RETURN TO 419 M.H.

ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

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LARGE GRAIN SUPPLIES BEING MET BY STRONG DEMAND

THE RECORD CORN AND SOYBEAN CROPS of 1978 are being used at a rapid pace. The strength of this demand will continue to be one of the major price-determining factors in the grain market. As planting time arrives, the weather and planting progress will become increasingly more important in the market place.

SOYBEANS. The 1978 soybean crop is likely to be used up entirely. Carryover stocks are expected to be reduced to nearly a minimum level. Through March 9, soybean exports were almost 100 million bushels, or 28 percent larger than last year. Exports of soybean oil and meal through the first 4 months of the marketing year were greater than a year ago by 20 and 25 percent, respectively. During the same period, the domestic crush of soybeans exceeded year-ago levels by 13 percent. Farmers have been ready sellers of soybeans in recent weeks, and the rate of crush has continued to be very large.

Clearly, the current rate of use for U.S. soybeans cannot be maintained. Continued strong demand would require the rationing of available supplies. The Southern Hemisphere crop will provide competition in the world market later this spring and summer. However, that crop will not be as large as anticipated earlier. How much, if any, of an increase in price would be required to ration U.S. supplies is far from clear. The market probably will continue to react to news about the size of Brazil's crop. However, soybean demand is still the key to price direction and is not showing any indications of moderation.

In recent weeks, expectations of increased soybean plantings in 1979 have tended to keep new-crop prices below those for the current crop. Because the Brazilian crop is smaller than expected, the trend in world soybean consumption will require a large U.S. harvest next fall.

CORN. The record corn crop last year will result in an increase in the carryover stocks at the end of the marketing year. However, corn disappearance has been large to date. Establishing a high rate of use for corn, particularly in the domestic market, is important for two reasons. First, carryover stocks will not be as big as expected. Second, a large demand base will be established for the 1979-80 crop year.

Through the first quarter of the 1978-79 marketing year, the use of corn for feeding exceeded last year's pace by nearly 11 percent. Expanding poultry and hog numbers and relatively high livestock prices should continue to keep the feeding rate high. The March 21 Hogs and Pigs report from the USDA will give a clearer indication than we have now of how much expansion in hog production to expect later this year.

Corn exports are running slightly ahead of last year's pace. However, the rate will have to pick up substantially to meet the USDA's forecast of 1.95 billion bushels for the year. The rate of export shipments should increase as conditions improve on the Illinois River and with the opening of the ports on the Great Lakes.

Even though the carryover stocks of corn will be large, free-market supplies will be smaller than a year ago. At the end of January, nearly 700 million bushels of corn were in the three-year reserve. Another 450 million bushels were still outstanding under the loan program. At current price levels, much of the 450 million bushels of corn under the loan is likely to be redeemed. Free-market supplies would then be large enough to meet current demand.

More and more, corn prices will be determined by new-crop prospects. A reduction in acreage and production is expected in 1979. The intentions report to be released on April 16 will indicate farmers' plans as of April 1. If a major reduction in production materializes, new-crop prices should remain strong.

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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