



WEEKLY OUTLOOK

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USDA REPORTS CONTAIN SEVERAL SURPRISES

On June 30, the USDA released its quarterly *Grain Stocks* and annual *Acreage* report. The reports contained a number of estimates that fell well outside of the range of the pre-report expectations. Following is a summary of the estimates and the implications for prices.

Soybeans. June 1 stocks of soybeans totaled only 499 million bushels, about 16 million less than the average trade guess and the smallest inventory for that date since 1989. The small inventory figure implies that the 1996 crop was overestimated, perhaps by as much as 30 million bushels. That judgement, however, will have to wait on the September stocks report. Residual use during the final quarter of the marketing year has often been a negative number.

Actual and intended planted acreage of soybeans is now estimated at 70.85 million acres, 2.05 million more than March intentions, 6.64 million more than planted in 1996, and the most since 1982. Compared to March intentions, acreage increased by 400,000 acres in Iowa, Minnesota, and Missouri; 250,000 in Indiana, and 200,000 in Michigan and Ohio. Acreage declined by 200,000 in Arkansas, Illinois, and Nebraska. Using the USDA's estimate of harvested acreage of 69.826 million and a U.S. average yield of 38.5 bushels, the acreage figure projects a record crop of 2.688 billion bushels.

The reports for soybeans were thought to be supportive for old crop prices and negative for new crop prices. Depending on weather conditions over the next several weeks, November futures may be headed for the \$6.00 level. Old crop prices, particularly cash prices, should show smaller declines.

Corn. June 1 stocks of corn totaled 2.495 billion bushels, very close to the average trade expectation and 777 million bushels above the inventory on June 1 last year. The stocks figure implies a slowing of the rate of feed and residual use in relation to use of last year.

Planted acreage of corn is now estimated at 80.227 million acres, 1.189 million below March intentions and 1.545 million below the average trade expectation. Plantings are only 740,000 acres larger than last year's acreage. Compared to March intentions, acreage declined by 300,000 in Iowa, Minnesota, and North Dakota; 400,000 in North Dakota; and 200,000 in Ohio and Wisconsin. Plantings increased by 100,000 in Indiana, 300,000 in Kansas, and 400,000 in Nebraska. Sorghum acreage, at 10.268 million, is 397,000 below March intention and 2.92 million less than planted last year.

Using the USDA's estimate of 74.019 million acres of corn harvested for grain and a national average yield of 131 bushels per acre, the planted acreage figure projects to a crop of 9.7 billion bushels. That is about 145 million less than the projection based on March acreage intentions. A crop of that size would still allow for a significant increase in stocks by the end of the 1997-98 marketing year. Depending on weather conditions, the new estimates should result in a continuation of the narrowing of the old crop-new crop price spread. Without weather concerns, December futures should find resistance in the \$2.50 area.

Wheat. The June 1 estimate of wheat stocks totaled 444 million bushels, 16 million less than the USDA projection of June 12 and 22 million below the average trade guess. Stocks on June 1 were 68 million bushels larger than stocks of a year ago.

The big surprise in the report was the estimate of spring wheat acreage. At 19.155 million acres, plantings (other than Durum) were 1.38 million above the March intentions, 960,000 above the average trade guess, and only 881,000 less than seeded last year. At 3.27 million, Durum acreage is 85,000 above March intentions and 350,000 less than seeded last year. The report also contained a small increase in the estimate of winter wheat seedings. Acreage of all wheat is now estimated at 70.767 million, 1.589 million above March intentions and 4.872 million less than seeded last year. At 63.495 million, however, harvested acreage is expected to be up 645,000 from harvested acreage last year.

The surprisingly large spring wheat acreage estimate will allow wheat prices to continue the seasonal decline. July futures at Chicago reached a new contract low following the report.



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