



ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE DEPARTMENT OF AGRICULTURAL ECONOMICS

Urbana, Illinois 61801

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CORN CARRYOVER MODERATELY LARGE

THE STOCKS OF CORN IN ALL POSITIONS ON OCTOBER 1 TOTALED 1,064 MILLION BUSHEL--a slightly larger amount than generally expected. Stocks on October 1 are the carry-over from the 1977 crop. The total was up 180 million bushels, or 20 percent, from a year ago.

The locations of the carryover stocks are different from those of a year ago. The quantity in Illinois was 115 million bushels, compared to 140 million last year. Stocks in Ohio and Indiana were also lower. Stocks in Iowa were 241 million compared to 284 last year, a smaller percentage reduction than Illinois even though the 1977 corn crop in Iowa was severely damaged. The large increases were in Nebraska with 195 million, up from 79 million a year ago, and Minnesota with 161 million, up from 63 million last year. The bulk of the carryover is west of the Mississippi, where larger quantities typically move into government programs and thus put less pressure on prices. Corn prices east of the Mississippi will stay stronger than usual in relation to Chicago futures.

While the carryover of corn is up 20 percent from a year ago and much above the average of 415 million bushels in the shortage years of 1974, 1975, and 1976, it is not large by the standards of the late 1960's. The average carryover for 1968, 1969, and 1970 was 1,097 million bushels. While the gross amount this year is about the same size, it is much smaller in relation to use. In the 1968-1970 period, the carry-over was 24 percent of annual use, or approximately a three-months' supply. The current carryover is only 17 percent of last year's use, or a two-months' supply. In view of the increasing importance of exports in recent years and the variability of exports, a two-months' supply is not a large cushion against production difficulty some place in the world.

Disappearance during the year that ended September 30 was up 407 million bushels, or 7 percent. Food and industrial use was up 29 million, exports were up 214 million, and feed was up 164 million. Exports were large in the face of big crops of competing grains around the world, reflecting the strong world demand for livestock feed.

The moderate increase in feed disappearance was disappointing. It pinpoints the central corn problem: failure to rebuild domestic feed use back to the pre-1974 levels.

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Feed use in 1973-74 was 4,223 million bushels, and domestic demand was strong. Because of the extremely small 1974 corn crop--4,701 million bushels, down from 5,671 in 1973--and persistantly strong world demand, it was necessary to cut feed use to 3,244 million--a reduction of 23.2 percent. Feed use increased from 3,244 million in 1974-75 to 3,612 million in 1975-76, held steady at 3,626 million in 1976-77, and increased only 4 percent to 3,771 million bushels in 1977-78.

A more rapid increase in domestic feed use has been needed. To have a healthy corn market, the carryover a year from now needs to be no larger than it is now. If food and industrial use and exports stay as strong as expected, feed use needs to be about 4,300 million bushels for the carryover to be unchanged, an increase of 14 percent. Livestock numbers will be up moderately, and feeding ratios are favorable. However, an increase of 14 percent in corn use appears unlikely. Instead, we should expect an increase in the carryover.

The recent strength in corn prices is difficult to understand in light of an increase in the carryover. To hold all of the 1978 crop at current prices appears to be risky.

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