



ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

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REPORT FROM WASHINGTON

THE USDA HELD ITS ANNUAL FOOD AND AGRICULTURAL OUTLOOK CONFERENCE in Washington, D.C. November 14-17. Government, industry, and university economists reviewed the current agricultural situation and outlined price expectations for 1978. The new feed grain set-aside program was also detailed at the Conference. There was less than full agreement among the participants, but the analysts were generally bearish on livestock and soybean prices and cautiously optimistic about corn prices.

CORN. Although the 1977 corn crop is of record size and supplies are quite large, there is some optimism resulting from recent increases in cash prices. The magnitude of recent price strength is somewhat surprising and stems primarily from farmer holding, some harvest delays, and speculation that exports may be larger than current estimates. An optimistic outlook is further strengthened by expectations that expansions in hog and poultry production may substantially increase the demand for corn.

Those who are more cautious about corn prices feel that the rapid rise in corn prices recently may discourage large increases in hog production. They also note that a substantial increase in demand would be required to prevent an increase in carryover stocks next year. Current prices may be too high to encourage the amount of disappearance required to prevent a further buildup in inventories.

SOYBEANS. The 1977 soybean harvest also represents a record crop. Although carryover stocks were low, total supplies are large. The recent price strength in soybeans reflects tight farmer holding, large export movement, and a substantial increase in the rate of domestic soybean crush. However, the current soybean meal prices are high in relation to corn prices. In addition, soybean oil exports are expected to lag behind last year's level. The average price for 1977 soybeans is likely to be below current levels. How high prices might go and when the turnaround may come were two questions left unanswered.

HOGS. Current USDA estimates indicate that farmers intend to increase hog production by about 10 percent in 1978. The per capita availability of pork was predicted to increase from 62 pounds in 1977 to about 68 pounds in 1978. Expansion in hog production is expected to cause prices to decline significantly during 1978. Prices in the \$30 range were predicted for late 1978. However, if the recent

strength in corn and soybean meal prices results in a slower rate of increase in hog production, prices may not decline that dramatically.

CATTLE. The number of cattle on U.S. farms is expected to total between 117 and 118 million by January 1, compared to 123 million a year earlier. The per capita availability of beef is expected to decline from 125.5 pounds in 1977 to about 120 pounds in 1978. However, livestock analysts expect only a moderate increase in cattle prices in 1978, perhaps to the \$45 range by the fourth quarter. Pessimistic price projections stem primarily from the feeling that increases in pork and poultry supplies will keep the pressure on beef prices.

FEED GRAIN SET-ASIDE. A *conditional* set-aside of 10 percent for corn, sorghum, and barley was also announced last week. The feed grain set-aside program can be revoked if dictated by changes in the world grain situation. This decision would probably be made after reviewing the grain stocks report due to be released the third week of January.

Participants in the program must set-aside 1 acre for every 10 planted in order to be eligible for at least 80-percent deficiency payments. To be guaranteed 100-percent deficiency payments, participants must reduce corn and sorghum acreage by 5 percent and barley by 20 percent.

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