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USDA REPORTS PROVIDE SUPPORT FOR SOYBEAN PRICES

The USDA's June 1 *Grain Stocks* and *Acreage* reports contained surprises for both the corn and soybean markets. June 1 stocks of soybeans were estimated at 708 million bushels, 66 million less than on the same date last year and nearly 30 million bushels below the average trade guess. The large unexplained, or residual, use of soybeans during the first three quarters of the marketing year supports the view that the 2000 crop was overestimated, although supplies have occasionally been 'found' in September.

Corn stocks on June 1 were estimated at 3.924 billion bushels, about 30 million below the average trade guess, but 338 million bushels larger than stocks of a year ago and at the highest level in 13 years. The smaller than expected figure implies that feed use during the third quarter of the year was larger than expected, or that the 2000 crop was slightly over estimated.

Planted acreage of soybeans is estimated at 75.416 million acres, about 1.5 million below the average trade guess, 1.2 million below March intentions, and only 920,000 more than planted last year. The final estimate of planted, and especially harvested, acreage of soybeans could change significantly from the June estimate due to the lateness of planting. Compared to March intentions, the June estimate of soybean acreage is down by 400,000 acres in both Minnesota and North Dakota. Acreage is 100,000 below last year's plantings in both states. June acreage estimates were unchanged from March intentions in Indiana and Iowa, but increased 300,000 in Illinois. Regionally, soybean acreage is up from last year's plantings by 800,000 acres in the western corn belt and 1.3 million acres in the eastern corn belt. The twelve states in those regions account for 83.9 percent of the acres, up from 82.2 percent of last year. Acreage in the rest of the country has declined by 1.13 million.

Planted acreage of corn is now estimated at 76.1 million acres, 584,000 below March intentions and 3.436 million below actual acreage of a year ago. The largest year-over-year declines occurred in South Dakota and Texas (500,000 each), Iowa (400,000), and Illinois and Nebraska (300,000 each). Corn acreage increased by 200,000 acres in Indiana.

The planted acreage of sorghum is estimated at 9.747 million acres, 379,000 above March intentions and 552,000 more than planted last year. However, harvested acreage of sorghum is expected to be 1.13 million acres more than harvested last year. Planted acreage of cotton is estimated at 16.3 million acres, 675,000 above March intentions and 772,000 more than planted last year. Acreage of all crops, including hay, is estimated at 332.74 million acres, down 1.35

million from last year's acreage. The acreage of all crops excluding hay, is down by 5.265 million acres. The decline is surprisingly large, particularly given that some failed wheat acres replanted to other crops may be double counted. The largest declines in planted acreage of non-hay crops has occurred in Texas, Oklahoma, North Dakota, South Dakota, Minnesota, and Montana. Acreage increased in Indiana and Kansas.

Given the continued high rate of consumption, the late start to the growing season in many areas, and the generally low crop condition ratings, the smaller-than-expected stocks and acreage estimates are more supportive of soybean than corn prices. With harvested acreage likely to be 1.3 million acres less than projected last month, a national average yield just 1.5 bushels below the trend of 39.5 bushels would produce a 2001 crop of 2.825 billion bushels, 160 million bushels less than projected last month. A crop of that size would not likely result in a significant accumulation of stocks next year. Depending on the size of the South American and Chinese crops, exports might be large enough to consume all of the 2001 crop.

For corn, the slight reduction in acreage, combined with an average yield a couple of bushels below the 137 suggested by trend, would produce a 2001 crop of about 9.35 billion bushels. A crop of that size could result in a 400 to 500 million bushel reduction in year ending stocks by September 1, 2002.

With so much of the growing season left, price prospects remain very uncertain. Recent rainfall in China and the U.S. keep large crop prospects alive for now. Additional worries about the crops would likely push November 2001 soybean futures above the \$5.00 mark, perhaps to the \$5.25 area. Still, that level would keep cash prices below the loan level. For December 2001 corn futures, a move above \$2.20 may be very difficult. Some additional crop concerns may be required to push corn prices above the loan level.

Issued by Darrel Good
Extension Economist
University of Illinois

U of I Extension Newsletter Service
University of Illinois
at Urbana Champaign
1917 South Wright Street
Champaign IL 61820