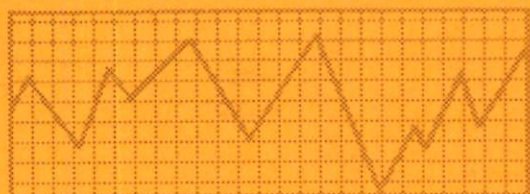




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WEEKLY OUTLOOK

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WHERE IS THE BOTTOM IN THE CORN AND SOYBEAN MARKETS?

Corn and soybean prices have slowly eroded over the past two months. December corn futures traded as high as \$2.67 per bushel on April 3, declined to a low of \$2.40 on May 30, and is currently trading in the \$2.45 to \$2.50 range. November soybean futures traded as high as \$6.33 on April 3 and as low as \$5.79 on May 14. That contract is currently trading around the \$5.90 mark.

Lower prices have reflected the continuation of the very slow pace of exports experienced all year, delays in granting export credits to the USSR, and generally very favorable growing conditions in the United States. The decline in prices has been slowed by rain-delayed planting in parts of Iowa and Minnesota, a sharp decline in the size of the Brazilian soybean harvest, a deterioration in the U.S. soft red winter wheat crop, and the National Weather Service outlook for warm, dry conditions in the midwest this summer.

The price support provided by these factors is fading, however. The disease problems in the soft red winter wheat crop are expected to lead to an abundance of poor quality wheat that will compete with corn in livestock rations. Drier weather is allowing planting to proceed in some of the wet areas of the Western Corn Belt. Since a credit package for the USSR is generally expected, the price impact of such an offer will likely be minimal at best. Without weather problems during July and August, it appears that the downtrend in corn and soybean prices will continue into harvest.

History might shed some light on the potential magnitude of further price declines. It is useful to look at the timing of the highs and lows in December corn futures and November soybean futures and the size of the range from the high to low price. First a look at corn.

For the 18 years from 1973 through 1990, the range from high to low in December corn futures varied from \$.54 per bushel to \$2.05 per bushel. The average was \$1.10 per bushel. In the 8 years when prices were not influenced by very poor weather conditions, the range from high to low varied from \$.54 to \$.85. The average was \$.78 per bushel. Both the high and low prices tended to occur in the summer and fall months.

For the December 1991 corn futures contract, the high price to date is \$2.75 per bushel, reached in July 1990. The low price to date is \$2.40, reached in May 1991. Two observations can be made about the price pattern to date. First, the range from high to low is extremely narrow, suggesting a new high and/or low will likely occur. Second, the low to date was in the month of May. That has not occurred in at least the previous 20 years (earlier years were not reviewed). Based on these observations, it seems likely that a new low will occur in December corn futures. If the \$2.75 level holds as a contract high, history suggests that the low will be between \$2.00 and \$2.20 per bushel. In the previous 7 years of very early price highs (before January) the low price occurred in the August through December period. With favorable growing conditions, the low this year might be expected in August or September. In the unlikely case that the current low of \$2.40 per bushel is the contract low, a new high in December futures would be expected. That high would be expected to exceed \$2.95 per bushel.

In the case of soybeans, the range from high to low in the November contract (1974-1990) has varied from \$.91 to \$5.47 per bushel. The average was \$2.72 per bushel. In years without significant weather influences, the range varied from \$.91 to \$3.00 per bushel, averaging \$1.90 per bushel. As in the case of corn, the highs and lows tended to occur in the summer and fall months, although lows were more widely distributed.

For the November 1991 contract, the high price to date is \$6.74 reached in July 1990. The low price is \$5.79, established in May 1991. The range from high to low of \$.95 is at the low end of historical levels. In addition, a low in May would be extremely unusual, having not occurred in at least the past 20 years. If the \$6.74 level holds as the contract high, a new low should be expected. Based on the price pattern in similar years (an early high and no weather problems) the low would be expected to occur in the \$5.00 to \$5.40 range in the August through November period.

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