



Weekly Outlook: Corn and Soybean Prices Continue an Erratic Pattern

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May 2, 2011

farmdoc daily (1):56

Recommended citation format: Good, D. "[Corn and Soybean Prices Continue an Erratic Pattern.](#)" *farmdoc daily* (1):56, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, May 2, 2011.

Permalink: <http://farmdocdaily.illinois.edu/2011/05/corn-and-soybean-prices-contin-1-2.html>

http://www.farmdoc.illinois.edu/podcasts/weeklyoutlook/Weekly_Outlook_050211.mp3

As expected, corn and soybean prices continue to move erratically in a very wide range. Just in the past week, both May 2011 corn and soybean futures had a \$.56 trading range. As the markets make the transition from old crop to new crop dominance, a lot of factors are influencing price expectations.

For soybeans, the Census Bureau soybean crush report released on April 28 revealed that the March 2011 crush was about 10 percent smaller than that of March 2010. Through the first 7 months of the 2010-11 marketing year, the crush was 7.4 percent smaller than the crush during the same period last year. For the year, the USDA has projected a decline of 5.8 percent. Last year, the crush was unusually large in the first half of the year and declined rapidly from April through August. The seasonal decline may be less pronounced this year. Still, the crush for the year may fall marginally short of the current USDA projection of 1.65 billion bushels.

The pace of soybean exports and export sales has declined sharply and export inspections during the weeks ended April 21 and 28 fell below the weekly rate needed to meet the USDA projection of 1.58 billion bushels for the year. Reports of on-going measures in China to cool economic expansion, along with large South American supplies, suggest a continued slow rate of exports.

Expectations about the 2011 U.S. soybean crop have centered on some planting delays for corn and the implication for soybean acreage. With corn planting likely to continue through May, if needed, there is no strong indication yet that planted acreage of soybeans will deviate substantially from March intentions.

For corn, weekly export inspections remain well below the pace needed to reach the USDA projection of 1.95 billion bushels for the year ending on August 31, 2011. Inspections need to average 42.9 million bushels per week to reach that projection. For the 5 weeks ended April 28, weekly inspections averaged 38 million bushels.

The weekly estimates of domestic ethanol production have also been erratic. Based on weekly estimates through April 22, it appears that total ethanol production in March and the first three weeks of April was nearly 6 percent larger than in the same period last year. This compares to the 4 percent increase that is needed from March through August for corn used for ethanol and by-product production to reach the

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USDA projection of 5 billion bushels.

Little is known about the rate of domestic corn feeding. Declining hog and cattle prices raise some concern about feed demand. However, the feedlot inventory of cattle on April 1, 2011 was 5 percent larger than the inventory of a year earlier. In addition, the rapid switch to wheat feeding that was being discussed a few weeks ago has likely been put on hold as wheat prices have increased relative to corn prices. The June 1 Grain Stocks report, to be released on June 30, will reveal the rate of feed and residual use of corn during the third quarter of the marketing year.

The most discussed item last week was the delay in corn planting and expectations about planting progress over the next two weeks. For much of the corn belt, optimal corn planting dates are believed to be in late April into very early May. Research reveals that corn yields tend to decline as planting moves beyond the optimum window. The declines also tend to accelerate as planting gets later and later. The declines in yield, however, are relative to potential yield. Yield can still be relatively high with late planted corn if the growing season weather is very favorable, but late planted corn would still be expected to have yields below that of corn planted in a timely fashion.

Some corn is planted late every year. For 2011, the questions center on what portion of the crop will be planted late and the degree of lateness. It now appears that areas in the western corn belt will make substantial planting progress in early May. The focus will be on the wet areas in the southern and eastern corn belt and the cool areas of the northern belt.

Most of the intended corn crop will likely get planted, so the most important factor will become summer weather. In 2009, extremely favorable summer weather extended the growing season and more than compensated for planting delays. An examination of weather records, however, reveal that the uniformly favorable conditions of 2009 have been rare.

Uncertainty about consumption and production prospects, along with volatile currency and energy prices, suggest a continued wide trading range for both corn and soybeans.