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WEEKLY OUTLOOK

MARCH 8, 1999

MARCH USDA REPORTS

The USDA will release four reports in March that will have some degree of importance for corn and soybean prices. These include the monthly update of world supply and demand projections on March 11; the quarterly *Hogs and Pigs* report on March 26; the quarterly grain stocks report on March 31; and the *Prospective Plantings* report on March 31.

The monthly supply and demand report will likely be most important for the soybean market. The slow down in the rate of exports and domestic crush since the first of the year suggests that the projection of use for the current marketing year will be reduced again. If so, the projection of year ending stocks will grow, adding more cushion for any potential reduction in yield in 1999. In addition, it is generally expected that the estimated size of the 1999 South American harvest will be increased again. The crop estimate may exceed the record harvest of a year ago. Any changes in estimates for corn may be on the positive side. The current pace of export shipments and sales suggest that the projection of exports for the year could be bumped up again, resulting in a further decline in the projection of year ending stocks. Year ending stocks will be larger than stocks at the beginning of the year, but will not be large by historic standards, probably less than 19 percent of using during the year. The importance of the level of ending stocks will depend somewhat on the magnitude of corn planting intentions for 1999.

The *Hogs and Pigs* report will reveal the inventory of hogs as of March 1 and producers' production plans for the spring and summer quarters. In December, producers indicated intentions to reduce spring farrowings by 7 percent from the level of farrowings in 1998. Prospects for domestic demand for corn and soybean meal in the last half of the 1998-99 marketing year and much of the 1999-2000 marketing year will depend partly on the magnitude of hog production. Analysts appear to be divided in their expectations about the rate of liquidation of the breeding herd. Liquidation among the smaller, independent producers is expected to be significant, but the plans of the larger, integrated firms are less clear.

The quarterly *Grain Stocks* report will be most important for corn. The report will reveal the level of domestic feed and residual use of corn in the second quarter of the marketing year (December 1998-February 1999). The estimate of use in the first quarter was record large, 4.6 percent larger than use during the same quarter last year. For the year, the USDA has projected a 3.5 percent increase in feed and residual use of corn. If that

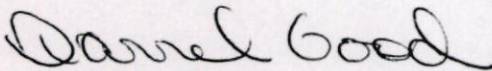
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projection is correct, use during the last three quarters of the year needs to be about 3 percent larger than use during the same period last year. Given the expectation of declining hog and cattle numbers, feed and residual use during the second quarter needed to be at least 4 percent larger than use of a year ago to remain on target for the USDA projection. A 4 percent increase would put second quarter use at 1.57 billion bushels, and require use during the second half of the marketing year to be 2 percent larger than use of a year ago.

The most important of the March reports will likely be the *Prospective Plantings* report. In general, analysts are expecting producers to reveal intentions to plant more soybeans and less corn in 1999. There is, however, a very wide range in those expectations. The 3.1 million acre reduction in winter wheat seedings opens the door for more spring planted crops. In addition, there is some expectation that some acreage intended for corn may be planted to soybeans because of the more favorable loan rate on soybeans. Other uncertainty centers around intentions for cotton, rice, spring wheat, and conservation programs.

Once the market absorbs the March reports, attention will focus on U.S. planting conditions and early crop development. The status of the La Nina weather pattern as of mid April may be an important indicator of growing season weather patterns in the U.S. and other northern hemisphere production regions. At a minimum, it appears that corn and soybean prices will be more two-sided than the most recent pattern of weakness. Attractive forward pricing opportunities are likely to emerge, particularly for corn.



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