



WEEKLY OUTLOOK



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A SUMMER CROP PRICE RALLY?

Crop prices for the next several weeks will be influenced by a combination of USDA reports, export demand, and growing season weather. The USDA's quarterly *Hogs and Pigs* report to be released on June 23 will provide an outlook for pork production and prospects for feed demand from that sector over the next several quarters. The focus will be on whether or not a build-up in the breeding herd has begun or is reflected in June 1 farrowing intentions for the summer and fall quarters. Expanding broiler production and a continuation of large numbers of cattle on feed reflected in the June 16 *Cattle on Feed* report bode well for near term feed demand. Cattle on feed numbers, however, are still expected to decline over time due to reduced feeder cattle numbers. The report of prospective pork production will indicate if and when demand from the cattle sector might be replaced by larger hog numbers.

The USDA's June 1 *Grain Stocks* report to be released on June 30 will provide estimates of current domestic grain supplies. For corn, the report will also allow a calculation of domestic feed and residual use during the third quarter of the 1999-2000 marketing year. That calculation will be used to update the projection of feed and residual use for the current marketing year as well as for the 2000-01 marketing year. For wheat, June 1 marks the beginning of a new marketing year so that the stocks estimate represents carryover from the 1999-00 marketing year. That June 1 stocks estimate for soybeans will serve primarily as a basis for judging the accuracy of the 1999 crop estimate, since data are already available for exports and for domestic crush.

Also on June 30, the USDA will release the annual *Acreage* report for spring planted crops. Given the rapid pace of planting this year, the report should reflect actual plantings. The rapid planting pace also suggests that the report may show little deviation from March planting intentions. The July 12 *Crop Production* report will provide an updated estimate of the size of the 2000 wheat crop. Based on the weekly report of crop conditions, as well as early harvest results, some further reduction in the estimate of the winter wheat crop is expected. On the same day, the monthly update of U.S. and world supply and consumption prospects will be released. The report will contain the first look at world prospects for the 2000-01 marketing year for soybeans. Updates of corn and wheat prospects in China will be of special interest.

Corn and soybean export movement remains brisk. Through June 15, the USDA reports that 857 million bushels of soybeans had been exported during the current marketing year. That is 134 million more than the cumulative shipments of a year ago and within 100 million of the projection for the year. With 11 weeks left in the marketing year, shipments need to average about 8.9 million per week to reach the projection of 955 million bushels. As of June 8, 75 million bushels of soybeans had been sold for export but not yet shipped. That is about 5 million more than on the same date last year. There is some chance that exports may be slightly larger than the projection, which has been increased every month since January. The large exports are coming in the face of another large South American harvest due to unexpected demand from China.

Corn shipments through June 15 totaled 1.514 billion bushels about 8 million above shipments of a year ago. Last year, exports were very large during the final quarter of the marketing year. That is not expected this year, with the USDA projection of 1.875 billion bushels falling 106 million bushels below exports of last year. Unshipped corn export sales as of June 8 were about 40 million less than on the same date last year. Shipments need to average about 33 million bushels per week to reach the USDA projection.

For near term corn and soybean price prospects, U.S. weather represents the trump card. A continuation of favorable growing conditions and prospects for above trend yields in 2000 would offset modestly friendly developments on the demand side. Conversely, stressful weather conditions could augment the impact of favorable demand developments or even offset unfavorable developments. With the early maturing corn crop, weather stress may have to materialize over the next 6 weeks to significantly threaten the crop and push prices higher. The outcome of the soybean crop will be influenced a little more by August and early September weather. Growing conditions are expected to be generally favorable through the end of June. The National Weather Service forecast released last week indicates some chance for warmer and drier than normal conditions over significant areas in July, August, and September. For wheat, the size of the U.S. crop will be the dominant price factor for now.

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