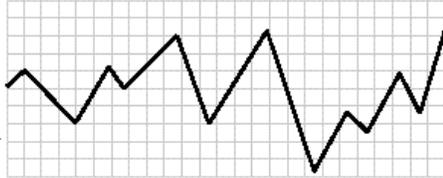




UNIVERSITY OF ILLINOIS  
EXTENSION



# WEEKLY OUTLOOK

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**JUNE 25, 2007**

## **ANTICIPATING JUNE GRAIN STOCKS ESTIMATES**

Corn and soybean prices are being directed mostly by weather and crop conditions in the U.S. The USDA's *Acreage* and *Grain Stocks* reports to be released on June 29 will provide additional fundamental information for these markets. Last week's issue focused on the *Acreage* report. This issue focuses on the likely estimates of June 1 stocks of soybeans and corn.

June 1 stocks of soybeans and corn are anticipated based on the estimates of consumption during March, April, and May. Consumption information for that period, however, is incomplete, so the pre-report projection of the June 1 inventory is based on a combination of known and projected consumption.

For soybeans, Census Bureau estimates of the domestic crush are available for March and April, but the May estimate will not be released until June 28. The crush in March was 4.2 percent larger than in the previous year, while the April 2007 crush was 6.9 percent larger than the crush in April 2006. We anticipate a May crush of about 150 million bushels, 2.6 percent larger than the crush in May 2006. Crush for the quarter was likely near 450 million bushels. Census Bureau export estimates are available through April, while USDA estimates are available through May. Those estimates suggest that soybean exports during the March-May quarter totaled about 210 million bushels.

The most difficult category of use to anticipate is seed, feed, and residual use. The quarterly distribution of use in that category varies substantially from year to year and can be influenced by any errors in the estimate of the crop size. Estimates of use in this category were extremely large in each of the first two quarters of the current marketing year, suggesting that the 2006 crop may have been over estimated. If third quarter use was near 50 million bushels, the average of the past two years, total use during the quarter should have been near 710 million bushels, leaving June 1 stocks of about 1.075 billion bushels. Stocks at that level would be 84 million bushels larger than the record inventory of a year ago.

For corn, Census Bureau estimates of exports are also available through April and USDA

estimates are available through May. Those estimates suggest that exports during the March-May quarter should have been near 500 million bushels.

Estimates of domestic use of corn are not as readily available. No estimate of feed and residual use is available on an ongoing basis. Use in that category is calculated after the estimate of stocks at the end of the quarter is available. Use for the quarter, then, is projected based on the level of use projected by the USDA for the entire year and a typical seasonal distribution of use. For the current year, the USDA projects feed and residual use at 5.85 billion bushels, 4.7 percent less than use during the previous year. Apparent feed and residual use during the first half of the current year totaled 3.716 billion bushels, 4.2 percent less than use during the first half of the 2005-06 marketing year. Use was down 2.5 percent in the first quarter and 6.5 percent in the second quarter. To reach the USDA projection for the year, use during the last half of the current marketing year needs to be 2.134 billion bushels, 5.7 percent less than use of a year earlier. If use is proceeding at that pace, consumption during the third quarter would have been near 1.215 billion bushels.

Estimates of domestic processing use of corn are not easily attainable on an ongoing basis, so the projection of third quarter use is made in the same fashion as the projection of feed and residual use. For the year, the USDA projects use in this category at 3.525 billion bushels, 18.2 percent more than used last year. The pace of use, however, should be increasing as the year progresses as new ethanol plants come on line. Use during the first two quarters of the 2006-07 marketing year was 13.6 percent and 15.5 percent larger, respectively, than use during the same quarters last year. Use during the last half of the year needs to be 21.5 percent larger than use of a year ago in order to reach the USDA projection. Third quarter use, then, should have been near 925 million bushels.

Based on the methodology used here, consumption of corn during the third quarter of the 2006-07 marketing year should have totaled about 2.64 billion bushels, leaving June 1 stocks of about 3.43 billion bushels, 930 million less than the inventory of a year ago. A substantial deviation from that level might require the USDA to alter the projection of domestic use for the year. Last year, for example, the June 1 stocks of corn was 100 million bushels less than anticipated, resulting in a 100 million bushel increase in the projection of feed and residual use for the year.

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