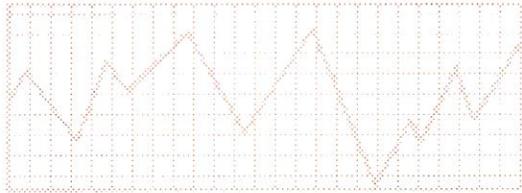




Cooperative
Extension
Service



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

NOVEMBER 22, 1993

RATIONING OF THE 1993 CORN AND SOYBEAN CROPS HAS BEGUN

As indicated in our letter of November 8, the job of the corn and soybean markets now is to evaluate demand to determine if the necessary cuts in consumption are taking place. If the rate of consumption is not being reduced, further price increases will be required. Further price adjustments, if needed, may not occur entirely in the futures market. Part of the adjustment may be in the cash market, resulting in fluctuating basis patterns.

In the case of soybeans, exports are expected to decline by 19 percent as the result of supply shortages and increased competition. Through the first 10 weeks of the marketing year, exports are 30 percent below the level of a year ago. Unshipped sales as of November 11 were 49 percent less than on the same date last year. There has been no rush to buy U.S. soybeans since the small production estimate was released two weeks ago. Large supplies of competing oilseeds as well as prospects for increased soybean production in South America, along with higher prices, has dampened the demand for U.S. soybeans. Recent rainfall in northern Brazil has at least partially alleviated some of the concerns about dryness.

The domestic soybean crush is expected to decline by 4 percent during the 1993-94 marketing year. Based on figures from the National Oilseed Processor's Association, crush during the first 11 weeks of the marketing year is down less than 1 percent. The crush is being supported by domestic demand, as meal exports during the first 2.5 months of the year were down 25 percent from shipments of a year ago.

To date, the combined crush and exports of soybeans are lagging last year's pace by 13.7 percent. This compares to the 9.7 percent reduction projected for the year. The necessary cuts in consumption appear to be taking place. An estimate of the rate of domestic consumption of oil and meal, as well as the oil content of the 1993 soybean crop will be possible with the release of the Census Bureau's October crush report this week. Many analysts believe that any further price increases to ration this year's crop will be led by soybean oil prices because of unusually tight supplies.

The soybean basis in central Illinois has strengthened nearly 20 cents since the first of the month. A high rate of domestic crush and slow farmer selling should continue to support the strong basis.

At 1.35 billion bushels, corn exports during the 1993-94 marketing year are also expected to decline 19 percent from shipments of a year ago. Through the first 10 weeks of the year, export shipments are down only 8 percent. Unshipped sales, however, as of November 11 were 36 percent smaller than sales of a year ago. Total commitments (shipments plus sales) are down nearly 25 percent from commitments of a year ago. Once again, the necessary reduction in exports appears to be taking place.

The big unknown in the corn market is the rate of domestic feed consumption. The 10 percent decline in hog prices and the 15 percent increase in corn prices since the first of the month has probably started the rationing process. Solid evidence will not be available until the grain stocks estimates are released on January 12. The *Hogs and Pigs* report released on December 29 will give an indication of the response to the changing price signals.

The corn basis in central Illinois has strengthened about 15 cents since the first of the month. Respectable export demand, strong processor demand, and reluctant farmer selling all point to a continuation of a strong basis pattern.

The corn and soybean markets will remain focused on demand prospects for the next 3 to 4 months. The revised production estimate will be released on January 12 and will provide the basis for determining how much rationing must occur. From March forward, the markets will take on more of a new crop focus. A significant increase in acreage is expected in 1994 with a zero set-aside for all program crops and a more normal moisture pattern. Yield prospects, however, will be the key price factor.



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