



# WEEKLY OUTLOOK



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## CORN — PRICING OPPORTUNITIES AHEAD

For the past several weeks, corn prices have been influenced primarily by weather and weather forecasts and by expectations surrounding the commodity mix of the \$700 million food aid package for Russia announced in early April. An agreement of the commodity mix was reached this past weekend, although the specific details were announced after this newsletter went to print. The preliminary announcement indicated the package will be about half bulk commodities with an emphasis on corn. The other half will be processed and semi-processed products, including a significant quantity of soybean meal. Smaller amounts of wheat, vegetable oils, and poultry are to be included.

Deliberations about payment of freight costs had apparently delayed an announcement on commodity mix. Again, the preliminary announcement indicated that the cargo preference provision which requires at least 75 percent of U.S. food aid to be shipped on U.S. flag vessels was maintained. The freight costs, however, will be shared by the United States and Russia.

Russia also agreed to pay market price for wheat and vegetable oil, but those purchases will be supplemented by USDA donations of additional quantities of the same commodities. Earlier, Russia had requested export subsidies for those commodities.

Assuming much of the corn in the food aid package is shipped during the current marketing year, exports for the year may exceed the USDA projection of 1.65 billion bushels. With only 19 weeks left in the marketing year, exports have already reached 1.19 billion bushels. An additional 274 million bushels have been sold for export, but not yet shipped. Additional export sales need to total only 185 million bushels (10 million bushels per week) to reach the USDA projection. Sales have averaged nearly 27 million bushels per week for the past two weeks.

Stocks of corn at the end of the 1992-93 marketing year could be less than the current USDA projection of 2.187 billion bushels as exports exceed the current projection. In addition, the significant increase in hog numbers and the large number of cattle on feed

could push domestic consumption higher than the current projection. While carryover stocks will clearly be adequate, the high rate of consumption increases the importance of the size of the 1993 crop.

Corn planting continues to be delayed by wet weather, with only small acreage planted in the midwest. Additional rainfall this week means that corn planting will definitely be late in 1993, particularly in comparison to the relatively early planting of the last few years. As indicated three weeks ago, it is difficult to predict the impact of late planting on the magnitude of corn acreage and on average yield. The late planting, however, means that the midwest corn crop will be pollinating during the potentially hottest part of the summer this year.

With annual corn consumption in excess of 8.4 billion bushels, it now appears more likely that corn inventories will be reduced by the end of the 1993-94 marketing year. If plantings equal March intentions of 76.5 million acres, the 1993 average yield would have to be 122 bushels per acre to produce a crop of 8.4 billion bushels.

Unlike previous years, corn prices have not yet demonstrated a significant reaction to late planting. Relatively large inventories of corn and the lack of commercial demand by Russia have kept traders cautious. In addition, the experience of 1992 is still fresh. Last year, adverse conditions early in the growing season were overcome by ideal conditions in July. The 1993 weather market has started early and may persist through July. At this time, sharply higher prices do not appear likely, but good pricing opportunities should be available, perhaps on several occasions.

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