



WEEKLY OUTLOOK



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CORN AND SOYBEAN PRICES DIVERGE

July 2009 soybean futures traded above \$11.25 in overnight trade on May 4, reaching the highest level since late September 2008. Spot cash prices of soybeans exceeded \$11.00 in central Illinois locations as basis levels remained very strong. November 2009 soybean futures traded over \$9.90, the highest since early January 2009.

In contrast, corn prices remain in a relatively narrow range, with July 2009 futures trading near \$4.10, December 2009 futures near \$4.30. Corn prices are well off the lows reached in late February, when July futures dropped to near \$3.50, but the rally has been anemic in comparison to soybeans.

The soybean rally has been led by old crop prices and reflects a continued strong export pace and prospects for small year ending stocks. Export demand for U.S. soybeans is being supported by a very small Argentine harvest and a continuation of sales to China. Last month, the USDA estimated the Argentine soybean harvest at 1.433 billion bushels, 265 million smaller than the 2008 harvest. Since then, official estimates from Argentina have been reduced and it is expected that the revised USDA estimate to be released on May 12 will also be lower.

As of the week ended April 23, the USDA estimated cumulative marketing year exports of soybeans to China at 601 million bushels, 189 million above the total in the previous year. Unshipped sales to China as of April 23 stood at unknown destinations, which may include China, were reported at 28 million bushels, compared to 10 million on the same date last year. Though the first 34 weeks of the 2008-089 marketing year, 60 percent of all U.S. soybean exports went to China, compared to 45 percent during the same period last year.

The USDA's weekly reports of export inspection through April 30 slowed inspections to all destinations totaling 1.01 billion bushels, 80 million more than the total of the previous year. As pointed out before, the Census Bureau estimates of marketing year soybean exports through February exceeded inspections by 42 million bushels. Last year, Census Bureau estimates for the same period exceeded USDA inspection estimates by 26 million bushels. Total exports through April 30, then could be as large

as 1.052 billion. Total exports through April 30 then, could be as large at 1.052 billion bushels. If so, exports during the final 17.5 weeks of the marketing year need to total only 158 million bushels to reach the USDA projection of 1.21 billion bushels, an average of 9 million per week. While the pace of domestic soybean crush remains slow, it appears that exports could exceed the current USDA projection, resulting in even small year ending stocks than the current projection of 165 million bushels. Those stocks will be revealed in the Grain Stocks report to be released on September 30, 2009. There has been some tendency in recent years, however, for that report to show larger inventories than anticipated.

Export sales of corn have been relatively large in recent weeks, averaging 44.7 million per week for the 5 weeks ended April 23. Accounting for the larger Census Bureau estimate of exports through February, it appears that new sales need to average only 10 million per week to reach the USDA's projection of 1.7 billion bushels for the year. Export inspections in recent weeks have also been relatively large, averaging 36.1 million per week for the 6 weeks ended April 30. Shipments need to average only 32 million per week for the rest of the year to reach the USDA forecast. While exports could exceed the USDA projection, ongoing concerns about feed use of corn suggests that year-ending stocks will be near the current USDA projection of 1.7 billion bushels. However, the sharp decline in ethanol production in February suggests that corn use for ethanol production has slowed. There is some possibility that use for the year could fall short of the USDA's projection of 3.7 billion bushels.

To date, corn planting delays in the eastern corn belt have not had a substantial impact on corn prices. Drier than expected conditions over the past weekend and a forecast that calls for less rain than predicted last week suggest that corn planting could still be completed in a timely fashion.

The recent strength in the soybean market provides producers an opportunity to price old crop inventories. In addition, November 2009 futures \$1.00 above the spring price guarantee for crop revenue insurance offers a chance to start new crop sales. Sales of new crop corn appear less attractive, but December 2009 futures are about \$.25 above the spring price guarantee.

Issued by Darrel Good
Extension Economist
University of Illinois