



ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

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CORN AND SOYBEAN PRICES--WHAT'S NEXT?

IT SEEMS THAT FARMING HAS ALWAYS BEEN A BOOM AND BUST BUSINESS. With the downward directions of corn and soybean prices in the past few weeks, many Illinois grain farmers must be thinking that the "bust" side of the cycle has arrived. Indeed, there has been little news recently that would support higher grain prices.

Recent rains over most of the Corn Belt have boosted soybean and corn yield prospects above what could have been expected in early June. Fears that inadequate subsoil moisture would cut into yields evaporated as quickly as the rain fell, depressing cash prices.

As far as Illinois is concerned, the corn crop has probably never looked better at the end of June. With warm May temperatures, many fields in the central part of the state are at full stand and the corn is tasselling. The average height is 20 inches more than at this time last year. With this type of crop progress it will now take a substantial period of dry weather to convince the market of lower yield prospects.

Rains have also promoted the development of the soybean crop. Apparently, heavy precipitation in southern Illinois has encouraged double-cropping of soybeans behind wheat.

In addition to improved weather, grain markets have also absorbed two bearish USDA reports reflecting old crop supplies and new crop acreage.

The USDA's Grain Stocks report, issued on June 23, showed 2,350 million bushels of corn and 335 million bushels of soybeans on hand as of June 1. Corn stocks at this level were about as expected. We will now have about 900 million bushels of old-crop corn on hand as of October 1. This is up from 398 million bushels last year. Since the 1977 crop is likely to be harvested early, the pressure on grain storage capacity this fall will be enormous. Harvest-time corn prices will almost certainly be well below those of last year. How much lower they might fall will depend on how fast the corn is harvested this fall. The loan rate of \$1.75 might be the bottom.

Soybean stocks on June 1 are probably just enough to get us through the year. Old-crop bean prices could move up or down a lot, depending on the weekly crush and export rates, as well as on the weather.

The USDA's acreage report, released June 30, showed a surprisingly large increase in soybean plantings. At 58.95 million acres, the 1977 area planted in beans is an all-time record. Particularly surprising was the large increase of 3.25 million acres in beans between the April 1 planting intentions and the actual acreage reported.

In Illinois, beans gained about 330 thousand acres (500 square miles) more than corn, and wheat lost. Some of this new bean land apparently came from increased double-cropping and ploughed-up pasture, or other noncrop uses. The larger acreage and recent weather will cut into bean prices.

If the bean market behaves typically, prices will go down too far, recovering somewhat later. However, the record soybean acreage will tend to weigh heavily on bean prices for the rest of the year.

The acreage report showed Illinois farmers planted 11.35 million acres in corn in 1977. Last year, 12 million acres went into corn. This small reduction followed a nationwide trend that saw 1977 corn acreage reduced from 84.1 million acres last year to 82.7 million in 1977. In itself the acreage report is not damaging to corn prices, except for confirming that another potentially large crop is on the way. The weather will be the key to corn prices from now until harvest. If prices slump to near the current \$1.75 loan level, government policy could once again begin to play an important role in setting the price of corn.

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