



ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE DEPARTMENT OF AGRICULTURAL ECONOMICS

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GRAIN PRICES INFLUENCED BY USDA REPORT AND THE WEATHER

THE USDA'S REPORT ON GRAIN STOCKS AS OF APRIL 1 showed a little more corn, but fewer soybeans, than had been expected. Against a background of continuing cold and wet weather, the market interpreted the report as bullish for beans and neutral for corn.

Corn stocks were estimated at 3.84 billion bushels as of April 1. Given estimates of corn exports and food use for January through March, that figure implies little or no increase in corn used for feed. Last year's January-March feed use was 1.07 billion bushels. This year's figure would be about 1.09 billion bushels.

The limited amount of expansion in corn feeding which did take place can be attributed to more cattle in the nation's feedlots. To some extent, this report confirms that little or no expansion is occurring in the number of hogs on farms.

While the USDA report was disturbing news on the demand side of the corn market, weather developments indicate the possibility of delayed corn planting. As of April 17, only 60 percent of the crop land in Illinois had been plowed. In 1976 and 1977, plowing was finished by this date; and in 1975, almost 80 percent of the plowing had been done. The weather forecast is for below-normal temperatures and above-normal precipitation. It is still possible to get the corn crop into the ground and off to a good start, but planting delays of several more weeks would significantly raise the odds of weather problems later on.

While the corn stocks were a bit bearish, the April 1 total for bean stocks of 843 million bushels was 20 or 30 million bushels less than most observers expected. Several factors could explain this discrepancy. A likely one is the fate of the beans left in the field over the winter. Lower-than-normal yields on these spring-harvested soybeans could easily account for a loss of 10 to 20 million bushels. The remainder of the difference is probably due to normal sampling fluctuations in the stocks report.

The weather is also becoming a concern in the bean market. A late season for corn planting would normally boost bean acreage slightly. However, farmers have the option of entering the government's diversion program this year. The new program will be particularly attractive to farmers with acreage that can't be planted in corn before June 1. In fact, if anything, a late planting would probably encourage fewer acres to be planted in soybeans this year.

At the moment, though, the dominate factor in bean prices is the high rate of domestic use and exports. Earlier this year, the soybean carryover was estimated at well over 200 million bushels. With continued good use, this projection could shrink to 160 million. Although that is not enough to be called a shortage, it does mean that summer-time bean prices will be very sensitive to the development of the U.S. and world oilseed crops.

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