

# WEEKLY OUTLOOK

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## **HIGH PRICES STIMULATE CHANGES IN GRAIN STOCKS AND PROSPECTIVE PLANTED ACREAGE**

Two very important USDA reports were released on June 28 — the June 1 *Grain Stocks* report and the *Acreage* report. The stocks report provides an estimate of grain supplies as of June 1 and aids in updating demand estimates. The planted acreage report provides the first benchmark for calculating 1996 grain production.

Interest centered around the June 1 stocks of corn to see if the necessary rationing of use had occurred. Corn stocks were 1.718 billion bushels, 172 million below the average of pre-report estimates. This indicates additional rationing is needed. Soybean stocks were on target, at 623 million bushels, and are ample to provide needed supplies for the last quarter of the marketing year. Ending stocks may be smaller than the 190 million bushels previously projected for September 1, 1996. Wheat stocks, at 375 million bushels, were on the high end of the range of pre-report estimates. Ending stocks for the 1995-96 marketing year were 35 million bushels larger than previously projected.

The World Agricultural Outlook Board (WAOB) will update the supply and demand balance estimates on July 12. Some analysts are predicting a reduction in the projection of corn exports of 50 million bushels and an increase in feed and residual use of 120 million bushels. This would leave ending stocks on August 31 at 277 million bushels, less than 2 weeks supply. A more likely alternative is an increase of over 100 million bushels in wheat feeding. Wheat prices have fallen so that wheat is competitive with feedgrains. Wheat feeding, cancellation of export commitments, and early harvest of short season hybrid corn varieties are the ways the tight corn stocks dilemma will be solved.

The location of the corn stocks is also interesting. Stocks are concentrated in Iowa, Nebraska, and Minnesota. Iowa, with 410 million bushels, had 24 percent of the total supply. Nebraska and Minnesota together had another 24 percent. Corn in these states are at a freight disadvantage for merchandising in normal years. This means corn supplies in the eastern corn belt states will be extremely tight during the next two months. These states also lagged in getting corn planted for early harvest.

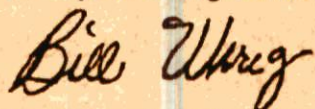
Grain prices rose sharply during May, resulting in an increase in crop acreage. Compared to the March planting intentions, feed grain acreage increased 1.6 million acres. Wheat acreage was up 2.5 million and soybeans 1.4 million acres. Crops experiencing major losses included oats (down 690 thousand), cotton (down 880 thousand), and sunflowers (down 250 thousand). Planted acreage for the major crops increased 2 percent from the March intentions, and is nearly 15 million acres, or 6 percent, higher than last year's acreage.



Data for the reports were gathered between May 29 and June 12. Adjustments in the planting estimates may be needed because of planting delays caused by excessive rainfall. The survey indicated that 91 percent of the estimated corn acreage and 53 percent of the soybean acreage were planted at the time of the survey. On June 16, an estimated 3.6 million acres of corn were unplanted. Indiana accounted for 1.3 million acres and Illinois 800,000 acres of the total. Compared with March intentions, the June corn acreage estimate was down 400,000 acres in Illinois and 100,000 acres in Indiana. Corresponding changes in soybean acreage indicate only 150,000 acre increase in Illinois and 200,000 acre increase in Indiana. The National Agricultural Statistical Service (NASS) will conduct updated surveys in late July. The states to be resurveyed include Illinois, Indiana, Iowa, Kansas, Missouri, Ohio, South Dakota, and Wisconsin. Changes in the estimates of planted or harvested acres will be shown in the August *Crop Production* report released on August 12.

Nationally, corn planted for all purposes is estimated at 80.4 million acres, up 13 percent from last year's acreage. Corn growers expect to harvest 74.1 million acres for grain, up 14 percent from 1995. Harvested acreage is over 92 percent of planted acreage, which is high by historical standards. The revisions may show only 79 million acres planted and 72.5 million acres harvested for grain. Production also hinges on the U.S. average yield, which is highly dependent upon July and August weather. The USDA has been using a trend yield of 126 bushels per acre. With delayed planting and the cool, wet spring, it would take excellent weather to achieve trend yields. Regression analysis of other years of late planting indicated a national average yield of 120.6 bushel per acre is more likely. The difference between the two harvested acreage and average yield scenarios is 600 million bushels. This could make the difference between another year of very tight supplies or one of a modest accumulation of stocks.

U.S. soybean growers planted or intend to plant 63.9 million acres in 1996, up 2 percent from 1995. Area to be harvested is estimated at 63.1 million acres, up 2 percent from last year. Look for soybean acreage to increase around 1.5 million acres in later reports. The USDA is using 36.7 bushels for a trend yield, the third highest on record. There are various combinations of harvested acreage and national average yield to produce a soybean crop of 2.3 billion bushels. A smaller crop would require further rationing of use and higher prices. In addition, the U.S. may be the main source of soybeans for export during January, February, and March 1997.



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