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CORN AND SOYBEAN MARKETS LOOKING AT DEMAND

Corn and soybean prices have seemingly found a harvest time bottom, although most analysts want to see the USDA's November 9 *Crop Production* report before reaching that conclusion. Without surprises in that report, the slow end to the harvest season should allow some strengthening of the basis over the next two months and a modest increase in cash prices. The corn and soybean markets will likely draw some support from supply concerns in the wheat market and from weather and crop concerns in South America. Excessive rain in parts of Argentina may delay corn planting while high temperatures in part of Brazil may impact the early development of crops.

Increasingly, the corn and soybean markets will be influenced by the strength of domestic and export demand as reflected in the rate of use. For corn, weekly information relative to export shipments and sales is available. Shipments during the first eight weeks of the marketing year have been relatively small. At 287 million bushels, shipments during that period were about 15 percent less than during the same period last year. Most major importers, with the exception of South Korea have received less U.S. corn than was received last year. As of October 18, unshipped sales of U.S. corn totaled about 279 million bushels, nearly equal to the total of a year ago.

For the year, the USDA projects U.S. corn exports at 2.05 billion bushels, about 110 million bushels more than was exported during the 2000-01 marketing year. If the rate of sales continues to run a little low, the market may have concerns about the impact of an economic slowdown on world corn demand.

The rate of domestic feed and residual use of corn is revealed in the USDA's quarterly *Grain Stocks* report. The first report of the year, estimating December 1, 2001 stocks, will be released on January 11, 2002. For now, the lack of expansion in hog production and the slow down in the rate of placements of cattle into feedlots suggests that domestic feed and residual use of corn is stabilizing.

The USDA also reports domestic processing use of corn on a quarterly basis. All indications are that increases in the use of corn for ethanol production will boost total domestic processing use for the year.

For soybeans, weekly information relative to export sales and shipments is supplemented by monthly Census Bureau estimates of domestic processing use of soybeans. Export shipments of U.S. soybeans through the first eight weeks of the 2001-02 marketing year were quite small. At 148 million bushels, cumulative shipments were about 32 million bushels less than during the same period last year. This continues the pattern of slowing shipments that began during the spring of 2001.

Shipments to four of the five largest buyers – the European Union, China, Mexico, and Japan – are down sharply from shipments of a year ago. Taiwan is importing at the same pace as that of last year. In contrast, unshipped export sales as of October 18 were extremely large. Those sales totaled 322 million bushels, 41 percent larger than unshipped sales on the same date last year. Outstanding sales are quite large for all major buyers except Mexico and Taiwan. For the year, the USDA projects U.S. soybean exports at 980 million bushels. With 45 weeks left in the marketing year, 42 percent of that total has already been sold.

For the year, the USDA projects the domestic crush of soybeans at 1.66 billion bushels, only 19 million more than crushed during the 2000-01 marketing year. Crush jumped 63 million bushels last year. The slow growth is expected as a result of only a modest increase in domestic meal consumption and a slight reduction in meal exports. Meal export sales at this early stage of the marketing year, however, total about 2.3 million tons, about a million tons more than on the same date last year. The domestic crush of soybeans during September 2001 was estimated at 128.3 million bushels, about 540,000 fewer bushels than were crushed in September 2000.

At this early stage of the marketing year, prospects for consumption of U.S. corn and soybeans reflects a wide array of mixed signals. Prospects for an economic slowdown, unfavorable exchange rates, and lack of growth in domestic livestock production are not supportive. Alternatively, smaller world wheat supplies, early season crop concerns in South America, optimism about Chinese demand for soybeans, and prospects for less export competition from Chinese corn provide some optimism for consumption. The market will have to sort through all these factors, and others, over the next several months. For now, producers should monitor the post-harvest recovery in cash prices for selling opportunities.

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