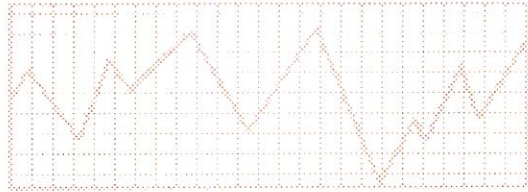




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WEEKLY OUTLOOK

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CORN AND SOYBEAN USE FALTER

November soybean futures declined about \$.70 from the contact high reached on July 19 to the close on July 30. **December corn futures declined** about \$.20 from the recent high established on July 9. Part of the weakness has been associated with improving weather forecasts for the western corn belt and ideas that crop conditions will start to improve. Some of the weakness in prices, however, reflected the declining rate of corn and soybean use over the past several weeks.

The Census Bureau reported that the domestic soybean crush in June dropped under the level of a year ago for the first time this year. Weekly estimates from the National Oilseed Processor Association indicates that the crush since mid-June has been 6 percent less than the crush of a year ago. Recent declines in the domestic crush reflect plant closings due to flood conditions. However, part of the downturn is associated with a slow down in exports of meal and oil.

Since mid-June, soybean exports have been nearly 11 percent below exports during the same 6 week period last year. There are still large outstanding export sales of soybeans on the books, but some of those sales will likely be moved to the new crop. To date, sales of new crop soybeans have been relatively small. Through the last reporting date of July 22, only 32 million bushels of soybeans had been sold for shipment during the 1993-94 marketing year. Last year, 49 million bushels had been sold by that date.

Corn exports over the past 9 weeks were down 25 percent from exports during the same period last year. New sales for export during the last month of the marketing year have ground to a halt due to concerns about interior movement to export markets. Recent sales have been for shipment during the 1993-94 marketing year. Outstanding sales of new crop corn totaled 127 million bushels on July 22, nearly 27 percent above the cumulative sales of a year ago.

There are several reasons why importers are not chasing the corn and soybean markets as they have in past weather markets. These include ample crop supplies in other areas, perceptions that U.S. crop damage is not as severe as in drought years, overall weakness in export demand due to economic slowdown, and the absence of buying by the former Soviet Union.

Domestically, there is no current measure of corn consumption. However, there are ideas that large quantities of poor quality wheat are being substituted for corn in livestock feed rations. In combination with the slow down in exports, a slower rate of domestic feed use of corn points to slightly larger September 1 stocks than currently projected.

Even with an improvement in weather conditions and a downturn in both corn and soybean consumption, the recent price decline has likely been overdone. Crop damage continues to occur along the Missouri and Mississippi Rivers and yield potential has been adversely affected by drought conditions in the southeast. In addition, the maturity of the corn and soybean crops are well behind normal in a significant part of the western corn belt. Some observers believe that a portion of those crops will be lost even with an average date for the first killing frost. Talk will now turn to prospects for an early frost, particularly with cooler temperatures moving into the corn belt.

The USDA's August 11 *Crop Production* report will be an important benchmark for evaluating the potential size of the 1993 corn and soybean crops. The USDA indicated it has updated the acreage figures for those 8 states most severely impacted by flooding. While some acreage may have been lost after the survey was conducted, the report should give a fairly clear indication of acreage for harvest. The yield estimate is always very tentative in August because a lot of the growing season is still ahead. That is especially true this year because of the lateness of the crop in many areas.

After the recent sharp declines, the corn and soybean markets will start reestablishing some weather premiums. It is unlikely that the recent highs will be exceeded prior to the August 11 *Crop Production* report. Further, downside risk will be small, however, until the market becomes satisfied that frost will not be a problem. A significantly early frost would result in new highs in both corn and soybeans. These are markets that will be volatile for several more weeks, providing opportunities for early pricing of the 1993 crops.



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