



WEEKLY OUTLOOK

A joint publication of the Department of Agricultural Economics, College of Agriculture, Purdue University, West Lafayette, Indiana, and the Department of Agricultural and Consumer Economics, College of Agricultural, Consumer and Environmental Sciences, University of Illinois at Urbana-Champaign.

APRIL 21, 1997

CORN AND SOYBEAN CONSUMPTION PROSPECTS

The rate of soybean consumption has slowed dramatically since mid-March. The weekly crush was near 30 million bushels from the last week of October 1997 through the second week of March 1997. The crush dropped to 28 million per week in the last half of March, and then to 26 million in the second and third weeks of April. The USDA projects the crush for the entire year at 1.42 billion bushels. With 19.5 weeks left in the marketing year, the weekly crush rate needs to average about 23.5 million bushels if the USDA projection for the year is correct.

Soybean exports averaged nearly 24 million bushels per week during the first 28 weeks of the marketing year. For the five weeks ended on April 17, the weekly average was 12.2 million bushels. For the year, the USDA projects soybean exports at 895 million bushels. To meet that projection, weekly inspection during the last 19.5 weeks of the year need to average only 8.7 million bushels per week.

The decline in the rate of soybean consumption is proceeding in a typical seasonal pattern as South American supplies enter the world market. However, further reductions are required. Old crop soybean prices will likely remain well supported until the necessary reduction in the rate of use has been accomplished. It now looks like the early April highs in May and July futures just below \$9.00 may have established the seasonal high. Prospects for extremely small carry over stocks, however, will likely prevent a sharp reduction in prices until the market is convinced that the necessary rationing has occurred and that the 1997 crop is off to a good start. If and when that occurs, July futures could decline into the upper \$7.00 range. A failure of consumption to slow significantly, or perceived problems with the 1997 crop could result in a challenge of the early April high. In either case, it appears that the window for finishing old crop sales is fairly narrow.

Weekly corn exports have been very steady since January. The weekly USDA export inspection estimates for the 16 weeks ended on April 17 ranged from 31.4 million to 45 million bushels. During the same period last year, the range was from 33.4 to 58.3 million. For the current marketing year, the USDA projects corn exports at 1.825 billion bushels. To reach that level, weekly shipments need to average about 31 million bushels over the last 19.5 weeks of the year, about the same pace as last year. As of April 10, unshipped sales totaled only about one-half the amount of unshipped sales on the same date last year. Last year, however, no new sales were made after the first week of June and export cancellations totaled about 50 million bushels. It appears that the export projection of 1.825 billion bushels is very reasonable for the current marketing year.

STATE • COUNTY • LOCAL GROUPS • U.S. DEPARTMENT OF AGRICULTURE COOPERATING

The Illinois and Indiana Cooperative Extension Services provide equal opportunities in programs and employment.

Domestic feed and residual use of corn may exceed the revised USDA projection of 5.35 billion bushels. Feed use during the last half of the marketing year is expected to be supported by large numbers of cattle in feedlots and by expansion in broiler production. In addition, freeze damage to the hard red winter wheat crop and resulting higher wheat prices may reduce summer wheat feeding and increase corn feeding. For the year, feed and residual use may reach 5.45 billion bushels or more.

Domestic processing uses of corn during the first half of the marketing year were somewhat disappointing. The USDA estimates total use at 777 million bushels, about 37 million less than during the same period last year and 41 million less than two years ago. For the year, the USDA projects use to be 72 million bushel above the use of a year ago. Even with some shortfall in processing use, it appears that year ending corn stocks may be under 800 million bushels.

Like soybeans, it appears that the seasonal high in corn prices was established in the first few days of April. For the time being, July futures are likely to be supported above \$2.90. A good start to the 1997 crop could result in declines back to the \$2.70 area, while problems could result in a challenge to the recent high of \$3.20. The issue will be settled soon. Old crop pricing opportunities may be best over the next few weeks. Attention will then focus on pricing the new crop.



Issued by Darrel Good
Extension Economist
University of Illinois

CES Newsletter Service
University of Illinois
at Urbana-Champaign
69 Mumford Hall
1301 West Gregory Drive
Urbana IL 61801

FIRST CLASS