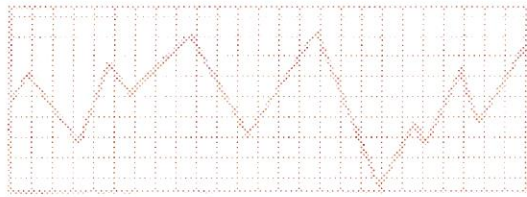




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WEEKLY OUTLOOK

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CROP PRODUCTION UNCERTAINTY CONTINUES

The focus in the corn, soybean, and wheat markets continues to be on the potential size of the 1993 crops. In the case of corn and soybeans, the immediate question centers around planted acreage. The USDA's *Acreage* report will be released on June 30. Since 1980, the planted acreage of corn reported in June has been very close to the final estimate of planted acreage. The difference between the June figure and the final estimate has been in a range of 10,000 to 677,000 acres. The average difference was 294,000 acres, or about 0.4 percent of planted acreage. For soybeans the difference has ranged from 200,000 to 1.4 million acres. The average difference was 525,000 acres, or about 0.8 percent of planted acreage.

Due to the lateness of planting this year, the June 30 report will reflect a higher percentage of planting intentions, rather than actual plantings, than is normally the case. As a result, the report may show slightly more acreage of soybeans and slightly less acreage of corn than indicated in March. With a low level of confidence, we expect the report to show intentions to plant about 60 million acres of soybeans and about 76 million acres of corn. The June estimates will provide a benchmark for the market to project actual acreage. The significance of the report is that whatever figures are revealed, the market will expect actual plantings to be less due to the continuation of extremely wet weather in Iowa, Minnesota, and South Dakota. The inability to plant in a timely fashion will result in more acreage in the 0/92 program and more unplanted acreage in general.

Once the *Acreage* report is released and the calendar rolls to July, the market will begin to focus more intently on corn and soybean yield prospects. Current prospects are relatively good in the eastern corn belt and considerably more suspect in the western corn belt. The lateness of planting means that favorable conditions will be required for the remainder of the growing season to produce respectable yields. Two major risks lie ahead. The first risk is a period of hot and dry conditions during the critical stages of crop reproduction. The second risk is a shortened growing season due to an early killing frost.

Due to the unique nature of this season, corn and soybean prices could remain unsettled for the next three months. Traders are generally friendly to the soybean market, not only because of adverse planting conditions, but also because exports will likely exceed the current USDA projection. The uptrend in soybean prices which began on June 16 will have its first critical test as nearby futures approach the 1991 and 1992 highs near \$2.40 on the weekly price chart. If that level is cleared, the next immediate test will be the 1990 high near \$6.60. It is generally believed

that a move above \$6.60 could lead to further, significant price increases. Crop concerns, however, would have to be the basis of that rally.

Traders are less enthusiastic about corn prices because of large old crop inventories and decent production prospects for 1993. While the crop was planted a little late and acreage may have fallen short of intentions, yield prospects are still generally favorable. For now, rally potential in December futures is probably limited to the May highs in the \$2.42 to \$2.43 range. A sharp run up in soybean prices, could push December futures to the April high of \$2.50.

For wheat, the near term focus is on yield and quality of the winter wheat crop. July futures at Chicago put in a low of \$2.77 on June 17, and are currently about \$.08 above that low. That market is probably in the process of putting in a seasonal low, with the size of the crop and speed of harvest to determine the bottom of the market. Longer term recovery in wheat prices still hinges on the strength of exports. The USDA has announced its Export Enhancement Program for the 1993-94 marketing year. A total of 32 million tons of wheat have been allocated for that program, down from 32.78 million last year. New allocations for some Latin American countries, most notably Mexico, were included this year. The question that remains is "how much of the allocation will be used?" Last year, 36 percent of the allocation was left unused.

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