

# Corn And Soybean Price Recovery



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## grain outlook

**C**orn and soybean prices have increased modestly from the marketing year lows of mid to late October. The average cash price of corn in central Illinois reached a low of \$3.33 on October 24, recovered to \$3.825 on October 29, and stood at \$3.645 on October 31. The average cash price of soybeans in the same area reached a low of \$8.055 on October 15, recovered to \$9.09 on October 29, and stood at \$8.94 on October 31. The price of corn was \$.055 higher than on the same date in 2007, while the price of soybeans was \$.79 lower.

For the most part, prices of corn and soybeans have been influenced by developments in the financial, energy, and currency markets. In addition, prices have received some direction from the pace of exports and export sales. Corn exports and export sales continue to be relatively weak. Total export commitments (shipments plus outstanding sales) stood at 656 million bushels as of October 23. Export inspections were very small for each of the two latest reporting periods ended on October 30. New sales need to average about 24 million bushels per week in order for marketing year exports to reach the USDA projection of 1.95 billion bushels. New sales for the last reporting week ended October 23 were only 16 million bushels. Sales are running 40 percent behind the pace of a year ago with sales to each of the largest importers of U.S. corn lagging the pace of a year ago. These importers include Japan, Taiwan, South Korea, and Mexico.

In contrast to corn export sales, sales of U.S. soybeans have been large. As of October 23, total export commitments stood at 524 million bushels, nearly 14 percent larger than sales of a year ago. The USDA has projected a 12 percent year-over-year decline in exports. Export inspections were especially large in the two weeks ended on October 30. Sales of U.S. soybeans to China are running nearly 16 percent above the pace of a year ago. While early export sales of U.S. soybeans have exceeded expectations, a slow down is likely to occur as the marketing year progresses. The USDA has projected

that for the year, China will import slightly fewer soybeans from all sources than were imported last year.

Prices of corn and soybeans have also responded to changes in the prospective size of the 2008 U.S. harvest. The USDA's revised acreage and production forecasts released on October 28 provided some modest support for prices. Those revisions resulted in a 45 million bushel (1.5 percent) reduction in the forecast size of the soybean harvest and a 167 million bushels (1.4 percent) reduction in the forecast size of the corn harvest.

The USDA will release the final yield and production forecasts of the season on November 10. Any changes in that report should be centered on yield forecasts. The recent history of changes in soybean yield forecasts from October to November provides little guidance for expectations this year. Over the past 10 years, the November U.S. average yield forecast has been above the October forecast five times and below five times. From 1979 through 1997, however, the November yield forecast exceeded the October forecast 68 percent of the time. The season-ending crop condition ratings may also provide some insight into expected change in the November yield forecast. Over the past 22 years, the percentage of the crop rated good or excellent at the end of the season has explained 85 percent of the annual variation in the trend-adjusted U.S. average yield. At the end of the 2008 season, 57 percent of the crop was rated good or excellent, suggesting a U.S. average yield of 42.7 bushels. That is 3.2 bushels above the October forecast. Over the past 35 years, however, the largest increase in the soybean yield forecast in November was 1.4 bushels (1990).

For corn, the November U.S. average yield forecast has exceeded the October forecast in seven of the past 10 years. In fact, the November forecast has exceeded the October forecast 70 percent of the time since 1975. The percentage of the U.S. corn crop rated good or excellent at the end of the season has explained 88 percent of the annual variation in the U.S. average trend-adjusted yield since 1986. This year, 64 percent of the crop was rated in good or excellent condition at the end of the season, pointing to a U.S. average corn yield of 154.4 bushels, 0.5 bushels above the October forecast.

Larger production forecasts on November 10 would likely slow the recovery in corn and soybean prices, while a surprise reduction in crop size might provide some modest support. A substantial recovery in corn and soybean prices, however, likely hinges on improved demand prospects that would come with stronger financial and energy markets. Δ