



UNIVERSITY OF ILLINOIS
EXTENSION



WEEKLY OUTLOOK



A joint publication of the Department of Agricultural Economics, College of Agriculture, Purdue University, West Lafayette, Indiana, and the Department of Agricultural and Consumer Economics, College of Agricultural, Consumer and Environmental Sciences, University of Illinois at Urbana-Champaign.

MARCH 5, 2001

CORN AND SOYBEAN MARKET TO FOCUS MORE ON NEW CROP PROSPECTS

March 1 marks the midpoint of the 2000-01 marketing year for corn and soybeans. At this time, the market traditionally begins to change focus from the rate of consumption of the old crop to prospects for acreage and production of the new crop. That will be true this year as well, although there are some lingering questions about the old crop. Those questions center around export demand, as domestic demand is pretty well known and it appears that domestic use will be record large.

For corn, it is the slow pace of exports that is of concern. At midyear, USDA reported cumulative export inspections of only 897 million bushels, 107 million less than at the same time last year. The decline reflects smaller shipments to Japan and South Korea. China continues to make corn available to the market and Japanese purchases are thought to be slower than normal due to concerns about StarLink. To reach the USDA projection of 2.05 billion bushels for the year, inspections will need to average 44.1 million bushels per week from now through August. To date, inspections have averaged only 34.5 million bushels per week. As of February 22, 287.5 million bushels of corn had been sold for export, but not yet shipped. Unshipped sales are about 8 million less than on the same date last year. The pace of U.S. exports is expected to improve, but it now appears that shipments will fall short of the current USDA projection.

For soybeans, it is the rapid pace of exports that has the market's attention. At midyear, the USDA reported export inspections of 665 million bushels, 33 million more than at the same time last year. China continues to purchase large quantities of U.S. soybeans. For the year, the USDA projects exports at 960 million bushels, 13 million less than were shipped last year. As of February 22, outstanding export sales stood at 211 million bushels, 66 million more than on the same date last year. The increase is dominated by sales to China. At midyear, cumulative export inspections plus outstanding sales represented 90 percent of the projected exports for the year. A slow down in both sales and especially shipments will occur as the South American crop comes to market. The USDA projection implies a larger than normal slow down in sales, which is likely given the record size of the South American crop. The projection may also imply some cancellation of purchases by China in favor of South American supplies. Still, there is some chance that U.S. exports will exceed the USDA projection.

For the new crop, the focus will be on the USDA's *Prospective Plantings* report to be released on March 30. The expected increase in soybean acreage and decline in corn acreage has been well advertised. A number of private sector projections will emerge over the next three weeks.

Those projections need to be considered carefully. In particular, the implication of those projections for total crop acres needs to be considered. The USDA has already estimated a two million acre reduction in winter wheat seedings. Projections of acreage of spring planted crops that imply a large decline in total crop acreage are not believable.

In addition to planted acreage, spring weather conditions may be important for acreage and yield potential. Last year, concerns centered around low subsoil moisture levels and the potential for drought. This year, the early focus is on the potential for a wet spring and delayed planting. The price and availability of nitrogen fertilizer will also influence the corn planting decision.

Through the first six months of the current marketing year, the average cash price of corn in central Illinois has ranged from \$1.51 (September 19, 2000) to \$2.105 (December 29, 2000). The average price on March 2 was \$2.005. It would be unusual for the cash price to have a marketing year high in December. The more likely time for a price high is in the May through July time frame, although the high has occurred in March on a couple of occasions (1992 and 1999). The high has not occurred in April, at least in the last 30 years.

For soybeans, the average cash price in Central Illinois so far this year has ranged from \$4.37 (February 13, 2001) to \$4.975 (December 19, 2001). The trading range of \$.605 has been abnormally small and a high in December would be unprecedented. Like corn, history suggests that the most likely time for a marketing year high is in the May to July time frame. With a record South American harvest and more U.S. acreage expected, a \$.55 rally in the cash price of soybeans will be difficult to generate. Exports will have to remain large, acreage will have to be less than expected, and yield concerns would likely have to develop to generate that kind of rally.

Issued by Darrel Good
Extension Economist
University of Illinois

U of I Extension Newsletter Service
University of Illinois
at Urbana Champaign
1917 South Wright Street
Champaign IL 61820