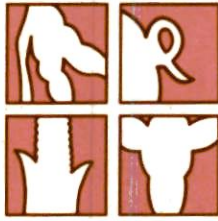




Cooperative
Extension Service
University of Illinois
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WEEKLY OUTLOOK

Department of Agricultural Economics
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CROP PROSPECTS TO DOMINATE CORN AND SOYBEAN PRICES

New crop corn and soybean prices dropped sharply from the first week of May through the first week of June as increased rainfall washed away drought concerns. December corn futures declined about 35 cents to a low of \$2.30³/₄, and November soybean futures declined about \$1.15 to a low of \$6.14. Selling was in response to the change in weather pattern without much thought about actual crop size. Selling continued until longer-term technical supports were reached. Now that the initial wave of selling is past, trading will begin to reflect actual crop prospects.

Estimates of planted acreage, to be released on July 12, will be a focal point for making production forecasts. Planted acreage of corn is expected to be less than was indicated in March because of planting delays in the Eastern Corn Belt. Some acreage intended for corn will be placed in the 0/92 program or planted to soybeans or other crops. One private analyst has estimated planted acreage at 71.7 million acres, 1.553 million acres less than was indicated in March. If that estimate is correct, about 65.2 million acres of corn will be harvested for grain.

In preliminary forecasts for the 1989-90 marketing year, the USDA projects that corn used for all purposes will total 7.45 billion bushels. A national average yield of 114 bushels per acre would produce a crop of that magnitude and result in no increase in carryover next year. A record average yield near 119 bushels per acre would lead to a 300-million-bushel increase in stocks at the end of the 1989-90 marketing year. At this early stage of the growing season, prospects do not point to record yields. Dryness in the Western Corn Belt, late planting in the Eastern Corn Belt, and an array of insect, herbicide, and replanting problems may have reduced yield potential. Conditions over the next eight weeks, however, will be most critical and can either overcome or add to existing problems. The most likely scenario seems to be one of only a modest increase in corn stocks next year.

Planted acreage of soybeans is also difficult to anticipate. Decisions about switching from corn to soybeans, replanting abandoned wheat acres, and double cropping after the wheat harvest will all have a bearing on the final count. Projections by a private crop forecaster put soybean plantings at 62.3 million acres, 580 thousand acres above intentions reported in March. That magnitude of increase is at the low end of the range of guesses that have been released.

If planted acreage reaches 62.3 million acres, normal abandonment would lead to harvested acreage of about 60.8 million. The USDA has projected soybean use during the 1989-90 marketing year at 1.8 billion bushels. A national average yield

of 29.6 bushels per acre would produce a 1.8 billion bushel crop and leave carryover stocks at an extremely low level of 125 million bushels. A record average yield near 34 bushels per acre could lead to a 200-million-bushel increase in stocks, as use would probably exceed 1.8 billion bushels with such a large crop.

Given the uncertainty about acreage and weather, corn and soybean prices could become more volatile as the season progresses. Weather-related rallies will provide good forward-pricing opportunities.

While the market is focusing on production prospects, the June 1 *Grain Stocks* report to be released on June 30 could also be significant, particularly for corn prices. The last two quarterly stocks estimates for corn have been well above expectations and implied a disappointing rate of domestic feed use. If feed use is on target to meet the USDA's projection of 4 billion bushels, the June 1 stocks figure should be near 3.27 billion bushels.

June 1 soybean stocks are a bit unpredictable because of the variation in seed and residual use by quarter. Typically, use is largest in the March to May quarter. That was not the case last year, however. Based on normal seasonal use for seed, the June 1 stocks figure for soybeans should be near 440 million bushels.

The other factor that will have an impact on summer corn prices is the USDA's decisions about maturing farmer-owned reserve loans and the corn-catalog program. The USDA announced last Friday that 1985 reserve loans would be extended. Those loans represent 75 percent of the 940 million bushels in the reserve. The release of catalog VII, containing 100 million bushels, had been delayed but will probably proceed with the announcement of the loan extension.



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