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CORN AND SOYBEANS AT MIDYEAR

March 1 marks the midpoint of the 1999-00 marketing year for corn and soybeans. It is a time to assess price performance to date and to take stock of the important market factors. Traditionally, this is the season when market focus begins to shift from old crop considerations to prospects for the next growing season.

For the period September 1999 through February 2000, the average daily cash price of corn in central Illinois (which tends to track the national average) was \$1.86 per bushel, about \$.09 below the average loan rate in the area. The lowest price, \$1.675 was established on October 8, 1996 and the highest price, \$2.08, were established on February 10, 2000. The range from high to low was \$.405. Over the previous 25 years, the smallest range during the entire marketing year was \$.445 in 1990-91. The range last year was \$.60; the five year average range is \$1.35; and the ten year average range is \$.99.

The average cash price of corn in central Illinois on March 3, 2000 was \$2.045 per bushel, near the top end of the year-to-date range. Prices have been supported by a continued high rate of consumption and the expectation that year ending stocks will be somewhat smaller than stocks at the beginning of the year. Through March 2, cumulative export inspections of corn totaled 1.998 million bushels, 9 percent more than inspected at this time last year. For the year, export shipments are expected to be about 30 million less than during the 1998-99 marketing year. As of February 24, outstanding export sales of corn stood at 296 million bushels, 40 million less than the outstanding sales of a year earlier. Large Chinese exports and the onset of the South American harvest are expected to slow the rate of U.S. exports during the last half of the current marketing year. In contrast, exports were large during the last half of the 1998-99 marketing year.

The March 31 *Grain Stocks* report is expected to confirm a record pace of domestic disappearance of corn. Food and industrial use is following the 25 year trend increase while feed and residual use is being supported by large numbers of cattle in feedlots and improving livestock feeding profitability.

The March 31 *Prospective Plantings* report is expected to show another decline in intentions for corn plantings in 2000. Among other things, the relatively high soybean loan rate is a factor commonly cited as drawing acres from other crops to soybeans. Currently, however, the cash price of corn for harvest delivery is very competitive with the soybean loan rate in many areas, contrary to many reports in the agricultural press. The same situation existed last year, leading to increased corn acreage in some eastern growing areas, particularly in Illinois.

Based on the past price performance, the cash corn price in central Illinois is expected to exceed the \$2.08 high established on February 10. Based on past years when the cash price has established a marketing year low in the fall, the highest cash price might be expected in May, June, or July.

From September through February, the average daily cash price of soybeans in Illinois averaged \$4.63 per bushel. The lowest cash price, \$4.35, was established on October 26 and the highest price, \$5.04, was established on January 22. The range of \$.69 from high to low is small by historic standards. The smallest range for any marketing year in the previous 25 years was \$.61 in 1985-86. The range was \$1.92 last year; the 5 year average range is \$2.03; and the ten year average range is \$1.71.

The average price on March 3 was \$4.89. The higher prices since December 1999 have been generated by better than expected export demand and some concerns about the South American crop. Cumulative export inspections as of March 2 stood at 629 million bushels, 14 percent more than the total of a year ago. For the year, the USDA expects exports to reach 890 million bushels, 11 percent more than shipments last year.

With the South American crop able to overcome some of the early adverse weather, the crop there will be relatively large again this year. Harvest is now underway so that U.S. exports will begin to dwindle significantly beginning in April, although unshipped sales as of February 24 were 30 million bushels larger than on the same date last year.

The market is generally expecting an increase in U.S. soybean acreage to be revealed in the March 31 *Prospective Plantings* report. If that is confirmed, new highs in the cash price will have to be generated by U.S. weather and crop concerns. As in corn, those higher prices are most likely to show up in May, June, or July.

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