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WEEKLY OUTLOOK

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ANTICIPATING USDA REPORTS

On March 31 the USDA will release two reports that could be very influential for corn and soybean prices. These are the quarterly *Grain Stocks* and annual *Prospective Plantings* reports. In addition, the *Hogs and Pigs* report on March 27 will be an important indicator of domestic feed demand through the end of the year.

The *Grain Stocks* report is most important for corn. The report released in January helped fuel a \$.25 rally in corn futures. The corn inventory estimate allows a calculation of feed and residual use for the previous quarter. Based on the apparent rate of use in the first quarter and the large domestic inventory of livestock, the USDA is projecting feed and residual use for the year at a record 5.85 billion bushels. The March 1 inventory estimate will reveal if use is still on track to reach that level.

There has been some variation in the seasonal pattern of feed and residual use over time. Over the past 14 years, use during the first half of the marketing year has ranged from 60.3 to 66.3 percent of the total for the year. The average was 62.4 percent. There appears to be a slight trend increase in that percentage. The average for the past 7 years was 63.4 percent and the average for the past 4 years was 64.2 percent. The influence of seasonal price patterns appears to be modest, except in 1995-96 when short supplies and high prices resulted in a sharp decline in feed use in the fourth quarter of the year. Excluding 1995-96, the average use during the first half of the year has been 62.1 percent over the past 14 years, 62.9 percent over the past 7 years, and 63.5 percent over the past 4 years.

Using the 4 year average, feed and residual use of corn during the second quarter of the marketing year should have been near 1.51 billion bushels if use is on track to reach 5.85 billion for the year. Based on weekly inspection figures, exports during the second quarter of the marketing year were near 375 million bushels. If processing use of corn is on pace with the USDA projection, use during the second quarter should have been near 430 million bushels. Based on these calculations, March 1, 1998 corn stocks should have been near 4.9 billion bushels, if use is on a track with projections. The market should react to any significant variations from that figure.

Quarterly soybean stocks are more predictable than corn stocks, but at this time Census estimates of exports are not available for January and February and the Census crush report is not yet available for February. In addition, the quarterly residual use can vary significantly from year to year. Based on available estimates of use, the March 1 inventory of soybeans should have been near 1.2 billion bushels.

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The *Prospective Plantings* report will be watched closely to see if total crop acreage (including fall seeded crops) will be larger than last year due to reduced acreage in the Conservation Reserve Program (CRP). Planting intentions for individual crops will be of obvious importance. Historically, the March planting intentions for corn has been a good indicator of actual planted acreage except in years of adverse spring weather conditions. The high correlation between intended and actual acreage reflected the influence of government programs. That influence is no longer present.

Over the past 7 years, planted acreage of soybeans has exceeded the intended acreage report in March. The difference has ranged from about one-half million to over 2 million acres. In the 16 years from 1975 through 1990, plantings exceeded intentions 8 times and fell below intentions 8 times.

Based on reduced seedings of winter wheat, likely reductions in spring wheat and cotton intentions, and increased acreage from the CRP, March intentions for both corn and soybean acreage are expected to exceed 1997 plantings. Last year, 80.227 million acres of corn and 70.85 million acres of soybeans were planted. Corn acreage was 720,000 above 1996 plantings, while soybean acreage increased 6.645 million acres. We expect March intentions to be near 81.5 million acres for corn and 72.5 million for soybeans. The total is nearly 3 million acres larger than plantings of last year. In addition, increased acreage of other oilseeds is expected to be reported in the traditional spring wheat areas.

Beyond the reports at the end of the month, the market will react to the rate of harvest of the South American soybean crops and prospects for the spring planting season in the U.S. Wet weather and delayed harvest in parts of South America are currently supporting U.S. prices, as are concerns about delayed planting in the southeast.

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