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ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

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BIG RESERVE STOCKS OF CORN

THE RAPID MOVEMENT OF CORN into the 3-year reserve helped support corn prices early in the 1978-79 marketing year. A large quantity of corn is now in the reserve and a substantial amount is still outstanding under the loan program. There is some speculation that the "free-market" supplies of corn will become small enough before the 1979 harvest to force prices up to the "reserve release" level.

As of February 28, slightly more than 2 billion bushels, or 5 percent, of the 1976, 1977, and 1978 corn crops had been placed under loan. Loans on almost 818 million bushels had been repaid and about 87 million bushels had been delivered to the CCC. Approximately 1.14 billion bushels are still outstanding under the loan program. About half of this is 1978 corn, half 1977-crop corn. Less than 1 percent is 1976-crop corn. Of the 1.14 billion bushels, 688 million have been placed in the 3-year reserve. Almost three-fourths of the reserve corn is in Iowa, Minnesota, and Nebraska. Farmers have signed grain-reserve agreements on an additional 47 million bushels. This leaves 404 million bushels still under loan, but not committed to the reserve. Since the reserve registration has been cut off, these loans must be repaid or the corn must be delivered to the CCC.

The carryover stocks of corn at the end of the 1978-79 marketing year will total about 1.4 billion bushels. The 735 million bushels committed to the reserve will not be released until the national average price reaches 125 percent of loan. The loans on the corn in reserve would be called when the price reaches 140 percent of the loan price. At the current loan rate, the release price is \$2.50 and the call price is \$2.80 per bushel. The 87 million bushels of corn already delivered to the CCC cannot be sold until the price reaches 150 percent of the loan value, which would be \$3 per bushel under current legislation.

If the national average for the price of corn remains below \$2.50, the level of free-market carryover at the end of the year will be determined by what farmers do with the 404 million bushels of corn currently outstanding under the loan program. If they repay the loans on the entire 404 million bushels, the free-market, ending stocks project to about 600 million bushels, a comfortable level. Free-market stocks would be tight only if a significant amount of corn presently under

loan is delivered to the CCC. At current prices, repaying the loan and selling the grain is a better alternative for the farmer than delivering it to the CCC.

The free-market stocks of corn probably will be more than adequate to meet demand. However, expectations of a smaller harvest and larger livestock numbers point to a tight, free-market supply of corn a year from now. If these expectations materialize, the national average price for corn probably will reach \$2.50 per bushel, permitting the release of 735 million bushels of corn now in reserve. Such a change would depend not only on the expectations about the size of the 1979 crop, but also on the rate of use for the 1978 crop.

On April 16, the USDA will release the results of its April 1 survey of farmers' planting intentions. The market is already anticipating a significant reduction in corn acreage, compared to a year ago.

On April 23, the USDA's Grain Stocks Report as of April 1 will be released. That information will permit us to calculate the feed use of corn since January 1 and will give us a better indication of the size of carryover stocks by the end of the marketing year for corn, which runs through September.

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