



RETURN TO 419 MHD  
**ILLINOIS FARM AND FOOD OUTLOOK**  
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## REGIONAL DIFFERENTIALS IN CORN PRICES

SEVERAL FACTORS COMBINE TO DETERMINE THE RELATIONSHIP of grain prices in various regions of the country. Some of the more important factors include the cost and availability of transportation, the size of the crop in relationship to available storage, and the strength of regional demand. Even among the major Corn Belt states, substantial price differentials can develop.

During the latter part of the 1978-79 marketing year, corn prices in the eastern Corn Belt reflected a significant premium compared to those in the western part of the Corn Belt. During May, June, and July of 1979, corn prices averaged \$2.69 per bushel in Indiana, \$2.59 in Illinois, \$2.41 in Iowa, and \$2.33 in Minnesota. This price differential of about 25 cents between the eastern and western Corn Belt states is large by recent standards.

During the same three-month period over the previous four years, Illinois prices have averaged about 5 cents a bushel higher than in Indiana, 7 cents above Iowa, and 10 cents more than those in Minnesota. The smallest price differential was in the summer of 1975, following the small and frost-damaged crop of 1974. There are a number of reasons for the relatively wide price spread this year.

First, the corn crop was extremely large in the western Corn Belt. The Iowa crop totaled almost 1.5 billion bushels, compared to the drought-reduced crops of about 1.1 billion bushels in the two previous years. Minnesota's corn crop approached 650 million bushels, 7 percent above 1978 and almost double the 1977 production. The size of the crop in Illinois and Indiana was not significantly different from the previous two years.

Second, farmers in the western Corn Belt store a large part of the crop into the summer months. On June 1, storage stocks in Iowa totaled 59 percent of the 1978 crop; in Minnesota, 71 percent. Illinois and Indiana farmers have been very ready sellers of corn all year. The June 1 storage stocks totaled only 39 percent and 25 percent of production in Illinois and Indiana, respectively.

Third, transportation problems have aggravated the situation of large supplies of corn west of the Mississippi River. Frozen river conditions hampered the movement of grain from the area that is tributary to the upper Mississippi. More recently, labor problems in Duluth have cut the flow of grain out of Minnesota, and the strike

