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WEEKLY OUTLOOK

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WEATHER MARKET FOR CORN AND SOYBEANS

This is the time of year when corn and soybean markets become dominated by U.S. weather and crop prospects. The forecasts of growing conditions as well as overall weather patterns are watched closely for price implications. As with most things, there are always differences of opinions among weather experts about the potential for the growing season. It is difficult to sort through the various analyses and form an objective opinion. In addition, weather patterns are obviously not completely predictable. Also, timing of weather events in relation to stage of development of the crops can be as important as the overall pattern.

With most of the corn crop planted and soybean planting making near normal progress, the biggest threat to the crop is an extended period of hot, dry weather. The impact of such a scenario is most significant at the reproductive stage of the crop, but can be important at any time, particularly during the stages of seed development.

The National Weather Service forecast for June 6 through June 10 shows prospects for above normal temperatures in most of the corn and soybean growing areas. However, odds also favor normal to above normal levels of precipitation during that period. Such a development would presumably result in favorable development of the crops. The presence of the La Nina weather pattern through April had suggested that the La Nina would persist through the summer. Some analysts correlate La Nina with more unsettled weather in the U.S. and with increased chances of yield reducing weather events. Based on some indicators, the La Nina weakened considerably in May. The demise of the La Nina might reduce the odds of yield reducing weather this summer to a typical level of only about 15 percent.

The National Weather Service 90 day outlook (through August) released in mid-May indicated prospects for normal to above normal precipitation and below normal temperatures in much of the growing area. With timely planting of the crops, such conditions would be quite favorable for crop development.

In addition to yield, acreage of corn and soybeans will also influence potential crop size. The USDA will release the *Acreage* report on June 30. That report will help answer some important questions: Did the March *Prospective Plantings* report undercount total acreage? Did producers in wetter areas this spring switch acreage from corn to soybeans? Did

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excess moisture in some areas result in significant prevented plantings? Will an early soft red winter wheat harvest result in a few more acres double-cropped to soybeans? Did any spring wheat intentions get switched to oilseeds? Since the survey for this report was completed before all planting decisions were made, it may not answer all the questions, but could have important price implications.

December 1999 corn futures established a contract high of \$2.915 in October 1997 and a contract low of \$2.2575 last month. The trading range is within the experience of the last 25 years, but at the low end of that experience. In addition, since at least the 1971 contract, December futures have never established a contract low in May. Typically, the lows occur in the June through October period. An early spring low has occurred only one time, April 1980. With generally favorable weather, a new low in December 1999 futures appears likely. July weather problems will likely be required to exceed the spring high near \$2.50.

November 1999 soybean futures have a contract high of \$6.80 and a contract low of \$4.65 (established early on June 1). The trading range of \$2.15 is typical of the experience of the past 25 years. Contract lows over the past 25 years have occurred in every month at least once, except for May and December. Without a summer threat to the crop, lower prices are expected prior to harvest this year. The spring high in the \$5.20 range for November futures will be difficult to penetrate. Prices may have difficulty exceeding the CCC loan rate for an extended period. A threat to the U.S. crop, or a significant reduction in South American production, may be required to push prices above the loan rate.



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