



ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

Urbana, Illinois 61801

RETURN TO 419 M.H.

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CORN PRICES REMAIN STRONG

THE RECENT PERIOD OF WARM, DRY WEATHER allowed most Corn Belt farmers to make excellent planting progress. The early delays have been overcome and as of May 20, 67 percent of the U.S. corn crop had been planted; in Illinois, 72 percent. This compares to 37 percent last year for Illinois and 73 percent normally planted by that time.

Even with the rapid planting progress, corn prices are only about 6 cents less per bushel than the highs reached during the first week of May. One price-supporting factor in the corn market has been the increasing rate of exports. Corn exports reached 45 million bushels in each of the past two weeks. Additional purchases have been made by the USSR. This development has been particularly bullish and has triggered considerable speculation about the condition of the USSR's 1979 grain crops.

The USDA's estimate of corn exports for the 1978-79 marketing year was revised upward by 100 million bushels. Corn exports are now expected to reach a record 2.05 billion bushels by September 30. The corn exports will need to average a whopping 46.5 million bushels per week during the last 21 weeks of the year to reach that estimate.

If exports do exceed 2 billion bushels and if domestic corn disappearance continues at its record pace, the carryover stocks on September 30 will total about 1.3 billion bushels. That would be a large carryover, but would be more manageable than the early estimates of nearly 1.7 billion bushels.

Another price-supporting factor has been the general expectation of a declining world grain supply during the 1979-80 crop year. The USDA's mid-range estimate on the 1979-80 world crop shows a production decrease of 55 million metric tons. The mid-range consumption estimate shows an increase of 25 million metric tons over the 1978-79 crop year. World stocks of grain on June 30, 1980, are currently projected to be about a 7-week supply.

During the next several weeks, one of the most important price factors will be the progress of the crop. World and domestic demand for U.S. corn is likely to be very strong during the 1979-80 crop year. Disappearance could be above 7 billion bushels. The size of the harvest this fall will be significant.

Because of the good weather and rapid planting rate, corn acreage may well reach the 79.2 million acres farmers said they intended to put out on April 1. The big question now centers around expected yield. Corn yields have averaged about 87.5 bushels per acre over the last 5 years. The range has been from 71.4 (1974) to 101.2 (1978). The mid-point of expectations for this year is about 94 bushels per acre. Production estimates center on 6.5 billion bushels, approximately.

With a crop of 6.5 billion bushels, carryover stocks would probably be reduced significantly next year. The current prices offered for the 1979 crop reflect this expectation. A good growing season and rising production estimates, however, could result in price declines. The downside risk would be about 20 cents a bushel with a repeat of last year's season.

Conversely, any production problems could produce significantly higher prices this summer. Because of the expanding demand for corn, any hint of a crop failure is likely to cause the market to overreact. Such a situation would offer corn producers some excellent pricing opportunities.

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