

Ho-Hum Report Sings Lullaby For Prices

COLUMBUS, Ohio — A normal crop size and lackluster prices is the sum of the June 9 monthly production report issued by the USDA, said agricultural economist Allan Lines, Ohio State University.

The USDA's projections for a 137 bushel-per-acre corn yield and a 40-bushel-per-acre soybean yield — both considered "normal" — would flush the market with a high carryout despite strong demand on the domestic and foreign fronts, Lines said.

"We are building stocks even with normal crops," Lines said. "That's the message here. If we get near the normal crop that USDA is predicting, that will put pressure on prices."

Because most crops are just emerging in fields, the report is based on an economic model and not on actual field surveys, Lines said. However, the season holds leeway for crop losses if a drought scare materializes, or for a bumper crop if growing conditions turn exceptional, he said.

Just a three-bushel-per-acre increase in corn yield — 140 bushels per acre — would push the projected 2000-2001 corn carryout from a forecasted 1.9 billion bushels to 2.1 billion bushels, Lines said. And that would cause prices to drift below USDA's projected range of \$1.65-\$2.05 per bushel, he said.

As for soybeans, a four-bushel-per-acre yield increased

— 44 bushels per acre — would raise a 2000-2001 ending stocks forecast from just under 500 million bushels to almost 800 million bushels, Lines said. Under that scenario, prices would shift from a forecasted range of \$4-\$5 per bushel down to \$3.50 per bushel per acre, he said.

"The market just looked at the report Friday (June 9) morning and kind of yawned," Lines said. "The weather forecast and crop condition reports are speaking louder to them than this government report."

In all, USDA is projecting a 9.74-billion-bushel corn crop — unchanged from the May report — and 3.2 percent more than the 9.437-billion-bushel crop in 1999.

As for soybeans, USDA projects a record 2.955-billion-bushel crop — unchanged from the May report — and an 11.8 percent increase above last

year's 2.643-billion-bushel crop.

"We have to get used to talking about a three-billion-bushel soybean crop in the United States," Lines said. "We used to talk about two-billion-bushel crops, but now that's becoming a thing of the past."

Not much can be done on the demand side to trim the ribs of bulging bins, Lines said. Domestic feed, meal, and oil usage is at record levels, he said. Exports are already at "significantly" increased levels for soybeans, oil, meal and corn, also.

"USDA is a little soft on the growth side of exports, but I do agree with them that exports are going to be strong across the board for all corn products, beans, meal and oil," Lines said.

Marketing loan rates for corn and soybeans will offer farmers protection from low prices, Lines said. However, they should be alert to weather scares that could bump up prices between now and mid-summer, providing potential forward contracting opportunities.

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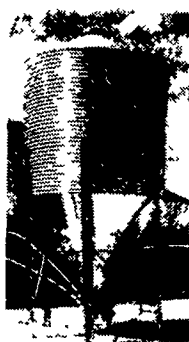
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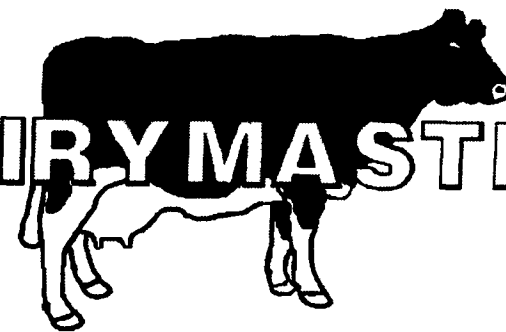
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