ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

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LARGER THAN EXPECTED CORN CROP

THE CORN CORP was estimated at 6,063 million bushels on November 1--up 198 million bushels, or 3.4 percent, from the October 1 estimate. The national yield estimate was increased from 82.7 to 85.5 bushels per acre. The Illinois yield estimate was raised from 98 to 105 bushels, which is still below the record of 116 bushels set in 1975. The Iowa yield estimate was up 4 bushels at 89, and Indiana was up 3 bushels at 109. Total feed-grain production was estimated at 207.9 million tons, compared to the figures of 201.7 a month ago and 202.4 last year.

The price impacts may have already occurred. As usual, there are both bullish and bearish implications. Exports since October first are very large. Through November 5, they totaled 201.3 million compared to 185.7 million at the same time last year. The fast start last year lead to a record volume for the year. Even if exports do turn out to be about 50 million less than last year's record, the quantity available for feed will be only 8 percent above the 1975-76 use level, and will be 8 percent below feed use in 1973-74. The supply of corn is not overwhelming.

Farmers are apparently holding an unusually high percentage of the crop. They have filled their own farm space, rented all of the space available at county elevators, and have placed a high proportion of the rest of their production on delayed-pricing arrangements. In most years, this kind of holding behavior results in a seasonal peak in prices before March--that which is held in the fall and winter must be sold in the spring and summer.

How will it turn out this year? If exports continue at high levels and if livestock prices strengthen, corn prices can increase. The central consideration is that at $2 a bushel, the price of corn is up from pre-1972 levels by no more than the rate of inflation. It has gone from being high relative to livestock prices in September to being in balance with livestock prices in November. The risks of loss from holding corn from now to January are small. In January, we will get reports on the rate of domestic use and can reappraise the price prospects.

The soybean estimate was virtually unchanged from October 1 at 1,252 million bushels. This is a 210 million bushels, or 12 percent, less than last year. If the carryover is reduced to a minimum practical level of 100 million bushels, some 1,316 million will be available for crush and export, compared to an actual crush and export of 1,421 million last year. This is a 7.4-percent decrease. Soybean usage must be cut from last year's record rate.

Partly because of a reduction in the Russian sunflower seed crop, supplies of edible fats are oils appear to be less burdensome than they did earlier. The world carryover will probably be smaller next October 1 than it was last October. While supplies will still be abundant, they need not be a depressing influence on prices.

What price for meal will be required to get the necessary cut in use is unknown. The current rate of export and domestic use appears to be higher than can be sustained from the available supply. If this current high rate of use continues for the next few months, the soybean price will rise to cut it back.

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