



## September 30, 2002 Grain Stocks Reports Kurt M. Guidry, Associate Professor

### Comments On Reports

The September 30 Grain Stocks Report sent mixed signals today to the market with larger-than-expected stocks for soybeans and lower-than-expected stocks for corn and wheat (See Table 1). Soybean stocks were reported at 208 million bushels, which was larger than most of the pre-trade reports and higher than the September 12<sup>th</sup> Supply and Demand report estimate of 195 million bushels. The corn stocks estimate came in well below the pre-trade estimates and suggests that USDA will have to lower its ending stocks value on the next Supply and Demand report released later in October. For wheat, the stocks estimate was well within pre-trade estimates and did little to change the markets views on the wheat market.

### Price Impact

Table 2. shows the decline in futures prices for soybean, corn, and wheat. While the drop in soybean prices was to be expected given the negative stocks estimate, the drop in corn and wheat were somewhat surprising. As I have mentioned in earlier reports, the large speculative funds have been active in the grain markets buying contracts in the midst of the price rally experienced in these markets. While the activity of the speculative funds has helped to push prices higher, there is also risk of them pushing prices down. These speculative funds purchased contracts as prices started moving higher. These same funds will be looking to sell these contracts if there is any hint that the rally is over and that prices will be moving in the opposite direction. As these funds begin to sell these contracts they will help push prices down.

While the Grain Stocks report was the major market mover on September 30<sup>th</sup>, there were other factors that helped bring prices down. The weekly export sales report was disappointing for all the grains with most sales figures coming in below market expectations. Also helping put pressure on the corn and soybean market is the continuation of harvest. The weekly crop progress report released on September 30<sup>th</sup> showed 20% of the corn crop harvested and 17% of the soybean crop harvested. As harvest continues to progress, I would expect prices to continue to feel downward pressure. The only thing that could help prices in the short run would be for yields to be lower than expected. The latest crop progress report showed 43% of the soybean crop in good to excellent condition (down 1 point from last week) while 43% of the corn crop was listed in good to excellent condition (up 1 point from last week).

Much of the drop in the wheat market on September 30<sup>th</sup> was attributed to spill over from the soybean and corn markets. However, the wheat market also has some issues that are placing pressure on prices. As of last week, 50% of the winter wheat crop was planted (same as last year) and 23% of the crop is emerged (down 1 point from last year). The expectation of significantly higher winter wheat acreage (estimates of 1 to 2 million more acres than in 2001) and the fact that planting has progressed normally has placed some downward pressure on prices.

### Long Term Outlook

While the grain markets have been under some pressure over the past several weeks, it is obvious that current prices are considerably better than they have been in the past three to four years. In addition, despite the relatively negative grain stocks report, stock levels of all grains are at the lowest levels since the mid -1990's. Therefore, the fundamental supply and demand situation of all the grains are the best they have been in quite some time. What this means is that the market will be more sensitive to any supply difficulties. If adverse weather conditions affect any of these crops, the current supply and demand situation would suggest that prices would have to go higher.

Assuming that we don't have any weather problems, I think we will need demand to force prices higher. For all of the grains, the supply side of the supply-demand equation is as positive as we have had it for a long time. Therefore, if prices are going to move higher, without any additional supply reductions, demand will have to lead the way. This will make export sales and export demand very important factors over the next several months.

**Table 1. Comparison of Pre-Report Estimates For Stocks to USDA Values**

Commodity	September 30 Grain Stock Report Estimates	September 12 Supply & Demand Report Estimates	Average Pre-Report Estimates	Lowest Pre-Report Estimate	Highest Pre-Report Estimate
----- Million Bushels -----					
Corn	1,599.00	1,636.00	1,632.00	1,614.00	1,667.00
Soybeans	208.00	195.00	190.00	176.00	202.00
Wheat	1,740.00	N/A	1,759.00	1,716.00	1,800.00

Source: DTN Agdayta

**Table 2. Futures Price Changes On September 30, 2002**

Commodity	Unit	Futures Month	Closing Price	Change
Corn	Bu.	December 2002	\$2.52	(\$0.07)
Corn	Bu.	September 2003	\$2.52	(\$0.07)
Soybeans	Bu.	November 2002	\$5.46	(\$0.15)
Soybeans	Bu.	November 2003	\$5.08	(\$0.10)
Wheat	Bu.	December 2002	\$3.97	(\$0.06)
Wheat	Bu.	July 2003	\$3.52	(\$0.02)

