



ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE DEPARTMENT OF AGRICULTURAL ECONOMICS

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CORN CROP PROSPECTS IMPROVE, PRICES DECLINE

AMPLE RAINFALL OVER MOST OF THE CORN BELT during July and the first week of August has improved the yield potential of the 1978 corn crop. As of July 1, the USDA placed the estimated average yield for 1978 at 90.1 bushels per acre and the crop at 6.145 billion bushels.

Most observers believe that the August 1 USDA yield and production estimates will be significantly higher. Based on August 1 conditions, one private forecaster has estimated the 1978 average yield at 93.4 bushels per acre, producing a crop of nearly 6.37 billion bushels. At that level, the 1978 crop would be only slightly smaller than last year's record.

Corn prices have followed an inverse pattern to that of crop prospects. The price of December futures increased from the \$2.30 level at the beginning of March to \$2.60 by the middle of that month. April prices fluctuated as clear weather and some planting progress alternated with more rain. Continued wet weather and delayed planting resulted in further price increases in late May. December corn reached \$2.75 per bushel. During most of June, December corn traded very close to the \$2.60 level.

Good growing conditions resulted in declining prices from the last week in June through the first week in August. December corn is currently priced in the \$2.20 to \$2.25 area. Bids for both old- and new-crop corn have once again dropped below \$2 per bushel in many areas.

Implications. Barring weather hazards, such as an early frost, the 1978 corn crop will be a large one. With large carryover stocks of 1977 crop corn, the total available supply for 1978-79 will be very large, probably a new record. Price prospects will depend heavily on the demand for corn.

The demand for corn as feed, the largest category of use, should be stronger next year than during 1977-78. Larger hog numbers are indicated. The production of broilers and turkeys is expected to continue the pattern of expansion. Although cattle numbers will be smaller, a higher proportion of the total will be on feed. Furthermore, the livestock-feed price ratio is conducive to higher feeding rates. Feed use of corn may once again reach 4 billion bushels in 1978-79.

Corn exports will apparently set a new record in 1977-78. Unlike 1975-76 and 1976-77, large exports are not the result of severe crop problems in other parts of the world. The heavy export movement reflects the increasing demand for corn as feed around the world. During 1978-79, U.S. corn exports will again reflect the strength of world demand as crop prospects are good in most parts of the world. The continued rise in consumer incomes and the demand for livestock outside the United States could result in 1978-79 corn exports that exceed this year's record by 50 to 100 million bushels.

Increased feed and export demand may result in a reduction in carryover stocks at the end of the 1978-79 marketing year and higher prices than those experienced this year. Prices will respond to indications of increasing use during the year, so that seasonally increasing prices might be expected. At this admittedly early date, the major factors point to an average price for corn in central Illinois for the year ahead of about \$2.25 a bushel.

D. L. Good

D.L. Good, Extension Specialist, Prices and Outlook

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

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