ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

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CORN-SOYBEAN PRICE UPDATE

AMERICAN FARMERS HAVE ALWAYS SHOWN AN AMAZING ABILITY TO COPE WITH ADVERSITY. As things now stand, 1977 will give them a real opportunity to demonstrate how well they can take financial stress.

As of September 1, the USDA estimated the 1977 corn crop at 6.229 billion bushels. The soybean harvest is now forecast at 1.644 billion bushels. Both are all-time records. These crops are just beginning to come out of the fields, and unfavorable weather could cause some quality problems. However, there is little, if any, chance for a significant rally in grain prices between now and the height of the harvest period. However, two factors could give a small boost to grain prices over the coming weeks.

Continued wet weather will slow down the harvest and increase the field losses. This would cut slightly the size of the corn and bean crops. However, farmers are now well-equipped for getting a wet crop out of the fields and under cover. At the current low cash prices, they have all the incentives they need to hold field losses to a minimum. All things considered, record-size crops in 1977 are a comparatively sure bet.

On the positive side, at least for short-term prices, is the possibility of an October 1 strike by dock workers. Such a strike would almost certainly be followed by an 80-day, cooling-off period under the Taft-Hartley provisions. As long as the strike remains a possibility, there will be pressure on foreign customers to move grain out of U.S. ports. Stronger foreign demand would translate to slightly higher prices. If the contract is signed in the next two weeks, cash grain bids could fall back a bit. Also, if the dock workers walk out in mid-December after the 80-day cooling-off period, cash grain prices could be in trouble.

On balance, with a government loan rate of $2 a bushel, Illinois farmers may have already seen the lowest corn prices of 1977. The cash corn prices seem unlikely to go much lower than $1.50, even if large amounts are stored on the ground at the peak of the harvest. Corn stored at harvest and sold next summer will be worth 30 to 50 cents more than current prices, depending on how much goes into the loan program and on next summer's weather, both here and abroad.

While these price levels may not cover the total cost of producing corn, they will keep most Illinois grain farmers in a solvent financial position during the coming year.

Soybean prices, which are considerably above the loan rate of $3.50 per bushel, could move down from current levels as harvest pressures strain the capacity of storage facilities. Two key items will determine the direction of soybean prices after the crop is under cover. Crushings, now running at a very slow rate, will need to pick up if next year's carryover is held to reasonable levels. The reactions of Brazil's soybean farmers to low prices will also become an important factor this winter. Should low prices discourage Brazilian soybean expansion, stronger U.S. soybean exports and prices would result.

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