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Letter



Number 1326

CROP PRICES are being influenced by a number of conflicting developments. A recent USDA report on grain stocks resulted in upward pressures on prices; reports of deteriorating export markets pushed prices downward. And downward pressures have been intensified by weather conditions that have enhanced planting progress.

The *Grain Stocks* report released by the USDA in late April revealed inventories of feed grains and soybeans substantially below year-earlier levels and brought a temporary upswing in prices. April 1 stocks of corn were down 23 percent from a year earlier, while grain sorghum was off 42 percent. Soybean stocks were 11 percent below April 1, 1974.

The rate of disappearance of corn during the first quarter of 1975 was down 13 percent from the year-earlier rate, considerably less than the decline in the fourth quarter of 1974. However, the disappearance rate of grain sorghum was down 35 percent from first-quarter 1974, more than double the 14 percent rate of decline in the previous quarter. In the aggregate, the disappearance rate of these two important feed grains in the first quarter was 16 percent less than in the same year-earlier quarter. Supply and demand estimates were revised in light of this information. Year-end 1975 carryover of corn is now estimated at 360 million bushels, down about 25 percent from 1974's carryover but up from previous estimates for 1975. Estimated 1975 year-end carryover of soybeans has been raised to 185 million bushels and now exceeds the year-earlier carryover by 14 million bushels.

Deteriorating export markets suggest utilization of both corn and soybeans may slip below present estimates during the remainder of the respective marketing years. According to the USDA weekly report, *U.S. Export Sales*, outstanding export commitments for over 50 million bushels of corn to be shipped during the current marketing year (October 1974-September 1975) were canceled during the single week ending April 27. This is really only an acceleration of a trend that has prevailed since mid-February. At the end of April actual exports of corn plus outstanding export commitments totaled just over 1.2 billion bushels, about 125 million bushels above the current USDA corn export estimate. However, some major corn importers have recently announced additional cuts in anticipated imports, and reports continue to circulate that foreign buyers of U.S. commodities in general are attempting

to void contracts made when prices were much higher than current levels.

The export outlook for soybeans is also dim. Actual soybean exports plus outstanding commitments have been declining since last November and currently total 490 million bushels. The USDA's revised estimate of 1974/75 soybean exports is 425 million bushels, a sharp cutback from previous estimates. Furthermore, the demand for soybeans continues soft, reflecting declines in both business activity and livestock feeding rates throughout the world, as well as strong competition from foreign supplies of soybeans and substitute products.

Planting reports suggest that field conditions are improving rapidly in nearly all Seventh District states. At the end of last week corn plantings in Illinois and Indiana were equal to last year's pace and ahead of "average" for the date. Corn planting in Iowa, however, was only 29 percent complete, compared to a 66 percent completion rate in 1974 and a five-year average of 48 percent. However, clear skies in all three major corn-growing states have allowed planting operations to progress rapidly this week. Excess moisture and cold soil were deterring Michigan and Wisconsin farmers according to the most recent reports, but activity in these states typically is behind the three more southern district states.

The marked improvement in crop prospects coupled with the deteriorating export situation portend additional downward pressures on corn and soybean prices. Any slight upturn in livestock feeding rates that may accelerate domestic usage of corn and soybeans more than likely will be offset by declining exports between now and harvesttime if current trends continue. Assuming that normal weather patterns prevail in the remainder of the season, more pronounced declines in corn and soybean prices seem likely.

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