Crop Prices Continue To Get Bounced Around

grain outlook

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A large number of factors continue to exert some influence on the prices of corn, soybeans, and wheat. A different factor appears to take the spotlight on an almost daily basis. Some developments have been positive for crop prices, some negative. As a result, prices continue to be very choppy.

Over the past month, November 2010 soybean futures have traded in a $.65 range, December 2010 corn futures have varied by as much as $.28, and July 2010 CBOT wheat futures have been in a $.40 range. Those ranges since March 1 have been much larger for December corn ($.48) and July wheat ($.75).

Part of the fluctuation in crop prices has been associated with fluctuation in the financial markets, which in turn reflect fluctuations in expectations about economic recovery and the demand for commodities. Excluding the extreme spike low of May 6, the Dow Jones Industrial Average has traded in an 800 point range over the past month. Domestic economic growth is underway, and more jobs than expected were created in April, but the unemployment rate remains very high. Internationally, the financial collapse in Greece and growing concerns about Spain and Italy had negative impacts on equity markets. However, the weekend announcement of a debt relief package for financial troubled European countries was greeted with a sharp rebound in these markets.

Currency values have also been in play in the commodity markets to the extent that exchange rates are thought to influence commodity imports and exports. The U.S. dollar index reached a recent low in December 2009 and increased by more than 10 percent into early May. The same debt relief package that brought strength to the equity markets resulted in a decline in the U.S. dollar index.

Crude oil and gasoline prices, which have some direct impact on the value of bio-fuels, have also been in a wide range just in the past week. July 2010 crude oil futures have ranged from just over $89 per barrel to just under $78 since the beginning of May. July 2010 RBOB gasoline futures have ranged from about $2.44 per gallon to about $2.12 per gallon since the first of the month.

Developments within the commodity markets have been mixed as well. As outlined last week, corn demand has been improving and that pattern continued last week. New export sales for the week ended April 29 were reported at 72 million bushels, the largest weekly figure of the year. New sales now need to average only about 13 million bushels per week through August in order for marketing year exports to reach the current USDA projection of 1.9 billion bushels. Weekly shipments, however, need to average nearly 39 million bushels per week to reach that projection. Soybean exports continue the seasonal decline, but weekly sales have exceeded those needed to reach the USDA's marketing year projection of 1.445 billion bushels. New sales need to average only about 2 million bushels per week and shipments about 6 million per week through August to reach the USDA projection.

The USDA's monthly update of world supply and consumption prospects to be released on May 11 will contain the first projections for the 2010-11 marketing year. Projections for the domestic market are expected to contain forecasts of large corn and soybean crops, reflecting more acreage than planted last year and early prospects for high yields. Early planting of the 2010 crop along with a relatively high trend yield calculation used by USDA should result in an especially high yield forecast for corn. Even with an increase in consumption of corn for ethanol production and for export during the year ahead, the forecast of year ending stocks will likely be larger than the level of beginning stocks. A large increase in soybean stocks may be forecast due to prospects for a large crop and declining export demand. Even though wheat acreage is down sharply this year, the current crop condition ratings point to a relatively high yield of winter wheat.

With so many factors influencing prices, but without a single dominant factor, the recent pattern of volatile crop prices is expected to continue. That is even before the most important part of the 2010 growing season for corn and soybeans arrives. Δ

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