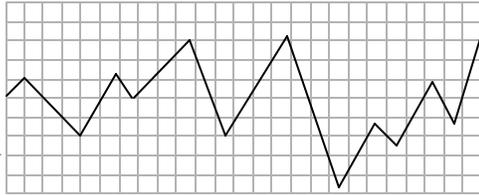




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WEEKLY OUTLOOK

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CORN AND SOYBEAN MARKETS WATCHING OLD CROP USE AND NEW CROP PROSPECTS

The most important price factor for corn and soybeans over the next several weeks will be the prospective size of the 2002 crops in the U.S. Those expectations will begin to take shape following the USDA's March 28 *Prospective Plantings* report. The quarterly *Grain Stocks* report released on the same date may also have some impact on prices, if stocks differ significantly from market expectations. If USDA projections of use for the 2001-02 marketing year are accurate, March 1 stocks of corn should be near 5.75 billion bushels, well below the 6.043 billion of a year ago. Based on estimate of domestic crush and exports through February, March 1 stocks of soybeans should be near 1.35 billion, compared to about 1.4 billion on the same date last year.

While new crop prospects will likely dominate price behavior, the rate of consumption of the old crop will play some role in the market. For corn, the pace of exports will be watched closely. Exports during the 2001-02 marketing year started slowly, with September 2001 shipments 35 million bushels less than shipments during September 2000. The export pace has gradually improved relative to the pace of a year ago. Official Census Bureau estimates for January 2002 show corn exports 16 million larger than during January 2001. The USDA's weekly export inspection reports through March 21 show cumulative corn exports since September 1, 2001 only 28 million bushels less than on the same date last year. Unshipped sales as of March 14 totaled 287 million bushels, about the same amount as on the same date last year. Sales over the past 7 weeks have been about 20 million bushels larger than sales during the same period last year.

Total corn sales to Japan are now equal to those of a year ago. The decline in export commitments as of March 14 were primarily to South Korea and Mexico. Total commitments (exports plus outstanding sales) to South Korea were 44.8 million bushels, compared to 66.5 million on the same date last year. Commitments to Mexico totaled 81.7 million bushels, down from 163 million bushels on the same date last year.

The recent acceleration of corn export sales, although modest, has raised hopes that shipments for the year will exceed the USDA's projection of 1.925 billion bushels. Shipments will have to exceed 40 million bushels per week from now through August 2002 in order for that projection to be exceeded. Last year, shipments averaged just over 37 bushels per week during that same 23 week period. The magnitude of Argentine exports and the import/export situation in China may well determine the final outcome of U.S. corn exports this year.

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The pace of U.S. soybean exports slowed beginning in May 2001 and stayed well below the level of the previous year through September 2001. However, exports accelerated in October 2001 and monthly exports were large through February 2002. The export pace, relative to that of a year ago, has slowed in March 2002. As of March 21, the USDA's weekly export inspection report showed cumulative shipments for the 2001-02 marketing year of 832 million bushels, about 62 million more than one the same date last year. Shipments need to average only 8 million bushels per week through August 2002 for total exports to reach the USDA projection of 1.02 billion bushels. Shipments during that same 23 week period last year averaged 10.6 million bushel per week. As of March 14, unshipped sales of U.S. soybeans totaled only 109 million bushels, compared to 153 million on the same date last year. The difference was largely due to China. There were no outstanding sales to China on March 14, compared to outstanding sales of about 32 million on the same date last year.

Whether U.S. soybean exports exceed the current USDA projection for the 2001-02 marketing year will be partially determined by the import policy of China and the outcome of the current South American harvest. There is optimism that sales to China will resume as the GMO certificate issues are resolved. In addition, some recent private sources have reduced the estimated size of the current Brazilian harvest.

The potential for somewhat smaller stocks of corn and soybeans at the end of the current marketing year puts a little more importance on the size of the 2002 crops. We are entering the time period when both markets tend to become more volatile. Historically, more favorable pricing opportunities have unfolded in May and/or June.

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