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WEEKLY OUTLOOK

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USDA REPORTS

On March 31, the USDA will release two important reports -- the March 1 *Grain Stocks* report, and the *Prospective Plantings* report. The estimate of the March 1 inventory of corn will be especially important as it will reveal the rate of feed and residual use of corn during the period December 1996 through February 1997. Recent price action in the corn market suggests that the market anticipates the report to show a high level of use during the second quarter of the 1996-97 marketing year. Those expectations have been fueled by an increase in the number of cattle on feed, expansion in broiler production, and some likely expansion in hog numbers. In addition, the poor quality of corn in the eastern corn belt is thought to have increased feeding rates per animal.

Feed and residual use during the first quarter of the year totaled an estimated 1.945 billion bushels, second only to the 2.019 billion bushels of 1994. For the past three years, first quarter use ranged from 36.2 to 37.4 percent of the total for the year. The average was 36.7 percent. In the five years prior to that, first quarter use ranged from 34 to 35.1 percent of the total, averaging 34.5 percent. First quarter use this year represents 37.4 percent of the USDA's projection of 5.2 billion bushels for the year. However, first quarter use may have included more than normal amounts of new crop corn fed in August. The March 31 report will shed some light on this issue.

Feed and residual use during the first half of the marketing year for the ten years prior to last year ranged from 60.4 to 64.4 percent of the total for the year. The average was 62.2 percent. Last year's unusual situation resulted in 66 percent of total use occurring in the first half of the year. If the USDA's projection of 5.2 billion bushels is correct, and feed and residual use is following a "normal" pattern, second quarter use would be 1.29 billion bushels, about 60 million less than fed in the same quarter last year. Use during the last half of the year would then be 367 million bushels (23 percent) larger than use of a year ago. Assuming more than a normal amount of new crop corn was fed in August, first half use may be nearer 64 percent of the total for the year. If so, second quarter use would be near 1.383 billion bushels, or about 30 million more than during the second quarter last year, if the USDA projection is correct. Based on estimates of exports and processing use of corn during the second quarter, feed and residual use of 1.383 billion bushels would result in a March 1 stocks estimate near 4.59 billion bushels.

The *Prospective Plantings* report will provide the first information for projecting the size of the 1997 harvest for all spring planted crops. In addition to revealing planting intentions for individual crops, the report will be important in that it will reveal any change in total planted acreage. In 1996, planted acreage of all non-hay crops totaled 273 million acres. Plantings of grain, oilseeds, and

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cotton totaled 268 million acres. In addition to the normal double cropping of soybeans, the 268 million acres also included some double counting of crops planted following the failure of winter wheat in many areas. The margin between planted and harvested acreage of winter wheat increased from 7.7 million acres in 1995 to 12.3 million in 1996. Much of the abandoned acres were planted to sorghum. Sorghum acreage exceeded March intentions by 2.6 million acres. Corn was also planted on some failed wheat acres. In the eastern corn belt, some acreage went unplanted in 1996 due to excessive moisture. Nationally, the combined acreage of corn and soybeans (143.7 million) was about one-half million acres less than June intentions.

The USDA has already revealed a 3.76 million acre reduction in winter wheat seedings, making room for an increase in acreage of other spring planted crops. Based on current prices and trade talk, the report is expected to show a reduction in spring wheat seedings, an increase in corn acres (particularly in the eastern corn belt), and an increase in soybean intentions in the western corn belt and northern plains. The planting flexibility that producers enjoy makes it difficult to anticipate acreage of individual crops. Expectations for corn seem to be in the area of 81 to 81.5 million (up from 79.5 million in 1996). Expectations for soybeans seem to be centered on 65 million acres. Combined acreage of 147 million or more would be the largest since 1984. The largest combined acreage of the last 20 years was 154 million acres in 1980.

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