

RETURN TO 419 M.H.



ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
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ON DISMOUNTING A TIGER

LEGEND HAS IT that the first and most-important thing to learn about riding a tiger is how to dismount safely at the end of the ride. Commodity markets, the grains in particular, are in a state of turmoil. They may develop so that the most-difficult decision of the year becomes when to sell before it is too late.

For several months, conditions have been pointing to strong corn prices during the 1979-80 crop year. Exports have been at record levels in a year when crops outside of the United States were large. The latest USDA estimate for 1978-79 suggests exports of 2.1 billion bushels. Domestic disappearance during the first 6 months of the crop year (October, 1978 through March, 1979) was up 10 percent from the year before. Disappearance to date indicates a total use for the year of 6.8 billion bushels. With livestock expansion well underway and foreign demand strong, the use of corn in 1979-80 could easily reach 7.2 billion bushels. Planting intentions as of April 1 indicated about 70 million acres for harvest. With normal yields, that would mean about 6.6 billion bushels. The acreages for other feed grains are down sharply to make room for more soybeans. Carryover stocks of feed grains will be down sharply next year. The market was poised to take off if crop problems developed.

Soybean disappearance during the first 8 months of the season was approximately 10 percent above the year-before level. The rate of use to date indicates a carry-over of only 140 million bushels, barely enough to last until the harvest starts. An acreage increase of 7.4 percent was indicated on April 1, but yields will probably be smaller than last year. So the prospective increase in production probably will not be enough to satisfy a normal increase in demand consistent with current trends.

Thus, the bullish case is made. Pricing decisions were easy to make in mid-March when December corn futures were \$2.55 per bushel and November soybean futures were \$7. By June 15, though, decisions were much more difficult with December corn at \$3.04 and November soybeans at \$8.15. Farmers hold long speculative market positions. They still own part of the 1978 crop and most of the crop that will be harvested next fall. Such positions have been rewarding ones during the past 3 months. Long positions may continue to be rewarding for some time, but a different day will come. The key question now is when.