Cooperative Extension Service

WEEKLY OUTLOOK

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USDA REPORTS MID-MARKETING YEAR STOCKS AND PLANTING INTENTIONS

The USDA reports released on March 29 provide an important benchmark on crop use for the current marketing year and the first indication of 1996 production. Stocks of corn on March 1, the midpoint of the marketing year, totaled 3.799 billion bushels, 1.8 billion (32 percent) less than were in inventory on March 1, 1995. The inventory was at the low end of the range of trade estimates. The indicated disappearance for December 1995 through February 1996 is 2.3 billion bushels, 8 percent less than the disappearance of 2.49 billion bushels during the same period a year earlier. The disappearance for the first half of the marketing year indicated that domestic use of corn has been largely offset by increased exports. The corn stocks on August 31, 1996, the end of the 1995-96 marketing year, are forecast to be a record low of 412 million bushels. The stocks to use ratio of under 5 percent is less than 20 day's use at current rates, and indicates a very tight supply situation.

Producers reported intentions to plant 79.9 million acres of corn in 1996. This is an increase of 12 percent, or 8.7 million acres, from the 1995 plantings. Illinois producers indicated intentions to plant 11.6 million acres, up 14 percent, while Indiana producers plan on planting 5.9 million acres, up only 9 percent from last year. The national estimate was over 1 million acres below the average trade estimate and at the low end of the range of estimates. With favorable growing conditions (producing a trend yield of 127 to 128 bushels per acre) the acreage figure points a corn crop of around 9.2 to 9.3 billion bushels, the third largest corn crop on record. However, strong world demand is likely to require 9 billion bushels or more, allowing for only a very modest increase in ending stocks in 1997.

Acreage planted to grain sorghum in 1996 is pegged at 10.6 million acres, up over 12 percent from last year. Barley acreage is expected to rise over 8 percent, to 7.2 million acres, while oats will decline 1 million acres to 5.3 million. Total feed grain acreage will increase 10 percent, or 9.4 million acres, in 1996, to 103 million acres.

March 1 soybean stocks, at 1.19 billion bushels, were down 13 percent, or 180 million bushels, from stocks of last year. Indicated use for the December 1995 through February 1996 quarter was 644 million bushels, down 12 percent from last year. Ending stocks on August 31 are expected to be near 200 million bushels, resulting in a stocks to use ratio of 8.7 percent — an ample supply.

Producers reported intentions to plant 62.5 million acres of soybeans in 1996. This coincided with the average estimate of trade analysts. Illinois producers plan to plant 9.75 million acres of soybeans, the same as last year. Hoosier producers indicated intentions to plant 4.8 million acres, 4 percent below their 1995 soybean acreage. With a U.S. trend yield of 36 bushels per acre, the acreage figure would produce around 2.2 billion bushels for 1996. With strong world demand and smaller world supplies, soybean supplies are expected to be tighter in 1996-97 than they are in the current marketing year.

The corn market has been trending higher since last August. Corn prices are currently setting new records. Cash prices have risen over $1.50 since harvest. With cash corn over $4.00 in central Illinois and Indiana, and near $4.75 in livestock areas in both the southwestern and southeastern U.S., livestock feeders are not covering total costs of productions. Red ink is starting to show up in feeding budgets. When riding a bull one should be prepared on how to dismount. The same advice applies in the commodity market. Rationing is occurring and will continue to take place in corn use. Current use trends indicate that the USDA projections of both feed and residual use and exports may be low, resulting in an impossible stocks number. Basis is expected to strengthen. The spreads (inversion) may also widen. For months, we have been advising livestock feeders who need to buy corn to physically get it on hand. It is impossible to pick the top of the market, but we expect corn and soybean prices to peak before planting time.

There is great temptation to lock in new crop corn prices over $3.00 and soybean prices over $7.00 for harvest delivery. These are higher than producers have seen for years. With normal production, they would provide very attractive returns. Some weather forecasts (with a probability around 70 percent) indicate that 1996 rainfall in the corn belt will be below normal. Such forecasts do not necessarily mean a drought, as timing of the rains will be very important. With low ending stock levels, any crop production problems would mean sharply higher prices. Until better information on the growing weather and 1996 crop potential is available, the risk of lower prices is offset by production risks. Any sales of 1996 crops should be protected with call options.

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