



WEEKLY OUTLOOK

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CORN AND SOYBEAN PRICES TO REFLECT RATE OF USE AND SOUTHERN HEMISPHERE WEATHER

With the January USDA corn and soybean reports now absorbed by the market, attention for the next two months will focus on the rate of consumption, crop developments in the southern hemisphere, and economic developments in southeast Asia. Increasingly, El Nino related weather forecasts for the 1998 U.S. growing season will be built into the price structure as well. By late March, the focus will turn to U.S. weather and prospective planted acreage. The USDA will release a *Prospective Plantings* report and a March 1 *Grain Stocks* report on March 31.

For corn, the rate of exports and export sales will be important due to the concerns about the slow rate of sales to date and because the information is available weekly. The USDA now projects corn exports at 1.75 billion bushels for the 1997-98 marketing year. That is 45 million less than exported last year and 300 million bushels below the projection made at the beginning of the marketing year.

Export inspection figures through January 22 (40 percent of the marketing year) indicate that shipments totaled 589 million bushels, or 34 percent of the projected total for the year. Cumulative shipments are 25 percent less than on the same date last year. (Export shipment figures have been very close to the figures reported by the Census Bureau through December and in the weekly Export Sales report). Through the first 21 weeks of the marketing year, shipments have averaged 28.6 million bushels per week. To reach the USDA projection, shipments during the final 31 weeks of the year must average 36.8 million bushels per week.

As of January 15, unshipped sales of corn totaled only 255 million bushels. To reach the USDA projection, sales need to average 29 million per week from now through August. It now appears that it will be difficult to reach the USDA projection unless China imports U.S. corn in the last half of the marketing year. Some U.S. corn was imported in December and some additional small sales have been made in January.

For soybeans, the market can monitor both export and domestic use on a weekly basis. Exports for the year are projected at 975 million bushels, 93 million (10.5 percent) more than exported last year. Through January 22, export inspections totaled 559 million bushels, 14 percent above the total of a year ago. Shipments account for 57 percent of the projection for the entire year. To reach the USDA projection, shipments need to average 13.2 million bushels per week during the final 31 weeks of the marketing year. As of January 15, outstanding export sales totaled 174.4 million bushels per week. Sales need to average 8.2 million per week to reach the USDA projection for the year.

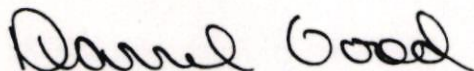
The domestic soybean crush during the 1997-98 marketing year is currently projected at 1.5 billion bushels, 4.5 percent above the record crush of last year. Through the first four months of the marketing year (September-December 1997) the Census Bureau reports that 547.1 million bushels of soybeans were

crushed, an increase of 9.6 percent from crush during the same period last year. Figures from the National Oilseed Processors Association indicate that the crush during the first three weeks of January was 8.2 percent larger than the crush last year. The crush for the rest of the year needs to be only about 1 percent larger than last year's crush in order to reach the projected 1.5 billion bushels. It now appears that crush could exceed the projection by 10 million bushels, leaving year ending stocks at 240 million bushels.

Southern hemisphere crops are in generally good condition. The South American soybean crop is expected to reach 1.74 billion bushels, 240 million larger than last year's harvest. The Argentine corn crop is also in excellent condition and is expected to equal or exceed last year's crop of 610 million bushels. The South African corn crop is expected to be about 40 million bushels, or 12 percent, smaller than last year's harvest.

Prospects for the southeast Asian economies and import decisions are still very clouded. The one billion dollars of export credits extended to South Korea are expected to be used quickly, and will provide some support in the near term.

Corn and soybean prices are generally expected to trade in a narrow range for the next several weeks. Corn prices should be able to hold the recent gains. Ideas that El Nino could provide some growing season problems and that acreage increases will be small will also provide underlying support. Higher prices, however, may have to wait for spring weather concerns. Soybean prices will also be supported by the high rate of consumption, but may come under increasing pressure as the South American crop matures and ideas of a significant increase in U.S. acreage becomes more widespread.



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