



WEEKLY OUTLOOK



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CORN AND SOYBEAN PRICES TO TAKE DIRECTION FROM WEATHER AND USDA REPORTS

Corn and soybean prices are being supported by a high rate of consumption, expectations that year ending stocks will be below the level of stocks at the beginning of the year, and concern about generally below normal sub soil moisture levels. Weather will be the dominant market factor for the next 4 or 5 months. USDA reports released later this month, however, will also provide some price direction.

The March 1 USDA Hogs and Pigs report to be released on March 24, will provide some insight into potential pork production and the demand for feed over the next year. The December report showed intentions for a slow down in production, but slaughter numbers have been a little larger than anticipated based on that report. Recent increases in hog prices, particularly summer futures, along with a continuation of modest feed prices, have some looking for the March report to show prospects for larger production than indicated in December. A few more hogs would serve to partially offset the expected decline in the number of cattle being fed in the last half of the year, keeping feed demand strong.

The March 1 USDA Grain Stocks report will be released on March 31. That report provides a checkpoint for calculating the total consumption of corn and soybeans during the second quarter of the marketing year (December 1999 through February 2000). The USDA's weekly export inspection report, along with the monthly Census Bureau reports, provide some insight into exports during the quarter. The Census Bureau estimate for February, however, is not yet available. Based on the export inspection report, corn exports during the first half of the 1999-00 marketing year were 10.8 percent larger than during the first half of the 1998-99 marketing year. That should put second quarter exports near 484 million bushels, nearly 20 million bushels more than during the same quarter last year.

For the year, the USDA projects food, seed, and industrial use of corn at 1.9 billion bushels, 4.3 percent more than used last year. Use during the first quarter was up only 2 percent. To be on track to reach the USDA projection, use during the second quarter needed to be near 450 million bushels, or about 23 million above use of a year ago.

For the year, the USDA projects feed and residual use of corn at 5.65 billion bushels, 2.8 percent above use of a year ago. Use during the first quarter was 4.6 percent larger than during the same quarter last year. Use during the second quarter needs to be near the level of a year ago, 1.47 billion bushels, to be on track to reach the USDA projection for the year. The March 1, 2000 stocks of corn should be reported near 5.6 billion bushels to support the current projection of use for the entire marketing year.

For soybeans, the weekly USDA export inspection figures show shipments in the first half of the current marketing year 13.5 percent above shipments of a year ago. Second quarter exports should have been near 283 million bushels, 40 million above shipments in the same quarter last year. The Census Bureau crush report shows that total soybean crush in December 1999 and January 2000 was about 2 million bushels above crush in the same period last year. The February 2000 crush estimate is not yet available, but crush for the quarter is estimated at 410 million bushels, slightly higher than during the same quarter last year.

Quarterly seed and residual use of soybeans is highly variable, and is often negative in the last quarter of the year. We estimate use for the second quarter at 46 million bushels, down sharply from the extremely high level during the second quarter last year. Use was very large during the first quarter of the current marketing year. March 1, 2000 stocks of soybeans should be near 1.443 billion bushels, 14 million below the stocks of a year ago.

Finally, the USDA will release a Prospective Plantings report on March 31. This will provide the first look at potential acreage of corn and soybeans in 2000. The market is generally looking for intentions to plant 77 million acres of corn, down from 77.4 million last year, and 75 million acres of soybeans, up from 73.8 million in 1999.

Corn and soybean prices are expected to remain firm going into the month-end reports due to concerns about dry weather. Barring any surprises in the USDA reports, a continuation of dry weather would likely push prices above the late January highs.

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