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WEEKLY OUTLOOK

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WEATHER CONTINUES TO BE THE FOCUS IN THE GRAIN MARKETS

Since late March, the focus of this newsletter has been on weather conditions in the U.S. corn and soybean producing areas. Weather and crop development continue to dominate the near term prospects for corn and soybean prices. While other factors are important for prices, weather typically is the major price determining factor this time of year. Last year, during the third week of June, new crop futures posted contract highs on the basis of dry weather concerns. December corn futures put in a high of $2.77 and November soybean futures peaked at $6.99. Prices turned lower from that point and proceeded to decline sharply into harvest on the basis of record corn and soybean production.

December 1995 corn futures have exceeded last year's high, trading as high as $2.895 last week. That price is $.54 above the contract low established last June. Since 1973, the range between the highest and lowest price for December futures here ranged from $.5425 (1987 contract) to $2.05 (1974 contract). The average range for the past six years was $.695. The ten year average is a range of $.745 and the twenty year average is $.8875 per bushel.

Given the strength in corn demand and the likely reduction in the crop size, prices may well stay above the current December contract low of $2.355 through maturity of the contract. If so, history would suggest that new highs in that contract are still possible. Weather, of course, will dictate if and when that will occur. Since 1988, the December contract has established a high between $2.75 and $2.77 three times and between $2.92 and $2.96 three times. It seems likely, that December 1995 futures will trade to the $2.95 level. If that level is exceeded, it is possible that prices could go much higher. In years when the December contract high exceeded $3.00, the high was established between $3.30 and $4.00 per bushel. That has occurred for 10 of the last 22 contracts.

The National Weather Service suggests that the near term precipitation pattern will be normal in much of the midwest. The exception being below normal precipitation in the important growing areas of Minnesota, Iowa and Wisconsin. Temperatures are expected to be near normal except for the northern tier of states from the Dakotas to Michigan. The 30-day outlook through mid-July calls for mostly normal precipitation, except for above normal amounts in South Dakota and southern Minnesota. The 90-day outlook portrays mostly normal precipitation, except in Wisconsin, where above normal amounts are forecast. Temperatures are projected to be near normal, except for an area in the far western corn belt of below normal readings.

The soybean market has been relatively stable for the past several months. November 1995 futures established a contract low of $5.7325 in February and a contract high of $6.45 last May. The most recent high was $6.34 on May 23 and the most recent low was $5.90 on June 12. The range from contract low to contract high of $.7175 is small by historic standards. In the past 22 years that range has varied from $.9125 (1986 contract) to $6.06 (1973 contract). Because of the drastically different market fundamentals for soybeans than for corn, it is probably not safe to assume that prices will stay above the current November contract low of $5.7325. A confirmation of increased soybean acreage and a favorable end to the growing season could propel November to new lows. Based on historic performance, that low could be in the $5.50 area. New highs are certainly possible if July and August bring hot, dry weather. Again based on recent history, a move above $6.45 in the November 1995 contract would suggest a high in the range of $6.75 to $7.50.

While history provides some benchmarks for establishing pricing targets, each year is unique. So far, the 1995 growing season has been different than any other in recent history. Some similarities to both 1983 and 1974 have been noted. The uncertainty about the remainder of the growing season suggests that marketing plans should include strategies that offer flexibility to respond to changing crop and price conditions. Those corn producers with favorable crop conditions have an excellent opportunity to establish prices for the 1995 crop.

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