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PROSPECTS FOR A SEASONAL RALLY IN CORN PRICES

The average cash price of soybeans in central Illinois reached the highest level since harvest of the 2001 crop on April 24. At $4.695, the average daily price was $.71 above the harvest low. At the same time, cash corn prices remain mired in a remarkably narrow trading range. At $1.865, the average daily price on April 26 was only $.07 above the harvest time low. Futures price were only about $.03 above the contract lows established on April 12, 2002. What will it take to generate higher corn prices?

Prospects for consumption during the remainder of the 2001-02 marketing year remain good. The hog industry continues a very slow expansion. The USDA's April *Hogs and Pigs* report indicated that the March pig crop was 1 percent larger than the crop of a year ago. Larger numbers will provide some support for domestic feed and residual consumption. Based on feed consumption estimates for the first half of the marketing year, the slow expansion in hog numbers suggests that feed and residual use for the year could exceed the current USDA projection. Domestic use of corn should also be supported by expanding ethanol consumption.

Corn export prospects have improved, with total commitments now exceeding those of last year. Cumulative exports are still about 48 million bushels (4 percent) behind the level of a year ago, but new sales have been large over the past month. As of April 18, unshipped sales totaled 247 million bushels, 60 million bushels larger than unshipped sales on the same date last year. Outstanding sales to Japan were 14 million larger, while sales to unknown destinations were 37 million larger.

Current sales data would suggest that U.S. exports for the 2001-02 marketing year might exceed last year's exports, while the USDA projects a 10 million bushel reduction in U.S. exports. However, exports were exceptionally large during the fourth quarter of the 2000-01 marketing year. Shipments last summer were 25 million larger than during the fourth quarter of the previous year and were the third largest ever. At 220 million bushels, shipments during the final month (August 2001) of the 2000-01 marketing year were record large for that month. The point is, it may be difficult to repeat last year's performance during the summer of 2002. Shipments for the next 18 weeks will have to average nearly 41 million per week to reach the USDA projection of 1.925 billion bushels. The weekly average to date is 35 million bushels. The weekly average during the same 18 week period last year was 36 million bushels.

It is possible that year ending (September 1, 2002) stocks of U.S. corn will be somewhat smaller than currently projected by the USDA. However, prospects of slightly smaller stocks are unlikely to push corn prices much higher if another large crop is developing in the U.S. This year. As a result, full attention of the market is now curing to progress of the 2002 crop. After a fairly quick start, corn planting progress has likely slowed considerably as a result of cool, wet weather. Additional precipitation from eastern Iowa to the east is expected this week. Based on experience in previous years when planting progress was delayed due to wet weather, significant acreage shifts would not be expected unless poor conditions persist through much of May. In general, ample spring moisture bodes well for yield prospects if the crop is ultimately planted in a reasonably timely fashion.

The market is also reacting to a new farm bill which will apparently provide higher CCC loan rates for feed grains and a lower loan rate for soybeans. However, the change in loan rates may be occurring too late to have much impact on 2002 planting decisions. Many producers have made input decisions that will limit their flexibility in adjusting planting intentions. The bottom line is that the prospects for increased corn acreage in 2002 are probably still in tact.

As usual, then, corn prices over the next four months will be influenced primarily by the market's perception of 2002 U.S. yield potential. Historically, there have been periods of sufficient concern about production prospects to propel spot cash prices to marketing year highs in the May through July time period. However, that did not happen last year. The marketing year high in the spot cash market occurred in December 2000. So far this year, the marketing high was in December 2001. Will this be the second consecutive year of such an unusual price pattern?

Issued by Darrel Good
Extension Economist
University of Illinois