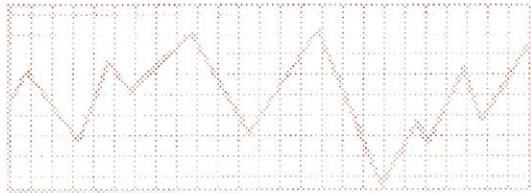




Cooperative
Extension
Service



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 27, 1993

CORN AND SOYBEAN PRICES TO REFLECT WEATHER, USDA REPORTS

The growing season for the 1993 corn and soybean crops is coming to an end with a lot of uncertainty about the size and quality of the crops. Excessive rainfall in much of the midwest has delayed harvest and raised concerns about excessive field losses, particularly for corn. A wide variety of insect and disease problems have made plants susceptible to lodging and ear drop. If a season ending frost occurs this week in the upper midwest, as forecast by some, production and quality could be significantly reduced.

Aside from late season weather problems, the market is aware that the October 12 *Crop Production* report could contain a change in the estimated size of the corn and soybean crops. Over the past 4 seasons, the October corn production estimate has differed from the September estimate by an average of 144 million bushels, in a range of 96 to 184 million. While the average variation was a small percent of the crop (1.8 percent) a similar change this year could be important due to the relatively tight supply and demand balance. The odds of a smaller crop estimate have increased with the late enrollment in the 0/92 program, primarily in Iowa and Minnesota. Unofficial estimates suggest that close to 1 million acres may have been added to the program during the late enrollment.

Over the past 4 years, the October soybean estimate has differed from the September estimate by an average of 47 million bushels, in a range from 12 to 117 million. The average difference represented 2.5 percent of the September estimate. The percentage is small, but is important in a year like 1993-94 when stock levels are expected to decline significantly.

Even before the *Crop Production* report, the market will have a chance to respond to the USDA's September *Grain Stocks* report to be released on September 30. Those stocks are currently projected at 2.15 billion and 290 million bushels for corn and soybeans, respectively. Based on USDA's weekly export inspection figures, soybean exports exceeded the USDA's projection for the 1992-93 marketing year by 6.5 million bushels. Through July, however, the Census Bureau estimates of soybean exports trailed USDA figures by 11 million bushels. The apparent over estimate of the 1992 soybean crop leaves some room for a surprise in the September stocks estimate. Corn stocks are

more difficult to anticipate due to the large residual component of use, so a surprise is always possible.

The USDA is required to announce the set aside requirement for the 1994 feed grain crops by the end of September. Based on the current projections of use during the 1993-94 marketing year and stocks at the end of the year, the 1990 legislation requires a set aside for corn between 0 and 12.5 percent. A requirement between 5 and 7.5 percent is expected, down from the 10 percent requirement for the 1993 crop.

Both corn and soybean prices have recovered from the early September lows (December corn at \$2.325 on September 7 and November soybeans at \$6.16 on September 10). However, the late season weather problems have generated less price strength than many had expected. December corn futures at \$2.46 are \$.15 below the July high and November soybean futures at \$6.40 are \$1.17 below the July high. If further price strength is to be generated on the basis of supply concerns, it will have to show up over the next 3 to 4 weeks. Any such rallies will provide an opportunity to add to sales. We continue to believe that a large portion of this year's crop should be priced early. Crops that are stored will likely have to be held until next spring/summer to show a return to storage. Some analysts expect to see a demand lead price rally this coming winter or spring. Unless the South American soybean crop runs into trouble this winter, however, the most likely time for another price rally will be during the 1994 planting/growing season in the U.S.



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