



WEEKLY OUTLOOK

Department of Agricultural Economics
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GRAIN PRICES CONTINUE TO DECLINE

CORN AND SOYBEAN PRICES DECLINED RAPIDLY during the first week of August. In central Illinois old-crop corn prices dropped to about \$2.30 and soybean prices declined to about \$5.70 per bushel. Bids for harvest-delivered corn dropped to \$2.10 and soybean bids were lowered to \$5.50 per bushel.

Corn prices are at the lowest level in 3 1/2 years, and soybean prices are now at the lowest level in 4 1/2 years. The decline in prices is reminiscent of 1977 when overholding of the old crop and large production prospects pressured prices. During the four-month period from mid-June to mid-October, 1977, corn prices declined by 50 cents to a low of about \$1.50 per bushel. Soybean prices declined about \$2.25 per bushel to a low of about \$4.75 per bushel. In terms of 1977 dollars, the current bid of \$2.10 for new-crop corn is equivalent to about \$1.40 per bushel. The bid of \$5.50 for soybeans is equivalent to about \$3.70 per bushel.

In August of 1977, the price of soybean meal went as low as \$132 per ton. Soybean oil prices declined to 18 cents per pound. The current price of soybean meal at Decatur is about \$170 per ton, which is the equivalent of only \$115 per ton in 1977 dollars. Oil prices have declined to about 18 cents per pound, which corresponds to 12 cents per pound in 1977 dollars.

Last week we summarized some of the principal reasons for the dramatic decline in prices. The most recent price declines reflect a further deterioration in the prospective supply-demand balance for corn and soybeans. The weekly soybean crush has dropped below 15 million bushels. With only four weeks left in the marketing year, the crush will apparently fall short of the USDA's estimate of 1.05 billion bushels. Exports should be very close to the projected 910 million bushels.

Corn exports will more than likely fall short of the expected 2.175 billion bushels. Weekly inspections will need to average nearly 50 million bushels to reach the projected volume. Corn feeding may exceed the current projection of 4.35 billion bushels, but not by much. Carry-over stocks of corn will be extremely large.

The prospects for the 1982 corn and soybean crops continue to improve. Recent rainfall in many parts of the Corn Belt alleviated some dry weather concerns that were beginning to emerge. Private crop forecaster Conrad Leslie has projected the

1982 corn crop at nearly 8 billion bushels, only slightly less than last year's record of 8.2 billion bushels. He estimates the soybean crop at 2.24 billion bushels, up 12 percent from last year and nearly as large as the record crop of 1979. If crops are actually as large as he predicts, the supply of corn for the 1982-83 marketing year would be about 10 billion bushels. Inventories would grow from the already high level. Soybean supplies would exceed 2.5 billion bushels for the first time. The USDA will release its first estimate of the corn and soybean crops on August 11. In general, the market expects the report to confirm large crops.

Implications. With all the bearish news now confronting the market, it is possible that prices have overreacted or will do so. In 1977-78, cash corn prices rebounded nearly \$1.00 per bushel from the harvest low by the following spring. Soybean prices advanced by more than \$2.00 per bushel. While prospects do not favor such a large rebound this year, prices should make a significant recovery from preharvest or harvest lows. Low prices will stimulate the rate of use, and the government loan and reserve programs will tend to support prices. In addition, it appears that a more attractive set-aside program will be offered for the 1982-83 crop.

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