UNIVERSITY OF ILLINOIS EXTENSION

WEEKLY OUTLOOK

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FOCUS ON UPCOMI[illegible]DA REPORTS

The USDA will release [illegible]eports on June 29 that could have some impact on corn and soybean prices. These [illegible]e the quarterly *Grain Stocks* report, the annual *Acreage* report, and the quarterly *Hogs and* [illegible]eport.

The *Hogs and Pigs* rep[illegible] provide some insight into prospective domestic feed demand for corn and soybean meal over the next year. The report is expected to confirm a modest rate of expansion in hog numbers. The slight increase in numbers along with higher slaughter weights and profitable hog prices should provide a solid based for feed demand. Prospects for a gradual increase in corn use for ethanol suggests that domestic use may continue to reach new record levels, even though cattle numbers are on the decline.

For soybeans, the June 1 *Grain Stocks* report is expected to show smaller inventories than on the same date last year. Based on data from the Census Bureau and the USDA weekly export inspection report, soybean exports during the third quarter of the marketing year are estimated at 221 million bushels, 15 million above shipments in the same quarter last year. The domestic crush is estimated at 404 million bushels for the quarter, about 30 million more than during the same quarter last year. Based on the USDA projection for the year, and assuming a normal seasonal pattern, seed, feed and residual use during the quarter is estimated at 52 million bushels. These estimates point to a June 1 stocks figure of about 728 million bushels, 46 million less than on June 1, 2000. There is a little more uncertainty about this projection than in most years since there is some evidence that the 2000 crop may have been slightly over estimated.

For corn, June 1 stocks are expected to be larger than on the same date last year. Based on the USDA projection for the year and assuming a normal seasonal pattern, feed and residual use of corn during the third quarter of the marketing year should have totaled 1.11 billion bushels, 51 million more than during the same quarter last year. Using the same methodology, domestic seed, food, and industrial use is estimated at 532 million, up 20 million from use of a year ago. Based on Census Bureau and USDA export inspection figures, exports for the quarter are estimated at 415 million bushels, down 36 million from exports of a year ago. Based on these estimates, June 1 corn stocks are estimated at 3.98 billion bushels, up 394 million from stocks of a year ago. Significant differences between expected and actual stock estimates released on June 29 could have some price impact.

The most interest will be in the *Acreage* report released on June 29. However, the magnitude of planted and likely harvested acreage of corn and soybeans will not be completely answered by this report. The late planting of the crops in some northern and western growing areas means that the June report will reflect planting intentions in some areas, rather than actual planted acreage. There is some chance that the report will show that combined acreage of corn and soybeans is larger than March planting intentions for at least two reasons. First, some failed winter wheat acreage was likely replanted to a spring row crop (corn, soybeans, or sorghum). Second, the case can be made that not all potential acreage was accounted for in the March report and that the combined total for all crops should be higher in the June report. Regardless of the actual numbers in the report, the market may have to deal with the uncertainty of actual planted and harvested acreage until the August *Crop Production* report.

In spite of the crop concerns in the U.S. and other parts of the world, along with continued record soybean consumption, improving corn exports, and prospects for increased ethanol production, corn and soybean prices continue to languish at extremely low levels. After 36 consecutive months of low prices, it should be apparent that low prices do not cure low prices in the current policy environment Low prices may only be cured by a shortfall in production and/or an increase in demand (not just an increase in use) that requires some measure of rationing by the market. History suggests that such a scenario will eventually unfold. There is some potential for that to occur in the year ahead, but for now the market is not very concerned about possible reductions in production. With new crop corn and soybean prices solidly below the loan rate, there is little urgency in pricing additional quantities of those crops.

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