



WEEKLY OUTLOOK



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CORN PRICES - TRADING RANGE TO PERSIST?

March 1992 corn futures established a contract low of \$2.28½ per bushel on July 8 and a contract high of \$2.77¼ on August 1 and 2. The July rally was based on deteriorating crop conditions and expectations of a significantly smaller crop. An unexpected, widespread rain during the first weekend of August turned prices lower just as quickly as they had moved higher. The decline culminated with the Soviet coup attempt of mid-August, with March futures trading as low as \$2.43½ on August 20. For the past three months, March futures have traded between \$2.48 and \$2.68 per bushel, and are currently at the low end of that trading range.

A narrow trading range for corn prices during the winter months has been the rule for the past three years. In the 1988-89 marketing year, March futures traded in a 30 cent range from early November through contract expiration. In 1989-90, the range was only 18 cents and last year the range was 24 cents per bushel. This type of flat price pattern is often referred to as the "winter doldrums" and reflects the fact that there is very little new fundamental information available to the market during that time. The previous year's crop size is already known, although the final estimate in January has contained a surprise from time to time, and it is too early to focus on next year's weather outlook. Export prospects are generally established by winter time, with surprises usually not surfacing until spring (the Soviet export embargo of January 1980 was a recent exception). Domestically, livestock production and price prospects are also generally established by winter. The December 1 stocks report, released in early January, is the first check on the rate of domestic corn feeding.

Most elements suggest that the recent narrow range in corn prices will likely persist through the winter months this year. The major uncertainty centers around export credits for the USSR. Last week, the USDA announced an additional \$1.25 billion in credits for the USSR. Of that total, \$500 million is available immediately, with \$250 million available monthly during February, March and April of 1992. The allocation of those credits to individual commodities is expected to be announced this week. Comments from the Administration suggest that the opportunity for additional credit allocations is still available next spring.

Earlier this month, the USDA projected exports of U.S. corn to all destinations during the 1991-92 marketing year at a 5-year low of 1.575 billion bushels. That figure is 152 million bushels, or 8.8 percent, below exports of last year. Through the first 11 weeks of the 1991-92 marketing year, corn export inspections totaled 350 million bushels, 20 percent larger than exports on the same date a year ago. The amount of corn sold for export, but not yet shipped by November 14, totaled 240 million bushels, 19 percent less than outstanding sales of a year ago.

Relatively stable prices during the winter months will likely be followed by more volatile prices in the spring/summer of 1992. Weather uncertainty in the United States and other major grain producing areas of the world is expected to be the source of that volatility. Over the past 16 seasons, the cash price of corn in central Illinois during the September-August marketing year has varied as much as \$1.91 per bushel (1982-83) to as little as \$.45 per bushel (1990-91). In 10 of those 16 years, the highest price of the marketing year has occurred in the May through August time period. The high occurred in September five times. Typically, when the high occurred in September, the low occurred the following spring or summer. When the low occurred in September or October (7 times) the high occurred in the following spring or summer. During the first three months of the 1991-92 marketing year, cash prices have varied by only \$.25 per bushel, from \$2.27 on October 10 to \$2.52 on November 1. If \$2.27 represents the low for the marketing year, the spring/summer high should be at least \$2.75 per bushel. If new lows are to be established, they will likely come late in the marketing year and reflect prospects for a very large crop in 1992.

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