



WEEKLY OUTLOOK



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CORN AND SOYBEAN PRICES DECLINING SEASONALLY

Corn and soybean prices typically come under pressure at harvest time as pricing of the harvested crops dominate the market. Earlier, it was thought that some or all of that pressure would be avoided this year because of adverse weather and smaller crops. Recent weather patterns, however, have turned more favorable for crop development and harvest progress. To date, killing frosts have been limited to relatively small portions of the upper midwest. Drier conditions have allowed harvest to accelerate in the midwest. In addition, the late season rain in the southeast was probably in time to add to the yield potential of the soybean crop.

Early harvest reports in Illinois and Indiana reveal surprisingly high soybean yields and corn yields which are generally lower than anticipated. Low test weight corn will apparently be a problem in some areas. It is not appropriate to generalize about average yields based on a small number of reports from one geographic area. However, the early results have convinced the market that the current soybean estimate of 1.9 billion bushels may be confirmed on October 12. The corn estimate may decline modestly, but the crop is expected to be large enough to meet the level of projected use.

The September *Grain Stocks* report provided no surprises for either corn or soybeans. The September inventory of soybeans totaled 292 million bushels, compared with the USDA projection of 290 million and the average trade guess of 288 million bushels. The September 1 inventory of corn totaled 2.113 billion bushels, 37 million less than the most recent USDA projection, but identical to the average trade guess. The high level of "residual" disappearance of soybeans suggests that the 1992 crop was overestimated by 25 to 30 million bushels.

Prices are also being pressured by the slow rate of export sales described 2 weeks ago. Through September 23, corn exports totaled only 95 million bushels, compared to 125 million on the same date last year. Outstanding sales stood at 300 million bushels, down from 372 million last year. Cumulative soybean exports were at 21 million bushels, down from 46 million a year ago, while outstanding sales totaled only 90 million bushels, down from the 190 million bushels on the same date last year. The USDA will update its export projections in the October *Supply and Demand* report.

The Secretary of Agriculture announced on September 30, that the Acreage Reduction Program would require at 5 percent set-aside for corn in 1994. The combined acreage of corn and soybeans harvested in 1994 could increase by 10 million acres due to the reduced set-aside, reduced participation in the 0\92 program, and planting of the majority of the acreage lost to flooding in 1993. In addition, most analysts believe that soybean acreage in South America will increase this year.

It is difficult to anticipate how low prices might go this fall. It depends very much on the October 12 production estimate and farmer selling decisions. A decline to the mid-June lows cannot be ruled out. That would put December corn futures near \$2.25 and November soybean futures near \$5.85. Early season pricing opportunities have faded very rapidly, but some selling out of the field should be considered by producers with high yields and little forward pricing done. Storage of the crops may produce a return above costs, but history suggests that such a return probably would not materialize until the spring/summer of 1994. An opportunity for an earlier rally in soybean prices does exist if South American weather become unfavorable. For those that have sold or will sell a large percentage of the crop early, reownership with call options might be considered if prices decline sharply this fall or winter.

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