ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

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IS IT TIME TO PRICE 1976-CROP GRAIN?

GRAIN PRICES ARE IN A BULL MARKET. Increases in various futures prices from April 1 to June 11 were: July wheat, plus 16.5 cents; July corn, 35.5 cents; December corn 23.5 cents; July soybeans, $1.94; and November soybeans, $1.79. Current prices are quite profitable if yields turn out to be near normal. The question with which farmers are confronted now is whether to fix prices on at least part of the anticipated production.

Wheat. The winter wheat crop was estimated on June 9 at 1,416 million bushels, down 43 million from the May estimate. Total production may be 1,866 million bushels. If we allow a normal amount for domestic use and hold the carryover unchanged, that would leave 1,150 million bushels for export. This is close to the amount exported from the 1975 crop, when exports were aided by poor crops outside of the U.S. If crops are normal outside of the U.S. this year, exports will decline and the carryover will increase.

Soybeans. Soybean prices have increased dramatically because of a huge demand for soybean meal. From April 1 to June 11, the price of December meal futures increased $61.70 per ton, or $1.47 cents per bushel of beans. December oil increased 2.6 cents per pound, or 28 cents per bushel.

The total disappearance of soybeans for the current crop year is projected by the USDA at 1,476 million bushels; and the carryover, at 230 million. If crush and exports continue at current rates, the disappearance may be 50 million bushels larger and the carryover, a modest 180 million.

The current USDA projection of production is 1,350 million. If the carryover is 180 million, total availability will be about 1,400 million.

The huge meal disappearance was built on an average meal price of $125 from January, 1975, through April, 1976. The price of oil has gone up in sympathy with soybeans in spite of rapidly increasing stocks. If world oil-seed crops are near normal, oil is overpriced.

Current meal prices are $200. The increase of $75, or 60 percent, goes a long way toward curing the shortage. At $125, the meal-to-corn price ratio was 1.2 to 1, compared to its long-term ratio of 1.7 to 1. At $200, the price of meal is compatible with $3.30 a bushel for corn.

Corn. The USDA now projects corn production at 6,381 million bushels. This reflects an average yield of 89 bushels per acre, compared to 86.2 last year, 71.4 in 1974, 91.2 in 1973, and 97.1 in 1972. The carryover will be about minimum, so the 1976 production represents the "available" supply.

Exports this year will probably fall between 1,650 and 1,750 million bushels. With Russia less of a factor, exports for 1976-77 may total 1,425 million bushels, leaving 4,956 million for domestic use. This is an increase of 800 million bushels, or 19 percent. Such an increase in disapperance may result in cattle prices of $48.50 and hog prices of $38.00. A corn price of $2.30 per bushel is compatible with such cattle and hog prices on the basis of long-term relationships.

Conclusion. Current grain and soybean prices are probably higher than ones that can be maintained if yields around the world are near normal. As of mid-June, crop conditions are Good on a scale of Excellent, Good, Fair, and Poor. Further adversity will be necessary if eventual price declines are to be avoided. Each producer should decide what to do on the basis of his own weather observations and expectations.

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