



# WEEKLY OUTLOOK

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## GRAIN PRICES WILL BE AFFECTED BY THE WEATHER

THE 1981 CORN AND SOYBEAN CROPS ARE POTENTIALLY VERY LARGE. Private forecasts predict a corn crop in excess of 8 billion bushels. Such a crop would be a record as well as 20 percent larger than a year ago. Soybean production estimates range between 2 and 2.1 billion bushels. A crop of that size would be 10 to 15 percent above last year but less than the 1979 record of 2.27 billion bushels. The USDA will release its revised estimate of 1981 production on September 11.

While the production potential is large, crop maturity is lower than average. State crop reports released on September 1 showed that corn and soybeans are late in most Corn Belt states. In Illinois, Ohio, Indiana, and Iowa, corn denting was about 15 percentage points behind the average for that date. The Minnesota crop was 36 percentage points below average. The percentage of the soybean crop starting to turn color was reported as 5 to 15 percentage points below average. In general, the crops are one to two weeks late.

Weather forecasts for September indicate below normal temperatures with average to above average moisture. If these forecasts are correct, the rate of maturity will not increase this month. Many weather forecasters are also suggesting that the probability of an early frost is significantly higher than average. Combined with a late-maturing crop, an early frost could reduce the production of both corn and soybeans.

The weather will have an obvious influence on corn and soybean prices. In addition, weather and the size of the harvest may also affect the size of the country basis.

If record or near record crops materialize, prices will probably remain under pressure for the next two or three months. A large harvest generally suggests an extremely wide harvesttime basis. However, the farmers' selling decisions will be a major factor in determining basis behavior. As prices fall, farmers will probably become very reluctant sellers. To the extent that they can, growers store the crop and wait for better prices. The ability to



wait varies by region, but total storage capacity is large enough to handle most of the crop. Government loans will tend to support this storage activity. An early opening of the reserve would also be supportive. These factors, combined with the lack of cover by many buyers, would tend to narrow the basis in the producing areas.

At what price farmers will refuse to sell is not clear, but indications are that current prices are very near that level. If futures prices continue to fall, the basis may begin to narrow right away. If weather conditions result in a long, delayed harvest, the basis could remain narrow right through harvest.

If an early frost or other factors result in a sudden increase in price, the farmers' selling decisions would probably change. Many growers would recognize an increase as a good pricing opportunity and new-crop sales would probably increase rapidly, weakening the basis significantly.

The size of the basis is an important factor in deciding when and how to price grain. Producers should be evaluating their alternatives carefully.

Issued by *Darrel Good*, Extension Specialist, Prices and Outlook

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