WEEKLY OUTLOOK
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SELLING THE 1982 CORN AND SOYBEAN CROPS

THE OUTLOOK FOR CORN AND SOYBEAN PRICES will depend on certain developments over the next several weeks. Weather conditions in the next month will determine the final size of the crops. Unless extremely adverse weather develops, however, the production of both crops will be large. On the demand side, the September Hogs and Pigs report will give an indication of the probable feed use of corn and soybean meal for the year. The magnitude of exports and export sales early in the year will indicate total export potential. The level of corn exports early will be especially important. The late season decline in corn exports this year may have resulted from importers drawing down inventories in anticipation of large supplies of low-priced 1982 corn. If so, early season corn exports should be large. If not, the preliminary estimates of a 17.5 percent increase in corn exports may be too optimistic. Sales to Russia need to be large, and imports by Japan and the European Community will have to expand if the increase is to materialize. The demand by Western Europe for soybean meal will determine the size of soybean exports early in the year. Later on, the prospective size of the South American soybean crop will be important.

Ultimately, the most important factor in determining price behavior may be farmers' grain-marketing patterns. There are indications that only very small quantities of new crop corn and soybeans have been sold to date. Current low prices suggest that farmers will continue to be reluctant sellers. This conclusion is supported by the flurry of interest in building new storage facilities and the preparation of temporary storage facilities. In addition, there seems to be great interest in price later contracts and basis contracts as a way to delay pricing grain that cannot be stored.

If farmers in total are reluctant to sell through the harvest period, further decline in prices will be minimal. However, because of the large inventory of grain, seasonal price increases would also be limited. In addition, the rate of use of both corn and soybeans could be hampered by tight holding. Under these circumstances, inventories of grain a year from now could exceed projections.

On the other hand, rapid selling of corn and soybeans during the harvest period could push cash prices even lower than existing ones. These low prices plus large availability would be expected to stimulate use and cause seasonally increasing cash prices. Ending inventories, then, might be well below current projections.

History of the large crops of 1979 and 1981 suggests that farmers in total will overhold the crop in anticipation of higher prices. This action may limit seasonal price increases to less than the cost of owning corn and soybeans. Now may be the time to be looking for good selling opportunities.

In the case of corn, July futures are trading at a 25 percent premium to December futures, on an annualized basis. At $2.54, July futures offer the Central Illinois producer about $2.40 for corn delivered late next spring. This price is a 50-cent premium to the harvest delivery price and represents a handsome return over the cost of existing storage facilities on farms. Even though the spread in soybean futures is proportionally smaller than for corn, basis improvement will probably exceed the cost of on-farm storage.

The long-run challenge for individual farmers is to develop marketing strategies that create more diversity in pricing and delivery dates.

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