Cooperative Extension Service

WEEKLY OUTLOOK

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WEATHER WATCH CONTINUES

Factors that determine the price of corn and soybeans are like pieces of a puzzle that fall into place over a period of time. It is a puzzle that is never really solved, however, as new factors always seem to surface. The USDA's *Grain Stocks* and *Prospective Plantings* reports reviewed last week provided some important pieces to the puzzle. The corn stocks estimate confirmed that feed and residual use of corn is dropping in line with USDA projections, partly as a result of high levels of wheat feeding. The plantings report confirmed producers intentions to increase both corn and soybean acreage in 1994.

Weekly figures continue to reflect a weak export demand. With seven months of the marketing year complete, cumulative soybean exports are nearly 26 percent below the level of a year ago. The typical seasonal decline in exports has begun as the South American harvest approaches the half way point. Normally, weekly exports during the last five months of the marketing year average half of the weekly rate during the first seven months. If that pattern is followed this year, exports will be extremely close to the USDA projection of 605 million bushels. Corn exports to date are 21 percent less than on the same date last year. For the year, the USDA projects a 23 percent decline. As of March 31, however, outstanding export sales of corn stood at 130 million bushels, 57 percent less than outstanding sales on the same date last year. It appears that exports may come in a little lower than the USDA projection of 1.275 billion bushels.

The domestic crush of soybeans has been running ahead of the average pace projected by the USDA. The USDA projects a 3 percent decline in the crush for the year. Crush during the first half of the marketing year (September 1993-February 1994) was down 1.5 percent. However, weekly figures from the National Oilseed Processors Association show a 3.6 percent decline over the past three weeks. The crush will likely be very near the USDA projection for the year.

While some very important pieces to the current price puzzle have been revealed, the biggest piece will unfold over the next four to five months. That piece, of course, is world weather conditions. The primary focus will be on U.S. weather. Near term weather will be important for the development of the winter wheat crop. A large wheat crop would keep wheat prices competitive with corn in livestock rations and reduce the need for higher corn prices to reduce feed consumption of corn. Near term weather will also obviously be important for determining the timeliness of planting and yield potential. Weather may also be important for determining the relative acreage of corn and soybeans. It is generally believed that a favorable planting season would lead to a little more corn acreage and a little less soybean acreage than reflected in the *Prospective Plantings* report. That switch would be further encouraged by the recent decline in soybean prices relative to corn prices. The decline also makes soybeans less competitive with other crops in the delta and southeast. A late, wet planting season might result in more soybeans and less corn acreage.

If crops are planted in a timely fashion, summer weather conditions will determine average yields. It is not possible to forecast summer weather, but conditions during June are often a good indicator of summer weather patterns. For now, some weather watchers believe that the demise of the El Nino event increases the odds of drought conditions in the midwest this summer.

Prices of corn and soybeans are typically volatile during the April through August time period for obvious reasons. That is likely to be the case again this year. To date, December 1994 corn futures have trade in a very narrow range of $.3725. The low of $2.365 was established last September and the high of $2.7375 was set in January. In the last 20 years, December futures have not traded in a range of less than $.5425. There is a high probability that December 1994 futures will set a new high, a new low, or both. A new high, if it occurs, in would most likely occur in June or July and a new low in the fáll.

Similarly, November 1994 soybean futures have traded in a narrow range of $.8425. The low of $5.815 was established in June 1993 and the high of $6.6575 came in January 1994. In the past 20 years, November futures have had a range of less than $1.00 per bushel only once ($.9125 for the 1986 contract). The average range from high to low over the last 10 years was $2.03. Excluding the 1988 contract, the average range was $1.65. If a new high is to be established for the 1994 contract, it will most likely occur in the May through July period. The high was set in that period for the 1987 through 1993 contracts. The second most likely period is September through November, which saw the high for the 1980 through 1986 contracts.

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