ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
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THE WEATHER WILL DOMINATE CORN PRICES

IT MAY SEEM A BIT EARLY for an outlook letter with such a title, but weather developments have already taken over as the major influence on corn prices. During the first week in May, the December Board of Trade contract fell 3 cents on Monday, 1 cent on Tuesday, and 1½ cents on Wednesday as dry weather permitted field work to proceed. However, as rain moved in, the December futures rose 3½ cents on Thursday and another 2 cents on Friday.

The market's concern seems to be justified. As of the week that ended on April 28, only 68 percent of Illinois farm land had been plowed, 5 percent of the corn planted, and no soybeans planted. In 1976 and 1977, almost half of the corn and 5 percent of the soybeans were planted by late April. In fact, field work is now behind compared to every year since 1973, including the severe delays in 1974.

Weather delays are also prevalent outside Illinois. Iowa had no corn planted as of April 28, while Indiana and Ohio were lagging well behind their average progress. Of the major corn-producing states, only Georgia was of average.

The effect of delayed plantings is to increase the odds of crop damage this summer and fall. Corn planted after the 10th of May has a good chance of being caught by dry weather in July or by a September frost. However, excellent yields have also resulted from corn crops that were planted late, which received timely summer rains, and which benefited from a late first frost.

A wide range of corn prices is possible this summer. We might characterize the extremes as "scarcity-high prices" and "surplus-low prices."

SCARCITY-HIGH PRICES. A combination of weather problems and set-aside acres could reduce the 1978 corn crop to 5.5 billion bushels. With the 1.2 billion we have left from 1977, 6.7 billion bushels of corn might become available for the 1978-79 marketing year.

A strong demand for corn is present from export as well as domestic sources. Importers of U.S. corn have reduced crops and/or income growth, which boosts our exports to 1.85 billion bushels. Higher prices would not significantly dent U.S. animal feeding, with the higher price prospects for cattle and hogs resulting in a feed use of 3.7 billion bushels. Food and seed use would total half a billion bushels, almost regardless of the trend in prices.

With this scenario, the carryout of 1978 corn would be cut to 600 million bushels. Cash prices would average about $2.75 a bushel. Assuming that production and export prospects are well-known by October, the peak price would be likely to occur in the October-December quarter.

SURPLUS-LOW PRICES. Timely rains and a warm Fall could result in a near-record yield and a crop of 6.5 billion bushels. Some 7.7 billion bushels of corn would then be available in the 1978-79 marketing year.

Good crops elsewhere could cut into our corn exports to the extent that they would fall to 1.5 billion bushels. That would leave an enormous amount of corn for domestic use. Feed use might increase to 4.1 billion bushels, but the carryover would still be over 1.5 billion bushels.

With this scenario, average prices would fall to near the loan level, currently $2 per bushel. The federal government would probably step in to control the size of the 1979 corn crop with some type of mandatory acreage scheme.

SUMMARY. The prospect of a late and wet spring has made the corn markets more weather-sensitive than usual for this time of year. The price prospects for 1978 corn have become highly uncertain, despite the large carryover of 1977 corn. This uncertainty will remain as long as the weather continues to be unfavorable for normal crop development.

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