



# WEEKLY OUTLOOK

Department of Agricultural Economics  
College of Agriculture  
University of Illinois at Urbana-Champaign

*July 9, 1980*

## HOT WEATHER PUSHES GRAIN PRICES HIGHER

GRAIN PRICES ADVANCED SHARPLY DURING THE PAST MONTH. From June 6 through July 3, soybean prices increased by \$1 per bushel, corn by 20 cents, and wheat by about 35 cents per bushel. The prices of May and July corn and soybean futures reached life-of-contract highs.

Weather concerns have fueled the most-recent price rally. The soybean-producing areas in the Delta States and the Mid-South are in need of additional moisture. Although the condition of the soybean crop in the Corn Belt is improving, the forecast of continued, hot weather has kept market participants apprehensive. Because of reduced soybean plantings, the market is reacting quite strongly to concerns about yields. In addition, dry weather creates uncertainty about the extent of soybean planting following the wheat harvest. As of the first week of July, actual soybean damage due to dry weather was reported as light.

Dry conditions in the spring wheat areas persist, keeping the size of that crop highly uncertain. Extremely hot weather in the Southwest and Plains States has resulted in some concern about the winter wheat crop. However, much of that crop was mature before the hot weather arrived. The soft wheat crop looks as if it will be extremely large.

The corn crop reportedly is in generally good condition with average development ahead of normal. Areas of early crop damage as well as forecasts for hot weather have provided enough uncertainty to carry prices higher.

Weather markets are not new or unusual. The current situation, however, is slightly different from recent weather-based price rallies. First, the rally is proceeding in the face of very large supplies of grain. That is, some reduction in yields can be absorbed without creating a tight supply situation. This is particularly true for corn and wheat because of expanded acreages. Second, the recent weather concerns have received considerable attention by the media. The coverage by national newspapers and network television has been extensive. Judging by the volume of trading, this publicity probably has brought a number of new participants into the market.

STATE • COUNTY • LOCAL GROUPS • U.S. DEPARTMENT OF AGRICULTURE COOPERATING

THE ILLINOIS COOPERATIVE EXTENSION SERVICE PROVIDES EQUAL OPPORTUNITIES IN PROGRAMS AND EMPLOYMENT.



Historically, markets overreact to a short crop or the threat of weather-reduced crops. Examples abound—the fall of 1974, the summer of 1975, 1976, and 1979, and the spring of 1977. Such rallies provide producers with good pricing opportunities. The problem lies in deciding how soon to sell. That is, one must evaluate the extent of real crop damage.

Except for the spring wheat crop, the permanent crop damage resulting from dry weather to date has been minimal. The weather over the first half of July will be critical in determining the size of the corn crop. Soybean crop development, particularly in the Corn Belt, depends more on the weather in late July and August. Winter wheat yields are already determined and are estimated as being high. Average spring wheat yields obviously will be reduced.

In the meantime, producers must evaluate pricing opportunities. At \$3.36 per bushel, July, 1981 corn futures are offering eastern Corn Belt producers about \$3.10 for corn delivered next summer. At \$7.97, the July, 1981 soybean futures translates into a price for farmers of about \$7.65. Harvest delivery prices are about \$2.75 for corn and \$7 for soybeans.

The first indication of the size of the 1980 corn crop will be revealed in the USDA's Crop Production report, due to be released on July 11. Soybean yields will be estimated on August 11.

*D. L. Good*

*Darrel L. Good, Extension Specialist, Prices and Outlook*

Cooperative Extension Service  
United States Department of Agriculture  
University of Illinois  
At Urbana-Champaign  
Urbana, Illinois 61801

Official Business  
Penalty for private use, \$300

POSTAGE AND FEES PAID  
U.S. DEPARTMENT OF  
AGRICULTURE  
AGR 101

