



# ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE  
DEPARTMENT OF AGRICULTURAL ECONOMICS

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## THE 1977 CORN CROP--STORAGE AND PRICING

THE 1977 CORN CROP is a long way from harvest, but some concerns are already being expressed about the possibility of tight storage space during harvest. The concerns stem from several factors.

The 1976 wheat crop was large and movement has been relatively slow. As of April 30, 325 million bushels of 1976 wheat had been placed under loan, with the total expected to reach 400 million bushels by May 31. The 1977 wheat crop is also large, with prices below loan rates. Loan activity will be heavy for the 1977 crop, and wheat stocks are likely to be large during the 1977 corn harvest.

Carryover of the 1976 corn crop into the 1977 harvest year is expected to be large. USDA estimates place carryover at 849 million bushels. Whether stored on the farm or commercially, this old-crop corn will occupy space that might otherwise be used for the new crop.

The 1977 corn crop is potentially quite large. As of April 1, U.S. farmers intended to plant 83.9 million acres of corn. This is only slightly less than the acreage that produced 6.2 billion bushels of corn in 1976. A 6-billion-bushel corn crop, coupled with another good harvest season, may result in premium-priced storage during harvest.

On the other side of the coin, construction of new storage space progressed rapidly during 1976 and is apparently continuing into 1977. USDA figures indicate that commercial storage space increased from 6.1 billion bushels to almost 6.3 billion bushels during the calendar year 1976. Illinois had the largest net addition, 61.3 million bushels. Although no statistics are readily available to document the extent of expansion, on-farm storage capacity has also increased substantially in the last two years. A 1975 survey in Illinois indicates total on-farm grain storage capacity, including ear corn storage, of slightly over a billion bushels.

IMPLICATIONS. Chances favor a tight storage situation during the 1977 corn harvest, at least in some local areas. It is time to be making decisions to minimize the impact of possible storage shortages. Plans should be made to use all the on-farm capacity that is available. Arrangements for commercial storage should be made early. Those who anticipate inadequate storage space may begin now to make plans for selling a portion of the crop.

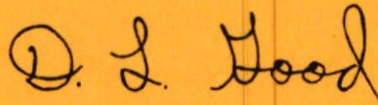


Several alternatives are available for pricing the 1977 crop. If production is expected to exceed storage capacity, forward pricing a portion of the crop for harvest delivery may be a viable alternative for some. Summer "weather markets" may offer a chance to price at higher levels than expected at harvest.

Consideration may also be given to delayed pricing as an alternative to pricing at harvest. Many elevators and processors offer opportunities, at a cost, to deliver grain at harvest and to determine the price at a later date. A written contract, specifying costs, quantities, and pricing method, is normally required.

The futures market offers an alternative for grain ownership. Cash grain delivered and priced at harvest can be replaced with an equivalent amount in the futures market. Ownership is retained, and the benefit of price level increases, as well as losses due to price level declines, accrue to the owner.

Each of these alternatives should be examined carefully and the possible impact on the individual business determined before a decision is made. Next week, the recent history of price and basis behavior will be examined for insights which may help in making the pricing decision.



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