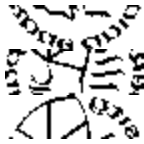




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WEEKLY OUTLOOK

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CASH SOYBEAN PRICES MOVE TO THE HIGHEST LEVEL OF THE YEAR

With fairly significant planting delays in the eastern corn belt and an accelerating pace of export sales, one might expect that corn prices would be moving sharply higher. At \$1.97, the average cash price of corn in central Illinois on May 17 was only \$.13 above the April low and only \$.175 above the 2001 harvest low. Both July and December 2002 corn futures were \$.21 below the harvest time values. Instead, it has been soybean prices that have moved higher. At \$4.805, the average central Illinois cash price on May 17 was at the highest level of the marketing year, \$.30 above the April low and \$.82 above the 2001 harvest low. July 2002 futures were \$.50 above the harvest time low and \$.27 above the April low. November 2002 futures were only \$.22 above the harvest low and just \$.12 above the April low.

The recent strength in soybean prices has been in the old crop and is a reflection of the continuing rapid pace of consumption. The domestic crush in March 2002 was 8 million bushels larger than in March 2001 and the Census Bureau report this week is expected to show that the crush in May was about 7 million larger than in May of last year. The larger crush that has been experienced since October 2001 reflects an increase in domestic use and exports of both soybean meal and oil, although the crush has been driven primarily by increased meal consumption. Domestic stocks of soybean oil at the end of March were nearly 17 percent larger than on the same date last year.

Exports of U.S. soybeans slowed considerably in March and April, but are currently at a more rapid pace than expected. The Census Bureau reported shipments in March at about 63.8 million bushels, well below the 134.5 million shipped in March 2001 and the smallest shipments for that month since 1998. The USDA's weekly export inspection report indicates that shipments during April were about 20 million bushels less than in April 2001. The sharp decline in exports reflected the absence of China from the market due to new safety regulations. However, export shipments over the three weeks ended May 16 were about 11 million bushels larger than during the same three week period last year. South American movement of soybeans has been slower than at this time last year due partially to economic turmoil in Argentina. To reach the USDA projection of 1.02 billion bushels of U.S. exports during the current marketing year, shipments over the next 15 weeks need to average only 6.8 million bushels per week. Exports over the past three weeks have averaged 10.8 million bushels per week.

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As of May 9, the USDA's *Export Sales* report indicated that 89 percent of the projected 2001-02 exports of 1.02 billion bushels had already been shipped and that another 9 percent had been sold, but not yet shipped. Shipments plus outstanding sales accounted for 98 percent of the projection for the year, compared to 94 percent on the same date last year. It is common for sales to exceed the projected total for the year, resulting in carryover sales into the next crop year. The most important figure is actual shipments. For the remainder of this year, the purchasing behavior of China will be most important. Trade reports suggest that domestic supplies of soybeans in China are extremely tight due to the recent slow down in imports. There appears to be demand for more soybeans at current prices, but delays resulting from safety regulations continue. In addition, there are reports that China may file a proposal with the World Trade Organization for an import tariff on U.S. soybeans in response to the U.S. steel tariff.

With a strong pace of consumption providing some support to soybean prices, new crop prospects will increasingly move to the forefront. The uncertainty about U.S. soybean acreage for 2002 will persist for some time. The USDA's June *Acreage* report will reflect a fair amount of intentions rather than actual plantings. The uncertainty will reflect the extent of switching of acreage intended for corn to soybeans in the east and possible expansion of corn and sorghum acreage in the west. Additional sorghum acreage could result from abandoned wheat acreage. In addition, at least one private forecaster has suggested that the USDA's March *Prospective Plantings* report did not account for all of the potential crop land in 2002.

The current rally is providing producers an opportunity to market a portion of the remaining stocks of old crop soybeans. With an inverted price structure, however, opportunities for pricing 2002 crop soybeans are not as attractive.

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