



WEEKLY OUTLOOK



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CROP MARKETS CONTINUE TO FOCUS ON WEATHER

The USDA reports released on March 31 contained a few surprises. March 1 stocks of soybeans were smaller than expected; planting intentions exceeded expectations for corn; and spring wheat seeding intentions were smaller than anticipated. For the most part, however, the reports did not contain large enough surprises to divert the market's focus from weather and crop prospects.

Stocks of soybeans on March 1, 2000 totaled 1.397 billion bushels, 60 million less than stocks of a year ago and about 20 million bushels less than expected. The stocks figure implies a large "residual" use of soybeans during the first half of the marketing year. This large residual may imply that the 1999 crop is still overestimated, or some of the missing inventory may be found in later reports. For now, however, the market is expecting that the USDA will use the smaller than expected inventory estimate to reduce the projection of year ending stocks, perhaps below 300 million bushels.

March 1 stocks of corn totaled 5.606 billion bushels, 92 million less than stocks of a year ago and about 25 million more than expected. The stocks figure implies some slow down of feed and residual use during the second quarter of the year. Use during the quarter, however, was 2.5 percent larger than use during the same quarter last year and implies that use is on target to reach the USDA projection for the year at 5.65 billion bushels.

Producers reported intentions to plant a record 74.871 million acres of soybeans in 2000, 1.090 million more than planted last year and close to the average pre-report guess. The increase in acreage is coming in the western corn belt. Acreage in those 7 western states is estimated at 37.25 million, compared to 35.8 million last year. The largest increase, 500,000 acres, is planned in South Dakota. The western corn belt accounts for 49.8 percent of the acreage intended for soybeans, up from 45.1 percent in 1995 and 41.1 percent in 1990. Acreage in the eastern corn belt is expected to reach 24.17 million acres, only 70,000 more than planted last year. Intentions in Illinois are down 100,000 acres from last year's plantings.

The market generally expects actual soybean acreage to exceed March intentions, since that has been the tendency since 1987. In the past 13 years, actual soybean acreage has exceeded March intentions 11 times. Acreage fell below intentions only in 1989 and 1990. The margin of increase has ranged from 25,000 acres (1998) to 2.16 million acres (1991). The increase since 1996 (when farm policy changed) has ranged from 25,000 to 1.2 million acres, and averaged 905,000 acres.

Producers reported intentions to plant 77.881 million acres of corn in 2000. That exceeds last year's plantings by 450,000 acres, but is 2.284 million less than acreage planted in 1998. Intentions are close to last year's acreage in most states. The largest changes reported are for a 300,000 acreage increase in Illinois and South Dakota, and a 300,000 acre reduction in Nebraska.

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The March 1 estimate of winter wheat seedings came in at 43.245 million, 329,000 above the acreage reported in January, but 3.533 million less than seeded for harvest in 1998. Seedings of durum wheat are expected to total 3.61 million acres, 425,000 fewer acres than seeded last year. Intentions for other spring wheat were estimated at 14.809 million acres, 539,000 below last year's seedings. Intentions for all classes of wheat are estimated at 61.664 million acres, 1.15 million less than seeded last year.

Intentions for other major crops include a 1.7 million acre increase in cotton, a 440,000 acre increase in canola, a 506,000 acre decline in sunflowers, and an 815,000 acre reduction in sorghum. Intentions for feed grains (corn, sorghum, barley, and oats) total 96.944 million acres, 332,000 above last year's acreage. Intentions for reported oilseeds (excluding cotton) total 80.908 million acres, 966,000 more than planted last year.

With harvested acreage near the average percent of planted acreage and yields near the level of the past four years, corn and soybean planting intentions project to production of 9.25 billion bushels and 2.8 billion bushels, respectively. With corn consumption running at an annual rate of about 9.5 billion bushels, stocks could be reduced another 250 million bushels during the year ahead, supporting prices in the \$2.30 to \$2.40 range. With soybean consumption of 2.7 billion bushels, average yields would keep supplies abundant and prices below the loan level.

Currently, the market is concerned about persistent dry weather in the midwest and prospects that yields will fall below the level of the past four years. This concern is likely to keep prices moving higher, with an initial target of \$2.80 for December 2000 corn futures and \$6.00 for November 2000 soybean futures.

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