



WEEKLY OUTLOOK



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ANTICIPATING THE JUNE REPORT OF GRAIN STOCKS

The USDA will release its quarterly *Grain Stocks* report on June 30, showing the level of inventory on June 1. While the report may be overshadowed by the *Acreage* report and crop development, it will provide an important checkpoint for gauging prospective year-end stocks of corn and soybeans.

For soybeans, the magnitude of crush and exports during the March through May 2006 period is pretty well known. The June 1 estimate of stocks allows for the calculation of seed, feed, and residual use of soybeans during that quarter and provides a benchmark for evaluating the accuracy of the estimated size of the 2005 crop. An unusually large or small residual use for the quarter may indicate an error in that crop estimate. However, since the calculated level of seed, feed, and residual use during any particular quarter varies significantly from year to year, an extremely large deviation from expected value would be required to suggest an error in the production estimate.

The Census Bureau estimates the domestic soybean crush in March, April, and May 2006 at 431.3 million bushels, very near the level during the previous year. Census Bureau estimates of U.S. soybean exports are available for March and April, but will not be available for May until early July. From September 2005 through April 2006, the Census Bureau estimates of U.S. soybean exports were nearly identical to the USDA estimates. Using the USDA estimates for May, exports during the quarter are estimated at 178.2 million bushels, 33 million less than exported during the same quarter last year.

Over the past 5 years, the calculated level of seed, feed, and residual use of soybeans during the March to May period ranged from 6.3 to 69.5 million bushels, averaging 40.5 million bushels. For the first half of the 2005-06 marketing year, seed, feed, and residual use of soybeans totaled 173.6 million bushels, about equal to the average of the past 5 years. If third quarter use this year is near the 5-year average of 40.5 million bushels, total use during the quarter should have been near 650 million bushels, leaving June 1 stocks near 1.02 billion bushels. Stocks on June 1, 2005 totaled 699.3 million bushels and the record June 1 inventory was 848.9 million in 1986. That record was nearly equaled (848.6 million) in 1999.

It is more difficult to anticipate the magnitude of the estimate of June 1 corn inventories. Estimating quarterly exports is straightforward, but less information is available for the other two categories: seed, feed, and residual uses and processing uses. Monthly Census Bureau

estimates of U.S. corn exports are available through April 2006 and weekly estimates are available from USDA for the entire March through May quarter. From September 2005 through April 2006, cumulative Census Bureau estimates of U.S. corn exports were about 7 million bushels, (0.5 percent) larger than USDA export estimates. The difference between the two estimates has been unusually small so far in the 2005-06 marketing year. Based on USDA export estimates for May, exports for the entire quarter are estimated at 570 million bushels, 143 million larger than exports during the same quarter last year and the largest for that quarter in 10 years.

Estimates of seed, food, and industrial use of corn require input from several industry sources and that data is not easily accessible by the public. The approach taken here is to answer the question, "if the USDA projection of use for the year is correct, what amount should have been used during the March through May period?" For the year, the USDA projects corn used for all seed, food, and industrial purposes at 2.985 billion bushels, 11.1 percent more than used last year. Use during the first half of the year totaled 1.405 billion bushels, 9.8 percent more than used a year earlier. To be on track with the USDA projection, use should have accelerated during the third quarter, to perhaps 785 million bushels, a 12 percent increase from the use of a year earlier.

A similar approach is taken in anticipating feed and residual use. Feed and residual use for any time period is not measured, but is calculated as a residual, the difference between total apparent use and use for exports and processing. Feed and residual use during the first three quarters of the year since 1996-97 (a period of generally abundant corn supplies) ranged from 82.8 to 85.5 percent of the total for the year, averaging 84.2 percent. Assuming USDA's projection of use for the current year is correct at 6 billion bushels, one might expect use during the first three quarters to be 5.052 billion bushels, resulting in a third quarter estimate of 1.168 billion bushels.

Based on this approach, corn use during the March through May quarter should have been near 2.523 billion bushels, leaving June 1 stocks near 4.465 billion bushels. A large difference between this calculation and the actual stocks estimate would point to a revision in the projected level of domestic use during the current marketing year.

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