



WEEKLY OUTLOOK

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JULY 6, 1999

USDA REPORTS CONFIRM LARGE STOCKS, MORE ACRES

The USDA's June 1 *Grain Stocks* report released on June 30 generally confirmed the market's expectations about corn and soybean stocks. Wheat inventories were smaller than expected.

June 1 corn stocks were estimated at 3.616 billion bushels, about 19 percent larger than inventories of a year ago and the largest June 1 inventory in six years. The stocks estimate implies that feed and residual use during the third quarter of the marketing year was very close to the level of use during the same quarter last year. If fourth quarter use is also equal to that of a year ago, use for the year will be about 60 million bushels less than currently projected by the USDA. It appears, however, that exports will exceed the current projection of 1.875 billion bushels, suggesting that year ending (September 1) stocks will be only slightly higher than the current projection of 1.727 billion bushels.

June 1 soybean stocks were estimated at 850 million bushels, about equal to the previous record inventory for that date (1986). Stocks were 43 percent larger than on the same date last year. Seed, feed, and residual use of soybeans during the first three quarters of the marketing year totaled an unusually large 219 million bushels. Residual use is often estimated to be a negative amount in the fourth quarter of the year. Still, it appears that the 1998 soybean crop was slightly overestimated. The September stocks estimate should resolve the issue.

June 1 stocks of wheat were estimated at 945 million bushels, 24 million less than the USDA projection of early June. Based on the USDA weekly report of export inspections, exports of wheat during the 1998-99 marketing year may have been slightly larger than the projection of 1.050 billion bushels.

The June *Acreage* report estimated the planted acreage of principal crops at 328.12 million acres, 2.3 million less than planted in 1998. The March *Prospective Plantings* report suggested a decline of 4.6 million acres. With about 1 million more acres in the Conservation Reserve Program this year, crop acreage is down about 1.3 million acres. Compared to the March report, the June report showed an increase in acreage of hay, sorghum, soybeans, and cotton. Acreage declines were primarily in corn, wheat, and sunflower. Compared to last year, harvested acreage of principal crops is actually expected to be 1.15 million acres larger.

Planted acreage of corn is estimated at 77.611 million acres, 608 thousand less than reported in March and 2.576 million less than planted last year. The declines relative to last year are in the south (925,000), Texas (500,000), Iowa (400,000), Nebraska (300,000), South Dakota (250,000), Ohio (200,000),

Wisconsin (150,000), Michigan (150,000), and Minnesota (100,000). Acreage is up in Illinois (200,000) and Indiana (100,000).

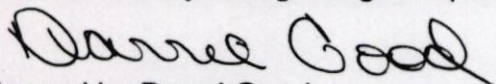
Corn acreage harvested for grain is projected at 71.039 million acres, only 1.565 million less than harvested last year. Unharvested acreage was large in Texas and the southeast last year due to the effect of dry weather. The USDA will make its first objective yield estimate in August. The estimated trend yield, near 131 bushels per acre, would produce a crop of just over 9.3 billion bushels, very close to the current annual rate of use.

Planted acreage of soybeans is estimated at a record 74.205 million acres, 1.1 million above the March intentions report and 1.83 million more than planted last year. Acreage is up 1.9 million in the western corn belt and 650 thousand in the eastern corn belt. Acreage is down by 5 percent in the rest of the country.

Harvested acreage of soybeans in 1999 is projected at 73.316 million acres, 2.505 million larger than harvested acreage in 1998. A trend yield of about 40 bushels per acre would produce a 1999 crop of 2.933 billion bushels. About 400 million larger than the current annual rate of use.

Harvested acreage of winter wheat is expected to total 35.649 million acres, 4.477 million less than harvested last year and the smallest since 1972. Harvested acreage of spring wheat, other than durum, is projected at 14.96 million acres, only 188 thousand less than harvested last year and more than the market expected. Harvested acreage of durum wheat is projected at 4.048 million, an increase of 320 thousand from harvested acreage of a year ago.

The market generally regarded the June 30 reports as a whole as neutral. Larger spring wheat acreage in the U.S. and Canada, along with reports of good to excellent soft winter wheat yields pushed wheat prices lower. Corn and soybean futures moved to contract lows on generally favorable weather and large crop prospects. Corn and soybean prices will continue to reflect weather and crop prospects for the next 8 weeks. The critical pollination period for the corn crop is underway and the National Weather Service 6 to 10 day forecast through July 15 shows prospects for very favorable weather conditions. Time for a weather rally is beginning to slip away.



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