



WEEKLY OUTLOOK

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UPCOMING USDA REPORTS IMPORTANT FOR CORN PRICES

Corn futures have declined by \$.40 to \$.50 from the highs reached in early April. The cash price of corn in Central Illinois has dropped about \$.35 from the April high near \$3.00 per bushel. For the past two weeks, prices have traded in a fairly narrow range, suggesting that the market is now searching for direction. Three upcoming USDA reports will provide some important fundamental information for the corn market.

The first of these is the June 1 *Hogs and Pigs* report, to be released on June 27. That report will reveal the current inventory of hogs and producers' intentions for farrowings for the period June through November 1997. The numbers in the report will provide some insight on the demand for corn for feeding during the last quarter of the 1996-97 marketing year and the first half of the 1997-98 marketing year. In March, the report indicated that the inventory of market hogs on March 1 was 1 percent smaller than the inventory of the previous year. The breeding herd was 1 percent larger. Recently, pork production has been running about 2 to 3 percent above production of last year. The June 1 report is expected to reveal plans for a modest rate of expansion in hog production over the next year. Combined with the large number of cattle in feedlots and the expansion in poultry production, larger hog numbers would be very supportive for corn demand prospects.

The other two reports, *Grain Stocks* and *Acreage*, will be released on June 30. The *Grain Stocks* report is important in that it will reveal the magnitude of domestic corn consumption for the period March through May 1997. That information can be used to project domestic use for the June through August period and the level of stocks at the end of the marketing year.

For the year, the USDA has projected seed, food, and industrial use of corn at 1.67 billion bushels, 4.5 percent above use of last year. During the first half of the year, use was estimated at 777 million bushels, 4.5 percent less than during the same period last year. To reach the USDA projection, use during the last half of the year needs to be 893 million bushels, 13.8 percent above use of a year ago. To be on pace, use during the third quarter should have been near 450 million bushels.

Feed and residual use of corn for the year is projected at 5.325 billion bushels, 13.4 percent above use of a year ago. Use during the first half of the year totaled 3.444, 11 percent above use of last year. To be on track with the USDA projection this year, corn feeding during the March through May period needed to be near 1.19 billion bushels. With exports estimated at

444 million bushels, for the quarter, total use would come in at 2.084 billion bushels, leaving June 12 stocks of about 2.41 billion bushels. A figure significantly different from that level would be important for old crop prices.

The *Acreage* report will provide an update on corn planted acreage for 1997. With an estimated 98 percent of the crop planted as of the first of June, the report should be a good reflection of actual plantings this year. In March, producers revealed intentions to plant 81.4 million acres of corn. Since 1980, there have been seven other years when corn planting proceeded at a very rapid pace. In four of those years, the June corn acreage figure exceeded the March intentions. The average increase was 811 thousand acres (in a range of 328 thousand to 1.456 million). The June figure fell below the March figure in three years, by an average of 1.14 million acres (in a range of 463 thousand to 1.53 million acres). Any deviation from the March figure this year is expected to be small, although history suggests there could be a surprise in the June number.

Once the June reports have been absorbed by the market, the prospect for the growing crop will become the single most important price factor. Some of the potential yield benefits from early planting may have been lost due to persistent cool weather. Recently, however, temperatures have been near normal and moisture plentiful for the most part. The National Weather Service forecast for the period June 19 through June 23 shows prospects for normal to below normal temperatures in most of the growing areas. Precipitation is expected to be near to above normal, except in Minnesota and parts of the Dakotas. As usual, July weather will likely make or break the crop.



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