Source: DTN AgDayta

**Table 3. US Corn Stocks By Quarter, 2001 to 2002**

Date	2001 On - Farm Stocks	2001 Off - Farm Stocks	2001 Total Stocks	2001 Implied Use By Quarter	2002 On - Farm Stocks	2002 Off - Farm Stocks	2002 Total Stocks	2002 Implied Use By Quarter	Percent Change In Stocks From 2001 to 2002	Percent Change In Use From 2001 to 2002
----- 1,000 Bushels -----										
March 1	3,600,000	2,442,999	6,042,999	2,486,635*	3,355,000	2,440,261	5,795,261	2,469,454*	-4.10%	-0.69%
June 1	2,230,800	1,693,158	3,923,958	2,119,041*	2,020,600	1,576,290	3,596,890	2,198,371*	-8.34%	3.74%
September 1	753,150	1,145,958	1,899,108	2,024,850*	586,800	1,012,620	1,599,420	1,997,470*	-15.78%	-1.35%
December 1	5,275,000	2,989,715	8,264,715	3,141,233**						

Source: National Agricultural Statistics Service - Grain Stocks Report - September 30, 2002

\* Implied Use is calculated by subtracting stocks in the current quarter from stocks in the previous quarter.

\*\* Implied Use in this quarter is calculated by subtracting stocks in the current quarter from the sum of stocks in the previous quarter and estimated production.

**Table 4. US Sorghum Stocks By Quarter, 2001 to 2002**

Date	2001 On - Farm Stocks	2001 Off - Farm Stocks	2001 Total Stocks	2001 Implied Use By Quarter	2002 On - Farm Stocks	2002 Off - Farm Stocks	2002 Total Stocks	2002 Implied Use By Quarter	Percent Change In Stocks From 2001 to 2002	Percent Change In Use From 2001 to 2002
----- 1,000 Bushels -----										
March 1	40,100	127,027	167,127	94,854*	38,100	156,007	194,107	119,770*	16.14%	26.27%
June 1	19,000	57,411	76,411	90,716*	17,300	88,178	105,478	88,629*	38.04%	-2.30%
September 1	8,900	32,851	41,751	34,660*	7,400	51,975	59,375	46,103*	42.21%	33.02%
December 1	72,400	241,477	313,877	242,398**						

Source: National Agricultural Statistics Service - Grain Stocks Report - September 30, 2002

\* Implied Use is calculated by subtracting stocks in the current quarter from stocks in the previous quarter.

\*\* Implied Use in this quarter is calculated by subtracting stocks in the current quarter from the sum of stocks in the previous quarter and estimated production.

**Table 5. US Wheat Stocks By Quarter, 2001 to 2002**

Date	2001 On - Farm Stocks	2001 Off - Farm Stocks	2001 Total Stocks	2001 Implied Use By Quarter	2002 On - Farm Stocks	2002 Off - Farm Stocks	2002 Total Stocks	2002 Implied Use By Quarter	Percent Change In Stocks From 2001 to 2002	Percent Change In Use From 2001 to 2002
----- 1,000 Bushels -----										
March 1	384,750	953,648	1,338,398	467,727*	338,500	871,268	1,209,768	413,687*	-9.61%	-11.55%
June 1	197,270	678,912	876,182	462,216*	216,830	560,282	777,112	432,656*	-11.31%	-6.40%
September 1	696,850	1,458,964	2,155,814	678,011**	588,200	1,151,952	1,740,152	661,596**	-19.28%	-2.42%
December 1	517,890	1,105,565	1,623,455	532,359*						

Source: National Agricultural Statistics Service - Grain Stocks Report - September 30, 2002

\* Implied Use is calculated by subtracting stocks in the current quarter from stocks in the previous quarter.

\*\* Implied Use in this quarter is calculated by subtracting stocks in the current quarter from the sum of stocks in the previous quarter and estimated production.

**Table 6. US Soybean Stocks By Quarter, 2001 to 2002**

Date	2001	2001	2001	2001	2002	2002	2002	2002	Percent Change In Stocks From 2001 to 2002	Percent Change In Use From 2001 to 2002
	On - Farm Stocks	Off - Farm Stocks	Total Stocks	Implied Use By Quarter	On - Farm Stocks	Off - Farm Stocks	Total Stocks	Implied Use By Quarter		
	----- 1,000 Bushels -----								(Percent)	(Percent)
March 1	780,000	623,908	1,403,908	836,083*	687,000	648,987	1,335,987	939,631*	-4.84%	12.38%
June 1	365,000	343,180	708,180	695,728*	301,200	383,721	684,921	651,066*	-3.28%	-6.42%
September 1	83,500	164,247	247,747	460,433*	62,700	145,487	208,187	476,734*	-15.97%	3.54%
December 1	1,240,000	1,035,618	2,275,618	862,701**						

Source: National Agricultural Statistics Service - Grain Stocks Report - September 30, 2002

\* Implied Use is calculated by subtracting stocks in the current quarter from stocks in the previous quarter.

\*\* Implied Use in this quarter is calculated by subtracting stocks in the current quarter from the sum of stocks in the previous quarter and estimated production.