Cooperative Extension Service

WEEKLY OUTLOOK

A joint publication of the Departments of Agricultural Economics, Colleges of Agriculture of Purdue University, West Lafayette, Indiana, and the University of Illinois at Urbana-Champaign

SEPTEMBER 7, 1993

SEASONAL PRICE PATTERNS FOR CORN AND SOYBEANS

For the last few years we have paid more attention to the seasonal pattern of cash prices for corn and soybeans, paying particular attention to the timing of the highest and lowest price and the range from high to low. The pattern for the 1992-93 marketing year, which ended on August 31, was a classic "large crop" pattern.

Based on the overnight cash bid to farmers in central Illinois, corn prices reached a low of $1.865 per bushel on October 27, 1992 and a high of $2.33 on July 6, 1993. Establishing a low in the fall of the year and a high in the following summer is very typical of large crop years. The low price was the lowest for any marketing year since 1987-88. The high price was the lowest since the 1986-87 marketing year. The range from low to high of $.465 was the second smallest of the past 20 years. The smallest was the $.445 range of 1990-91.

Cash soybean prices reached a low of $5.115 on October 2, 1992 and a high of $7.19 on July 19, 1993. The low price was the lowest since 1987-88 and the high was the highest since 1988-89. The range of $2.075 was the largest since 1988-89 and about double the average range of the past three years.

The price pattern for "small crop" years is typically reverse of the large crop pattern, with the highest price early in the year and the lowest price late in the marketing year. Over the past 18 seasons, corn prices have followed a large crop pattern 10 times, a short crop pattern 6 times and a hybrid pattern on two occasions. The two years that did not fit a typical pattern were 1985-86, when price reached a high in June 1986 and a low in August 1986, and 1991-92 when price reached a high in March 1992 and a low in August 1992.

For soybeans, price has followed a large crop pattern in 9 of the past 18 years, a small crop pattern in 7 years and a hybrid pattern in 2 years. Those 2 years were 1976-77 (high in April, low in August) and 1979-80 (low in March, high in July).

What kind of price pattern should we expect in 1993-94? The corn and soybean crops are not large by historic standards. The U.S. corn crop has been larger than the estimated 1993 crop of 7.4 billion bushels in 10 of the past 15 years. Yet, the estimate is not small in relation to the 1988 crop of 4.9 billion bushels and to the 1983 crop of 4.2 billion bushels.

The U.S. soybean crop has been larger than the estimated 1993 crop of 1.9 billion bushels in 9 of the past 15 years. Yet the crop is not small in relation to the 1983 and 1988 crops of about 1.6 billion bushels. This year appears to be neither a large crop nor small crop year.

Three other factors are important in judging the potential price pattern for the 1993-94 marketing year. First is the prospect for a sharp reduction in export demand for both crops. Such an outlook suggests a declining seasonal pattern for prices. The second factor is that corn stocks, and particularly soybean stocks, will be reduced to relatively low levels by the end of the 1993-94 marketing year. Low stocks mean that prices would be very sensitive to any U.S. crop problems next spring or summer. Problems could result in sharply higher prices late in the marketing year. The third factor that will be especially important for soybeans is the potential size of the 1994 crop in South America. More acres and good yield prospects would put additional pressure on prices while crop problems could yield a late winter/early spring rally in prices.

Unless the 1993 crops are revealed to be significantly smaller in the September or October report, the 1993-94 price pattern will not likely fit a typical pattern. Prices may decline further into harvest or even in the winter months, but could become very volatile again next spring. Corn prices in particular have declined to levels that make ownership more attractive.

Darrel Good

Issued by Darrel Good
Extension Economist
University of Illinois

Cooperative Extension Service
United States Department of Agriculture
University of Illinois
At Urbana-Champaign
Urbana, Illinois 61801

FIRST CLASS