUTLOOK

A joint publication of the Department of Agricultural Economics, College of Agriculture, Purdue University, West Lafayette, Indiana, and the Department of Agricultural and Consumer Economics, College of Agricultural, Consumer and Environmental Sciences, University of Illinois at Urbana-Champaign.

MARCH 11, 1996

UPCOMING USDA REPORTS IMPORTANT FOR CROP MARKETS

On March 29, the USDA will release three reports that could be of major significance to the corn and soybean markets. These include the March 1 *Grain Stocks* report, the *Prospective Plantings* report, and the March 1 *Hogs and Pigs* report.

The *Grain Stocks* report should be more important for corn than for soybeans. The market looks to the quarterly corn stocks estimate to measure the rate of domestic feed and residual use in the previous quarter. In this case, the March 1 estimate will reflect feed and residual use from December 1995 through February 1996. Reduced supplies mean that feed and residual use of corn must be reduced this year and the market will be extremely interested in the progress made in that direction.

There has been a fairly consistent seasonal pattern of feed and residual use of corn over the past decade. Use during the first half of the marketing year has ranged from 60.4 to 64.4 percent of the total for the year. The average has been 62 percent. If a "typical" pattern were followed this year, feed and residual use during the first half of the year would total 2.852 billion bushels, if annual use is progressing at the 4.6 billion bushel rate projected by the USDA. Use during the first quarter of the marketing year was estimated at 1.771 billion bushels. If the second quarter totals 1.081 billion bushels, March 1 corn stocks should be near 4.06 billion bushels. A smaller figure implies a faster rate of feeding than projected by the USDA. The market will also judge the stocks estimate in light of planned reductions in production recently announced by the poultry industry. Our projection is for March 1 stocks to be significantly smaller than 4.06 billion bushels.

The *Hogs and Pigs* report will also be extremely important for old crop corn prices. The number of hogs currently being fed and spring and summer farrowing intentions will help the market judge if sufficient rationing of corn is occurring. There is a general expectation that the number of market hogs on farms on March 1 was slightly smaller than the number one year ago due to breeding problems late last summer. There continues to be little evidence of liquidation of the breeding herd, so that farrowing intentions are expected to be as large or larger than farrowings of last spring and summer.

The *Prospective Plantings* report will be the first look at farmer's planting intentions for corn and soybeans in 1996. Those intentions will help the market evaluate prospective size of the 1996 corn and soybean crops. That judgement may change a number of times, depending on actual planted acreage and the nature of the 1996 growing season.

Forming expectations about farmers' corn and soybean planting intentions and actual planted acreage is probably more difficult this year than in most years. Commodity prices are high, there are no set-aside requirements, full planting flexibility is assumed, producers have the opportunity for an early out of some CRP (Conservation Reserve Program) acres, double cropping of soft red winter wheat acres with soybeans will likely be attractive, and some failed wheat acres may be reseeded to spring planted crops. In addition, spring weather conditions will influence the mix of crops.

Price and policy conditions are expected to lead to a sharp increase in the combined acreage of corn and soybeans. Over the past decade, the combined acres of corn and soybeans was largest in 1994, at 140.8 million acres. It is likely that the total will be exceeded this year. We look for the total to be close to 143 million acres. The majority of the increase from last year's total of 133.8 million will be in corn acres. Corn acreage was restricted last year due to the annual set-aside requirement.

In general, analysts have been projecting 1996 corn acreage in a range of 80 to 83 million (up from 71.2 million last year) and 1996 soybean acreage in a range of 61 to 63 million (compared to 62.6 million last year). Last week, one prominent private analyst was reported as projecting corn acreage at only 79.2 million and soybeans at 63.2 million.

If corn plantings reach only 79.2 million acres and the 1996 growing season produces a trend yield of 127 to 128 bushels per acre, the 1996 crop would total about 9.3 billion bushels. A crop of that size would result in only minimal rebuilding of corn stocks during the 1996-97 growing season if the U.S. hog herd avoids liquidation. Soybean plantings of 63.2 million acres and a trend yield of 37 to 38 bushels per acre would produce a crop of 2.3 to 2.36 billion bushels. Such a crop would allow soybean consumption to continue at the current rate and year ending stocks to increase slightly in the 1996-97 marketing year.

Darrel Good

Issued by Darrel Good
Extension Economist
University of Illinois

CES Newsletter Service
University of Illinois
at Urbana-Champaign
69 Mumford Hall
1301 West Gregory Drive
Urbana IL 61801

FIRST CLASS