



WEEKLY OUTLOOK



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CROP SIZE ABOUT AS EXPECTED, NOW WHAT?

The USDA reports released on November 9 confirmed the market expectations that the 2000 U.S. corn and soybean crops were slightly smaller than estimated in October. The U.S. corn crop is now estimated at 10.054 billion bushels, compared to the October estimate of 10.192 billion and the August estimate of 10.369 billion. State average yield estimates declined by 4 bushels from October to November in Indiana, Michigan, Minnesota, Texas, and Wisconsin. The U.S. average yield is estimated at 137.7 bushels per acre, 1.9 bushels below the October estimate, but 3.9 bushels above the 1999 average.

The U.S. soybean crop is now estimated at 2.777 billion bushels, compared to the October estimate of 2.823 billion and the August estimate of 2.989 billion. The U.S. average yield is now estimated at 38 bushels per acre, 0.7 bushel below the October estimate, but 1.4 bushels above the 1999 average.

On the consumption side of the equation, the USDA did not change the projection of corn use for the current marketing year. Use for all purposes is expected to reach a record 10.1 billion bushels. Exports are expected to be 17.6 percent larger than exports of last year, even though shipments to date are running 3.4 percent behind the pace of last year and total export sales are down 11 percent. The USDA apparently believes that Japan will continue to buy large quantities of U.S. Corn and that South Korea will be forced to buy U.S. corn later in the marketing year as Chinese supplies dwindle.

Year ending stocks of U.S. corn are now projected at 1.679 billion bushels, a decline of 36 million from the level of stocks at the beginning of the year. On a world basis, consumption of coarse grains is expected to exceed production for the second consecutive year, reducing year ending stocks to 15.5 percent of projected use.

The projection of consumption of U.S. soybeans during the current year was reduced by about 20 million bushels due to expectations of larger crops in South America. The 2001 South American harvest is now projected at 2.223 billion bushels, nearly 8 percent larger than the record harvest of this year. Year ending stocks of soybeans in the U.S. are projected at 350 million bushels, 62 million more than were on hand at the beginning of the year.

After 28 months of extremely low corn and soybean prices, the market is still looking for something to trigger a price recovery. The newly released estimates and projections for soybeans, however, suggest that it will be very difficult for soybean prices to move higher in the near term. Soybean oil prices are expected to remain especially weak due to large world supplies of vegetable oils. Soybean price recovery this winter would likely require some evidence that consumption will exceed USDA projections or some threat to the South American crop. Current conditions there are generally favorable for planting and crop development. Longer term, prospects for the 2001 U.S. crop will obviously be important for price prospects. There appears to be no reason to expect a reduction in acreage next year so that weather becomes the driving force again. Some price recovery could occur before then if a shortage of other vegetable oils develops. That seems unlikely at this point. There is some risk that cash prices of soybeans could continue a modest decline, resulting in prices below the level where many producers established loan deficiency payments.

There is a little more support for corn prices, as evidenced by the move above the loan rate in many cash markets. However, exports must live up to USDA projections if stocks are to decline as expected. Those larger export sales, if they do occur, may be forthcoming late in the marketing year. It will be difficult for prices to move much higher until exports do improve. There is some risk that basis levels could weaken after the first of the year. Traditionally, a lot of producer selling occurs after January 1. This year, those sales may be augmented by large contract sales that occurred at harvest time to capture the premiums for January delivery. In addition, country elevators will be aggressively moving corn that has been stored on the ground.

Opinions are divided on U.S. corn acreage prospects for 2001. The higher prices for new crop corn in relation to the price of competing crops, including the soybean rate, appears to offset much of the effect of higher input costs. With a normal spring, a reduction in corn acreage would not be expected. A modest recovery is reflected in the large carry in the corn market, but it may take further supply concerns to maintain that higher price level.

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