



ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE DEPARTMENT OF AGRICULTURAL ECONOMICS

Urbana, Illinois 61801

March 15, 1978

CORN MARKET UPDATE

AD FARMERS BEGIN TO TURN THEIR THOUGHTS TOWARD PLANTING the 1978 corn crop, over half the marketing year for 1977 corn is still left. In many respects, 1977 was a year many Illinois corn producers would like to forget, when both yields and prices were down. Nevertheless, the low grain prices associated with abundant supplies are with us for the present, and show every sign of persisting into next year. Even so, there are some bright spots that may point to a recovery grain prices, although not necessarily in the near future.

Basically, low grain prices have built up a demand momentum that will keep ending stocks within a fairly manageable range. This is the way situation shapes up.

FEED DEMAND. For October-December, 1977, the use of corn in domestic feeding was up about 8.5 percent over the same period in the previous year. This translates to an increase of 300 million bushels in feed useage for the 1977-78 marketing year compared to 1976-77. The increased use is being caused by corn prices, which are 10 percent lower than last year. Current indications are for a feed use of close to 3.9 billion bushels this year. If attained, that would be the largest since 1973-74.

EXPORT DEMAND. Corn exports are lagging behind last year due to a slow start in October and transportation tieups on the Illinois River. In spite of these problems, exports to every major customer except Western Europe are up from last year. Once the river thaws out, corn exports will pick up. Although we are currently running behind last year's corn export figure, the deficit could be made up before the end of the marketing year. The total for corn exports should be close to last year's figure of 1.684 billion bushels. Continued strength in export shipments would normally imply a continuation of the narrow basis pattern seen through Illinois since the first of this year.

CARRYOVER STOCKS. The total for ending corn stocks now looks as if it will be about 1.1 billion bushels. That sounds like a lot of corn, but is only about a 9-week supply at current useage rates. Such a carryover is about average for the past 10 years. For the first time since 1972-73, the government may have some control over a significant portion of the corn carryover. The grain reserve features of the new ag program and the fate of large amounts of corn currently under loan are among the real uncertainties in grain markets today.

PRICES. Corn prices have been quite stable recently, compared to the gyrations of the past few years. However, this situation is likely to be a temporary one. Stable prices will last only as long as prospects look good for another large corn crop in 1978. Carryover stocks at projected levels are not large enough to prevent significant price increases in the event of poor weather. Nor are they small enough to guarantee today's price levels if large supplies materialize. At the moment, everything seems to point to slightly higher prices for next year. Reduced acreage and delayed plantings look like near-certainties. Both tend to reduce production, and thus to bolster prices.

In summary, 1978 shows significant promise as another year of interesting developments in grain markets. For corn, prices look to be fairly stable for the next month or so, after that prices will move with the weather. If the 1978 crop looks larger than 6 billion bushels, the loan rate structure will tend to dominate prices. With a crop of less than 6 billion prices are likely to be above the current \$2 loan rate.

T. E. Elam

T. E. Elam, Extension Specialist, Prices and Outlook

Cooperative Extension Service
United States Department of Agriculture
University of Illinois
At Urbana-Champaign
Urbana, Illinois 61801

Official Business
Penalty for private use, \$300

FIRST CLASS

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF
AGRICULTURE
AGR 101

