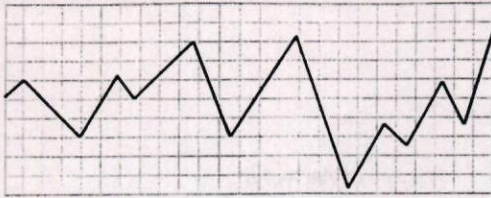




UNIVERSITY OF ILLINOIS
EXTENSION



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.

June 21, 1999

MORE VOLATILE CORN AND SOYBEAN PRICES AHEAD?

Forecasts of a period of hot, dry weather created a bit of a rally in corn and soybean prices late last week. Some forecasters were suggesting an extended period of very hot weather as the eastern corn belt corn crop approached pollination. There continues to be a wide range of opinion about weather prospects for the remainder of the growing season.

The National Weather Service outlook for July (released on June 17) showed prospects for normal temperatures in almost the entire country. Areas of above normal temperature prospect included Florida, the Gulf Coast of Texas, and a small area in the far west. Generally normal precipitation is forecast for the Corn Belt, with an area of below normal rainfall indicated for eastern South Dakota and western Iowa. The 90-day forecast (through September) indicated prospects for normal temperatures, except for an area of below normal in the southern Great Lakes area. Prospects are for normal precipitation, except for a small area of above normal in Michigan, southern Ohio, and northwest Indiana. Based on the 30 and 90 day outlooks, no widespread threat to the corn and soybean crops exists. The forecast suggests that periods of hot, dry weather will be brief. If that is the case, timing of any adverse weather in relation to crop reproduction and maturity will be very important.

While weather and crop prospects will remain the number one price factor, a series of USDA reports through the end of the month may have some price implications. The monthly Cattle on Feed report released on June 18 revealed a larger than expected number of cattle on feed as of June 1. June 1 feed lot inventories were 3.4 percent larger than on the same date last year. The larger inventory suggests that feed grain demand may be a little stronger than projected. The June 1 Hogs and Pigs inventory to be released on June 25 will provide an update on the industry's liquidation plans. Recently, the number of market hogs have exceeded the projections based on the March Hogs and Pigs report, raising concerns that liquidation has not been as rapid as indicated earlier.

The June 30 Grain Stocks report will be important for both corn and soybeans. For corn, the June 1 inventory will allow a calculation of the level of domestic feed and residual use during the third quarter of the marketing year. Use was calculated to be record large in the first quarter, but appeared to slow in the second quarter. Based on the estimate of livestock production, use during the third quarter should have been large. Our expectation is that third quarter corn use for all purposes (including exports) was slightly over 2.1

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

University of Illinois Extension and Purdue University Cooperative Extension Service provide equal opportunities in programs and employment.

billion bushels, leaving June 1 stocks just under 3.6 billion bushels. Inventories will be at the highest level since 1993 and the second highest since 1988. Even so, year ending (September 1) stocks are not expected to be burdensome in relation to the current rate of consumption.

For soybeans, the June 1 stocks estimate will shed some future light on the accuracy of the 1998 production estimate. The December and March stocks reports showed a very high level of "residual" use, suggesting the 1998 crop may have been overestimated. If that is confirmed in the June report, stocks should have been near 860 million bushels, slightly higher than the previous record of 849 million in 1986.

Perhaps the most important report will be the acreage report to be released on June 30. That report will provide some insight into two important issues. The first is the question of total crop land area, and the second is deviation from March intentions for individual crops. The report probably will not provide the final answer to these questions since decisions were still being made at the time of the survey.

The issue of total crop land area is raised by the fact that the March Prospective Plantings report showed about 4 million fewer crop land acres than were planted in 1998. That opens the door to find some acres in the June report. However, extremely wet weather in some areas may have resulted in some prevented planting and a decline in total acres. At least one private analyst is reportedly expecting a significant reduction in corn acres (about 1.9 million) from the March intention and a sizable increase in soybean acres (1.6 million acres). In addition, sunflower acreage is expected to exceed and spring wheat acres to fall below March intentions. Trend line yields and an increase in oilseed acreage would continue to keep substantial pressure on soybean prices. A decline in corn acres, along with increased old crop consumption, would be somewhat supportive to corn prices. There are enough uncertainties going into the reports that price reaction could be significant.

Darrel Good

Issued by Darrel Good
Extension Economist
University of Illinois

Return Service Requested

U of I Extension Newsletter Service
University of Illinois
at Urbana-Champaign
1917 S. Wright St.
Champaign IL 61820

First Class
U.S. Postage Paid
Permit #75
Champaign, IL