

# 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.

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## **CORN AND SOYBEANS AT MID-YEAR**

The 1997-98 corn and soybean marketing years reached the half way point at the end of February. This is a good time to evaluate the rate of consumption of the 1997 crop, assess southern hemisphere production prospects, and to contemplate 1998 U.S. acreage prospects.

For soybeans, both domestic use and export progress can be evaluated. Over the past 18 years, the domestic crush during the first half of the marketing year has ranged from 50.4 to 54.5 percent of the total for the year. The percentage tended to be higher in the first ten years of that period (52.9) and lower over the past eight years (51.5), but was at 53 percent last year. Based on the Census Bureau crush estimates through January and the National Oilseed Processors reports in February, it appears that crush during the first half of the year will total about 837 million bushels. The crush during the last half of the year may slow more than normal if the South American crop is as large as advertised. Using last year's high rate of 53 percent crushed in the first half of the year, the current pace projects to 1.579 billion bushels for the year. The USDA projects the crush at 1.52 billion bushels, suggesting that the first half crush will represent 55 percent of the annual total.

The seasonal pattern of soybean exports is more variable than the pattern of crush. In 8 of the past 10 years, exports during the first half of the year represented between 60 and 66 percent of the annual total. First half shipments represented 70 percent of the total last year and only 54 percent in 1990-91. This year, the USDA projects exports at 960 million bushels, 8.84 percent larger than last year's shipments. Through February 26, USDA inspection figures showed cumulative shipments of 683 million bushels, 9.7 percent above the cumulative of a year ago. As of February 19, 113 million bushels of soybeans had been sold for export, but not yet shipped. The total was about 130 million bushels last year. Again, with a large South American harvest, the weekly rate of shipments may drop more than the usual 50 percent after April 1. Exports appear unlikely to exceed 960 million bushels.

For corn, the rate of domestic feed and residual use can only be calculated with the quarterly stocks estimate. The March 1 estimate will be available on March 31. That report needs to show second quarter use of 1.54 billion bushels if use is on pace to meet the USDA projection of 5.85 billion bushels for the year.

The seasonal pattern of corn exports varies considerably from year to year. Over the past 10 years, first half shipments have ranged from 47 to 58 percent of the annual total. This year, the USDA projects exports at 1.625 billion bushels, down 9.5 percent from last year's shipments. Through February 26, shipments totaled 742.5 million bushels, 23.4 percent less than on the same date last year. Outstanding sales as of February 19 stood at 261 million bushels, 100 million less than on the same date last year.

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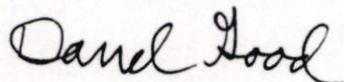
It is unlikely that exports will exceed the USDA projection. Depending on Chinese demand, exports may fall short of the current projection.

The southern hemisphere soybean crop is projected at 1.8 billion bushels, 20 percent larger than last year's crop. Wet weather in some areas threatens to delay harvest, but is unlikely to reduce the crop size. The Argentine corn crop is estimated at 650 million bushels, 10 percent larger than last year's crop. Ideal growing conditions have led some to project a crop of 700 million bushels. The South African crop is projected at 295 million bushels, 6 percent smaller than last year's harvest.

The USDA's recently released projections of U.S. crop acreages over the next several years has intensified the debate about how many acres of corn and soybeans to expect in 1998. The USDA has already confirmed a reduction of 1.745 million acres in winter wheat seedings. An additional 1.6 million acres formerly in the Conservative Reserve Program are expected to be cropped in 1998. Reductions in other crops (primarily cotton and spring wheat) may total 1 million acres. Acreage of oilseeds and feed grains could increase by 4.3 million acres in 1998.

The acreage of corn and soybeans will be influenced by a number of factors, including relative prices and spring weather conditions. The breakeven price ratio between corn and soybeans depends on relative yields, relative costs, and the price level. For example, based on 1997 non-land cost estimates, 4 year average yields, and current price levels, the breakeven price ratio is 2.3 in southern Illinois, 2.42 in northern Illinois, 2.57 in central Illinois. The current new crop price ratio favors soybeans in southern Illinois, corn in central Illinois, and is breakeven in northern Illinois.

Corn acreage, nationally, is likely to increase by 1.3 million in 1998, to a total of 81.5 million. Soybean acreage is expected to increase by at least 2 million acres, to a total of almost 73 million. Trend yields would result in a 1998 corn crop of 9.75 billion bushels and a soybean crop of 2.85 billion bushels.



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