



WEEKLY OUTLOOK

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IMPORTANT USDA REPORTS TO BE RELEASED ON JUNE 28

On June 28, the USDA will release three reports that could have significant implications for corn and soybean prices. These reports include the *Acreage* report the June 1 *Grain Stocks* report and the June 1 *Hogs and Pigs* report.

Due to the lateness in planting this year's crop, a significant amount of acreage was not yet planted at the time the survey for the *Acreage* report was conducted. As of June 2, estimates suggest that only 86 percent of the corn crop and 45 percent of the soybean crop had been planted. The report will still provide very important information for the markets. First, the report will reveal the total combined acreage intended to be planted to corn and soybeans in 1996. With the change in farm legislation this year, the market has not been comfortable with previous estimates of the total acreage. The March survey of intentions revealed a combined acreage of corn and soybeans of 142.4 million acres. The World Agricultural Outlook Board (WAOB) increased that estimate to 143.5 million in May and lowered it to 143 million last week. Second, the report will reveal intended acreage for individual crops. Based on the total and the intended distribution of acreage, the market can make a better judgement about actual planted acreage. The report will provide a basis for estimating how many acres may be switched from corn to soybeans and how many acres may not get planted at all.

A corn and soybean yield estimate will not be available until August 12. Currently, the market has doubts that average yields can reach the levels projected by the WAOB — 126 bushels for corn and 36.7 bushels for soybeans. The U.S. September corn yield contract is currently trading at 120.5 bushels per acre. The history of late planted crops tends to support the market expectation.

The June 1 *Hogs and Pigs* report will be important to the crop markets, as it will provide another piece of information about the feed demand base. In general, the report is expected to confirm an over-estimate of the hog inventory on March 1. In addition, some liquidation of the breeding herd is expected to be revealed. The inventory numbers will be important in judging feed demand for the remainder of the 1995-96 marketing year and for the first half of the 1996-97 marketing year. A significant reduction of the breeding herd, along with beef cow liquidation, would suggest an erosion of the feed demand base for the 1996-97 marketing year.

The June 1 *Grain Stocks* report will be most important for corn. The inventory figure will allow a calculation of domestic feed use of corn during the third quarter of the 1995-96 marketing year. The USDA is currently projecting feed use for the entire year at 4.7 billion bushels, down 15 percent from the record use of a year ago. Use during the first half of the year totaled 3.13 billion

bushels, down about 11 percent from use of last year. If the USDA projection is correct, only 1.57 billion bushels of corn will be fed during the last half of the marketing year, 22.4 percent below the level of feeding during that same period last year. The decline will likely be the largest in the last quarter of the year, when other feeds are available. Based on the estimate of corn exports and processing use during the third quarter, a 20 percent reduction in feed use would have resulted in a June 1 inventory of 1.85 billion bushels. An estimate below 1.8 billion would probably be very supportive to old crop prices, while a number above 1.9 billion would be negative.

Based on the known level of exports and domestic crush, the June 1 inventory of soybeans should be near 655 million bushels. The seed and residual estimate of soybeans by quarter is not very stable. In addition, Census Bureau figures for crush and exports may differ somewhat from the weekly figures used in the calculations here.

After the reports are released and the information is incorporated into the price structure, the market will focus on summer weather. The rainfall this past weekend was heavier and more widespread than anticipated, further delaying the planting of some crops. July and August weather will have to be favorable to overcome the problems associated with late planting. In addition, a later than normal frost may be required for all crops to reach maturity.

Both corn and soybean prices are expected to remain generally high at least through July. Volatility will also likely continue to be quite high.



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