



WEEKLY OUTLOOK

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IMPLICATIONS OF STOCKS AND PLANTINGS REPORTS

The USDA's March *Grain Stocks* and *Prospective Plantings* report contained a few surprises for corn and soybeans. Prices declined following the reports, not so much in response to the new information, but giving back some of the pre-report gains that were based on mostly technical signals.

Corn inventories as of March 1 were estimated at 5.696 billion bushels, 756 million more than stocks of a year ago, the largest March 1 inventory since 1988, and about 100 million bushels above the average pre-report estimate. On the surface, the stocks figure implies that feed and residual use of corn declined sharply in the second quarter of the marketing year. Apparent use during the quarter was 4 percent less than during the same quarter last year. Use during the first half of the year was only 0.8 percent larger than during the same period last year. The disappearance is not consistent with the increased number of livestock being fed. A more logical explanation is that the 1998 crop was larger than the current estimate of 9.761 billion bushels. Which explanation is correct makes little difference for the current marketing year, but is significant for developing a forecast of feed and residual use for the 1999-2000 marketing year.

Soybean stocks on March 1 totaled 1.458 billion bushels, 255 million larger than the inventory of a year ago and the largest March 1 inventory ever, but about 30 million bushels less than expected. The stocks figure implies seed, feed, and residual use of soybeans for the first half of the marketing year of 158.5 million bushels. Use in that category for the entire marketing year is projected at only 153 million bushels. Feed, seed, and residual use during the last half of the year is occasionally estimated as a negative figure, so that the apparent inconsistency may be reconciled in later reports. However, there is some likelihood that the 1998 crop was smaller than the current estimate of 2.757 billion bushels.

Intentions for corn plantings in 1999 were estimated at 78.219 million acres 1.97 million less than planted in 1998 and slightly less than the average pre-report estimate. The largest decline (500,000 acres) is intended in Texas, with other declines in Minnesota (300,000), Iowa and Nebraska (200,000 each), and Wisconsin (150,000). Acreage is also expected to be down in the south and southeastern growing areas by a total of 995,000 acres. Increased acreage is planned in Illinois (200,000) and in Indiana and Kansas (100,000 each).

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Intentions for soybean plantings in 1999 were estimated at a record 73.105 million acres, 730,000 above plantings of a year ago, but well below the average pre-report estimate. The largest increases are planned in Nebraska (500,000), South Dakota (450,000), and Iowa (400,000). Smaller increases are expected in Wisconsin (150,000) and Illinois and Michigan (100,000 each). Acreage is expected to decline by 600,000 acres in the south and south eastern growing areas and by 100,000 acres in Indiana.

Assuming a normal relationship between planted and harvested acreage and trend yields (130 bushels for corn and 40 bushels for soybeans), planting intentions point to a 1999 corn crop of 9.36 billion bushels and a soybean crop of 2.9 billion bushels. Corn consumption during the 1999-2000 marketing year will likely exceed 9.36 billion bushels so that year ending stocks will decline. In contrast, soybean consumption, even at extremely low prices, would fall short of 2.9 billion bushels, resulting in a further build-up of stocks.

The market is concerned that actual planted acreage of corn and soybeans could exceed March intentions. The conclusion is based on the fact that intended acreage for all crops (including hay) is 4.6 million less than planted in 1998. There is room to find more acreage in the June report. With an additional 1.0 million acres in the CRP this year, total acreage of all crops could be as much as 3.6 million larger than reported in March, or so it is argued. Part of that acreage is likely being seeded to canola, which was not reported in March.

The apparent net loss of acreage is coming in the south and southeast (990,000 acres), North Dakota (1.08 million acres), Texas (866,000 acres), and the northwest (440,000 acres). Intentions for all crops in the corn belt are down only 440,000 acres from acreage of a year ago. The geographical distribution of the "lost acreage" suggests that some land may remain idle in 1999 and, therefore, not be found in June. Still, there is room to find some additional acreage of corn and soybeans.

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