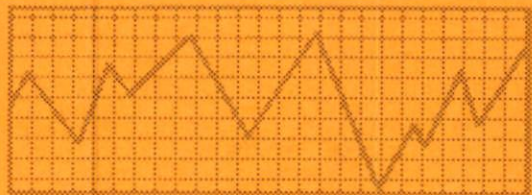




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WEEKLY OUTLOOK

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LARGE CORN AND SOYBEAN CROPS EXPECTED

Corn and soybean prices during July behaved much as they did last year. On July 5, 1989, December corn futures were up by the daily permissible limit of 10 cents, at \$2.715 per bushel. Prices then dropped dramatically as growing conditions improved. The December contract made a life of contract low of \$2.185 on August 3.

November soybean futures were also up by the daily limit of 30 cents on July 5, 1989, closing at \$7.02. By August 3, the price of that contract had declined to \$5.64. A life of contract low of \$5.40 was established on October 16, 1989. Corn and soybean prices were very stable through the winter months of 1989-90.

On July 2, 1990, December corn futures reached a life of contract high of \$2.965 per bushel. Once again, a dramatic improvement in growing conditions pushed the price of that contract 52 cents lower by August 3. November soybean futures traded at a high of \$6.805 on July 2, 1990, only 1.5 cents below its lifetime high. By August 3, the value of that contract had declined by 92 cents per bushel.

The direction of prices will now be influenced by the potential size of the 1990 crops revealed in the USDA's *Crop Production* report to be released on August 9. This report will contain a revised estimate of planted and harvested acreage and the first yield estimates based on field observations. In July, the USDA's World Outlook Board judged corn production potential at 7.85 billion bushels, about 4 percent larger than the 1989 crop. That figure was based on harvested acreage of 67.1 million acres and a national average yield of 117 bushels per acre. The 1989 average yield was 116.2 bushels per acre and the record yield was the 1987 average of 119.8 bushels.

Near ideal growing conditions in the Corn Belt in July may have increased yield potential this year. Corn acreage, however, may fall short of the June figure. The last survey was conducted before planting was completed. In addition, harvested acreage may be reduced by widespread flood damage in some areas. Since 1973, there have been 7 other years with a late-planted corn crop. Planted acreage was equal to or less than the June estimate in 5 of those years. In 1978 and 1984 planted acreage was significantly above June intentions. In those years, June intentions were sharply below March intentions. That was not the case this year.

It seems reasonable to expect a 1990 corn crop near 7.9 billion bushels. A crop at or above that level would push corn prices slightly lower. December futures might decline to the \$2.30 to \$2.35 range. A smaller crop would suggest that the corn market is already near a seasonal low.

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In July, the USDA saw a potential soybean crop of 1.86 billion bushels. That evaluation was based on a harvested acreage estimate of 56.9 million acres and a national average yield of 32.7 bushels per acre. That yield would be 0.3 bushels above last year's average and 1.4 bushels below the record yield of 1985. The market appears to be anticipating a crop near 1.9 billion bushels, reflecting favorable growing conditions during July. Opinions about acreage and yield potential vary widely. There has been a strong tendency for planted acreage of soybeans to fall short of June intentions. Only 4 times in the past 15 years has acreage exceeded June intentions.

The lateness of this year's soybean crop makes yield evaluation difficult and suggests that yield estimates could change significantly from August to September. If the crop comes in under 1.9 billion bushels, soybean prices will stabilize. A larger estimate could push November futures to the \$5.60 to \$5.70 level as a seasonal low.

Once crop size is known, the market will quickly turn its attention to demand prospects. Prospects for domestic use of corn, soybean meal, and soybean oil are very good. Exports are questionable. Export sales of new crop corn have started strongly, totaling 200 million bushels by July 26. Sales at that time last year stood at only 90 million bushels. No sales to the USSR have been reported yet this year. Last year, the USSR bought large quantities of U.S. corn in October. Sales are expected to be smaller this year due to a larger USSR grain harvest. Export sales of new crop soybeans total 42 million bushels, compared to 29 million bushels a year ago. Export prospects for U.S. soybeans and soybean meal will depend partly on the size of the 1991 South American soybean crop. Many observers are expecting less South American competition during the year ahead.

The potential exists for a significant recovery in corn and soybean prices after harvest. It now appears that the highest prices will occur late in the 1990-91 marketing year.

Darrel Good

Issued by Darrel Good
Extension Specialist
University of Illinois

Cooperative Extension Service
United States Department of Agriculture
University of Illinois
At Urbana-Champaign
Urbana, Illinois 61801