



WEEKLY OUTLOOK

A joint publication of the Department of Agricultural Economics, College of Agriculture, Purdue University, West Lafayette, Indiana, and the Department of Agricultural and Consumer Economics, College of Agricultural, Consumer and Environmental Sciences, University of Illinois at Urbana-Champaign.

MARCH 31, 1998

USDA REPORTS PROVIDE LITTLE PRICE SUPPORT

The much anticipated USDA March 1 *Grain Stocks* and *Prospective Plantings* reports were released on March 31. As usual, the numbers in these reports provide mixed signals for price direction. Following is a brief summary of the reports and implications for corn, soybean, and wheat prices.

CORN. March 1 corn stocks were estimated at 4.937 billion bushels, 443 million larger than stocks of a year ago and about 100 million larger than the average trade expectation. The stocks figure implies that feed and residual use of corn during the second quarter of the marketing year totaled about 1.5 billion bushels, equal to use during the same period last year. Second quarter use was a very low 68.4 percent of first quarter use, implying that the 1997 crop was overestimated by about 100 million bushels. Use during the first half of the year is about on pace to reach the USDA's projection for the year of 5.85 billion bushels. If that projection is in error, it probably is too high. The slow export pace suggests that the USDA's export projection for the year (1.625 billion bushels) is also too high. That projection will be updated on April 9. It now appears that corn use for the year will be near 9.2 billion bushels, leaving carryover stocks of 1.06 billion bushels.

Corn planting intentions were reported at 80.781 million acres, 554,000 more than were planted last year, but about 1 million less than the average trade expectation. Intentions are down about 550,000 acres in the eastern corn belt; down 200,000 in Nebraska; but up 300,000 each in Minnesota, North Dakota, and Texas and 200,000 in South Dakota. Intentions are unchanged from last year's acreage in Iowa. Intentions for other feed grains (sorghum, barley, and oats) total 20.949 million acres, 1.238 million less than planted last year. As a result, planting intentions for all feed grains are down 684,000 acres.

A Word of Caution. Planting intentions for all crops included in this report plus winter wheat seedings reported in January, total 3.7 million acres less than the acreage planted last year. With less CRP acreage, the total should be up by 1.5 million. This discrepancy leaves room to find considerably more planted acreage in June.

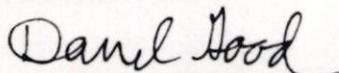
SOYBEANS. March 1 stocks of soybeans totaled 1.203 billion bushels, 146.8 million more than on the same date last year, but just slightly less than the average trade expectation. Feed, seed, and residual use of soybeans during the first half of the year was apparently large, at 152.5 million bushels. Since Census export figures are not available for February, that calculation is only an

estimate. The large residual suggests that the 1997 crop may have been overestimated, but not by more than 20 million bushels.

Soybean planting intentions were reported at 72 million acres, 1.15 million more than planted last year, 600,000 above the previous record acreage of 1979, and about equal to the average trade expectation. Intentions are unchanged from last year's plantings in Iowa; down 100,000 acres each in Kentucky, Louisiana, and South Dakota; up 100,000 acres each in Michigan, Minnesota, Missouri, Ohio, and Wisconsin; and up 400,000 acres each in Illinois and Nebraska.

WHEAT. March 1 stocks of wheat totaled 1.166 billion bushels, 345 million more than on the same date last year and about 30 million above the average trade expectation. Planting intentions for durum wheat were reported at 4.075 million acres, 825,000 more acres than were seeded last year, and about 475,000 more than expected. Intentions for other spring wheat were reported at 16.315 million acres, 3.082 million less than last year's seedings and nearly 1.3 million less than expected. Intentions for all classes of wheat are at 67.03 million acres, nearly 4 million acres less than were seeded last year.

The numbers in these two reports were generally interpreted as bearish for old crop corn and wheat prices and supportive for new crop corn and wheat prices. The soybean numbers were interpreted as neutral for prices. After the initial reaction, the market will have to come to grips with the discrepancy in the acreage totals. Spring weather conditions will also begin to move to the forefront. Prospects for a wet spring and some delay in corn planting may augment the support provided by the planting intentions figure. A good new crop pricing opportunity may present itself over the next 6 weeks. Soybean rallies will be more difficult. Planting delays will be interpreted as leading to even more soybean acreage. Old crop use is slowing as the record South American crop comes to market. Corn prices may provide some initial support for soybeans and an opportunity to do some additional pricing of old crop and new crop. New crop wheat prices could show modest strength. Rallies, however, will be limited by slow exports and favorable crop conditions.



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