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

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CORN PRICES LACK DIRECTION

CORN PRICES HAVE TRADED WITHIN A RANGE OF ABOUT 20 CENTS PER BUSHEL over the past 5 weeks. The relatively narrow range reflects the absence of any real shift in market fundamentals. The fluctuations that have occurred were the result primarily of expectations regarding the status of the partial Russian grain embargo. Prices supported early expectations for the embargo to be lifted by the new administration. Periodic threats of Russian intervention in Poland and the possible expansion of the grain embargo have depressed prices.

The status of the grain embargo probably will continue to be a significant price factor. The current 5-year trade agreement with Russia expires at the end of the present marketing year. The original arrangements called for renegotiation of this agreement before the current marketing year expires. New agreements, if any, and the timing of such agreements will be important.

The USDA'S February world crop estimates contained a downward revision of 5 percent in the estimated size of the 1980 coarse grain crop in Russia. Although world wheat supplies are abundant, Russia would be likely to buy more U.S. corn if it were made available. Any move toward lifting the existing embargo or increasing the current minimum level of U.S. grain exports to Russia probably would push corn prices higher.

A second factor creating some uncertainty in the corn market is the status of the reserve stocks being held by farmers. Estimates indicate that these reserves are in excess of 950 million bushels. The reserves are in the "call" status, and the loans on all of that corn must be repaid by May 15. Producers who placed corn in the reserve and who received interest-free loans must pay the interest on any unpaid loans after April 15. Assuming that a majority of the reserve corn will be sold as loans are repaid, the market would thus be sure of an adequate supply of corn over the next 3 months.

Uncertainty centers around the amount of reserve corn already priced. If large quantities have been contracted forward, the movement of reserve corn into the market will have a negligible effect on prices. If most of this corn has not been priced, some downward price pressure could develop.

Although the two factors outlined here will continue to influence prices, they will be overshadowed increasingly by 1981 production prospects. The small prospective carryover supply of corn makes a large 1981 corn crop imperative if utilization is to be maintained at current rates. Planting intentions by Corn Belt farmers will be revealed next month. Unless corn acreage is increased substantially, 1981 yields will have to be at near records to produce enough corn. However, there is no reason to expect anything other than an average yield. Low subsoil moisture levels in many of the major corn-producing states point out the need for timely spring and summer rainfall.

Some of the concern about moisture may be reflected already in new-crop prices. Those premiums have increased over the past 2 weeks. If so, improved moisture conditions could result in modest price declines. However, more than one rain will be required to guarantee a large crop.

CONCLUSION. The choppy price pattern seems likely to continue for the next few weeks. Producers should be deciding how much old-crop corn to carry into the critical spring and summer periods. Prices near the top of the recent trading range may represent good opportunities to sell corn in excess of that amount. Pricing opportunities for new-crop corn should be evaluated, too. Bids for the new crop represent generally profitable prices.

Darrel 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