UNIVERSITY OF ILLINOIS EXTENSION

WEEKLY OUTLOOK

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FOCUS ON USDA REPORTS

On March 30, the USDA will release a trio of reports that may have important implications for the crop markets. These include the *Prospective Plantings*, *Grain Stocks*, and *Hogs and Pigs* reports. The report of farmers planting intentions will likely draw the most attention. The market's expectation of more soybean and sorghum acreage and less corn acreage has been well advertised. This report, however, will provide that important benchmark of how large a change has been planned. The market will not likely accept the March acreage intentions at face value, recognizing that final plantings may differ significantly from intentions. Spring weather conditions, availability of nitrogen fertilizer, and crop price changes may all have some impact on planted acreage. Over the past ten years, actual soybean acreage exceeded intentions nine times. The lone exception was last year, when acreage was 375,000 acres below March intentions.

For corn, the pattern has been just about opposite of that for soybeans. Planted acreage has been below March intentions in seven of the past ten years. Years when acreage exceeded intentions included: 1992, 1994, and 2000. The largest increase was 1.664 million acres recorded last year.

The March 1 *Grain Stocks* report is usually most important for corn as it provides a measure of domestic feed and residual use of corn for the second quarter (December through February) of the marketing year. During the second quarter this year, corn exports were about 70 million bushels less than during the same quarter last year. If domestic use is on track to reach the larger USDA projections for the year, March 1 stocks of corn should have been near 6.07 billion bushels, about 470 million bushels above the inventory of a year ago.

For soybeans, use during the second quarter is pretty well known. The USDA reports exports on a weekly basis and the Census Bureau and the oilseed industry provide domestic crush estimates on a monthly basis. The stocks report serves more as a check on the accuracy of the production estimate. Assuming the 2000 crop estimate of 2.77 billion bushels is accurate, March 1 stocks of soybeans should be near 1.43 billion bushels, about 35 million larger than stocks of a year ago.

The March *Hogs and Pigs* report will provide an important indicator of prospective domestic feed demand. The December 2000 report indicated that the industry was in a modest expansion. The monthly reports in January and February reported larger pig crops in December and January. The January pig crop was reported to be 6 percent larger than that of January 2000. The monthly reportedly running behind the pace suggested by the December inventory report. The March report will provide an important update on the current inventory of hogs as well as the production plans of producers.

The month-end USDA reports should be incorporated into the price structure very quickly. The market's attention will then shift to spring planting conditions and summer weather forecasts. Unlike last year, current expectations tend to lean towards generally favorable weather and prospects for large crops. Subsoil moisture levels in the midwest are generally more favorable than a year ago. There is some concern about excessive moisture and possible planting delays in the upper midwest. Both the northwestern and southeastern areas of the country continue to be dry and near term prospects suggest that pattern may continue.

The recent decline in corn prices has not resulted in any decline in the carry in the price structure. May 2002 futures are about $.42 higher than May 2001 futures. If the growing season gets off to a good start, that 20 percent carry may begin to erode, although prospects for large carryover stocks will require some carry in the market. New crop prices for fall delivery are still above the loan rate in most areas, but not by a wide margin. The declining premium over the loan rate makes new crop pricing less attractive. With the loan rate as an effective price floor, producers can be a little patient waiting on a spring weather rally. There is risk, however, associated with old crop corn inventories for which the loan deficiency payment has already been established. The same scenario is true for soybeans, both old and new crop.

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