



# WEEKLY OUTLOOK

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## THE 1982 CORN CROP—STORAGE AND PRICING

ALTHOUGH THE 1982 CORN HARVEST IS STILL THREE OR four months away, some concerns about limited storage space have already been voiced. These concerns suggest that large stocks of grain are on hand and that another large harvest is expected in 1982.

Carryover stocks of feedgrains and soybeans are projected at nearly 2.9 billion bushels, compared with only 1.8 billion bushels last year. In addition, wheat supplies are once again expected to be large. Preliminary USDA estimates indicate that carryover stocks plus the 1982 harvest will total 3.767 billion bushels, a quantity almost identical to last year's supply. The 1982 harvest may well exceed expectations because of late-season rainfall in many growing areas.

It is really too early to accurately forecast 1982 feedgrain and soybean production. However, the USDA does suggest that normal growing conditions would produce about 11.5 billion bushels of these crops, down about 5 percent from last year's production. Carryover stocks plus production of summer- and fall-harvested grain crops could total about 18.2 billion bushels, compared with 16.6 billion last year.

Estimates from the ASCS suggest that the available capacity of grain storage as of March, 1982, was about 18.8 billion bushels. These estimates include on-farm and off-farm grain storage facilities. On the surface, then, it appears that there is enough storage capacity to handle all the 1982 carryover stocks plus normal production. Since some of the summer-harvested crops will be used before the fall harvest, one assumes that storage space will be adequate. However, the totals could be misleading, for various reasons.

Firstly, the estimates for grain-storage capacity include all types of storage. In actual fact, some of these, such as ear-corn storage structures and facilities for storing high-moisture grain, may not be usable. Secondly, the totals overlook the distribution of storage capacity and production prospects; that is, in any given year, the geographic distribution of storage facilities and grain production may not match.

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**IMPLICATIONS.** The prospect of a tight storage situation has several implications. Low grain prices in recent months have reportedly resulted in diminished new-crop sales. Should these low prices persist, the need for storage will increase, and consequently, forced grain sales could occur at harvest. Heavy harvest deliveries could, in turn, pressure the basis.

Producers should already be making adjustments to minimize the impact of these two possible occurrences--the shortage of storage space and a weak harvest basis. Commercial storage arrangements should be made early this year. Decisions relative to the storage of reserve corn need to be made now. Some producers may need to consider additional on-farm storage facilities. Careful thought, however, should be given to the type of facility constructed. If the current grain surplus is temporary, producers may find that they have over-invested in permanent grain storage facilities.

Potential low prices also suggest that forward pricing opportunities should be carefully evaluated. In spite of potential harvest problems, the cash bids for harvest delivery in most parts of Illinois still reflect a fairly strong basis. This situation in turn reflects the lack of sales by farmers. Producers may want to consider locking in the basis portion of harvest prices by using a basis contract or by contracting for a cash price and replacing that corn with a futures contract.

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