



WEEKLY OUTLOOK



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IT MUST BE SPRING

Crop prices have been relatively volatile in recent weeks as weather and weather forecasts have been highly variable. The latest episode brought rainfall in excess of expectations to parts of the western growing areas. The forecast now includes more abundant rainfall for a larger part of the growing area.

The drier pattern of last week pushed December 2000 corn futures to a high near \$2.73, just \$.06 below the contract high and \$.48 above the contract low. December 2001 futures established a contract high of \$2.75. November 2000 soybean futures traded to a high of \$5.945, well below the contract high of \$6.31, but \$.415 above the contract low. July wheat futures at Chicago traded to a high of \$2.775, \$.245 above the contract low and \$.695 below the contract high.

On May 12, the USDA will release updated supply and demand estimates for the current crop year and the first projections for the 2000-01 marketing year. For corn and soybeans, the projection of the 2000 crop size will be based on March planting intentions and, presumably, trend yields. If so, the 2000 corn crop will be projected in excess of 9.5 billion bushels. A crop of that size would likely result in a projection of 2000-01 year ending stocks and the 2000-01 marketing year average price not significantly different than the projections for the current year.

For soybeans, a 2000 crop estimate in excess of 2.85 billion bushels is expected. A crop of that size would lead to expectations of an increase in 2000-01 marketing year ending stocks and an average price well below the loan rate for the third consecutive year.

The projection of the 2000 winter wheat crop will be based on the March estimate of planted acreage and a subjective estimate of harvested acreage. The estimate of the average winter wheat yield will be influenced by weekly crop condition reports. In the report released on May 1, the USDA estimated that 61 percent of the winter wheat crop was in good or excellent condition. That is down from 73 percent on the same day last year. The spring wheat production estimate will be based on seeding intentions and trend yield.

The projected production of all classes of wheat in 2000 will likely be smaller than the 1999 crop of 2.3 billion bushels. If so, the projection of stocks at the end of the 2000-01 marketing year will be below the level of stocks at the beginning of the year, but still at a relatively large level.

In addition to projections for the U.S., the USDA will release the first projections for world supply and demand of wheat, corn, feed grains, and oilseeds. Country-by-country projections for soybeans are not made until July. The market will pay some attention to the projection of world ending stocks for the 2000-01 marketing year. For wheat, world stocks have been declining for two years, while coarse grain stocks are projected to be lower this year. Of particular interest will be the projections for China. The market will be looking for any indications of a change in crop mix, impacts of recent weather on expected wheat production, and trends in trade.

Even with a lot of new information flowing into the market, the primary focus will continue to be U.S. crop prospects. Last week's price rally pushed corn prices above the \$2.65 level we had targeted for initial sales of the 2000 crop. Soybean prices fell a little short of the \$6.00 market that had been targeted for initial sales. December corn futures near \$2.60 are still attractive if no sales have been made. New crop soybean prices have moved back below the loan rate in many markets. Additional weather rallies in both corn and soybeans may occur as the growing season progresses. Sales can be advanced on those rallies. For wheat, harvest delivery prices are below the loan rate in most areas. If that continues through harvest, the strategy of storing the crop, establishing the loan deficiency payment, and pricing the crop for later delivery may be attractive. Weak basis levels may favor futures or hedged-to-arrive contracts over forward cash sales.

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