



# WEEKLY OUTLOOK

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August 31, 1983

## WHEN WILL CORN AND SOYBEAN PRICES PEAK?

IT IS USEFUL TO EXAMINE RECENT PRICE RALLIES in the corn and soybean markets to get an idea of the most likely price pattern for the 1983 crop.

**Soybeans.** Prior to 1983, the soybean market experienced four major price rallies in the last decade. The crop years involved were 1972-73, 1974-75, 1976-77, and 1980-81.

Monthly soybean futures charts show that soybean futures went from near the \$3.50 level at harvest time in 1972 to about \$12.85 in the summer of 1973. The rally was associated with an exceptionally strong demand, particularly in the export market, that threatened to exhaust the supply of soybeans. An embargo on exports was put in place and prices dropped rapidly from the peak.

The high prices of the 1974-75 crop year were associated with poor growing conditions. A wet spring, dry summer, and an early killing frost reduced the crop by 22 percent from the previous year. Prices peaked in October that year. The high prices early in the crop year reduced demand, and carryover stocks were larger than beginning inventories. According to monthly charts, prices peaked near \$9.50. Prices declined seasonally.

The price rally of 1976-77 was triggered by at least two factors. Reduced acreage and poor growing conditions resulted in an 18 percent cut in production. Prices moved up but flattened out in the winter months. A small South American crop and an extremely strong world demand pushed prices to a peak in the spring of 1977. The high on the monthly charts was near \$10.75 per bushel.

The high prices of the 1980-81 crop year occurred in November and resulted from poor growing conditions and a 21 percent cut in production. As in 1974, the high prices cut demand and carryover stocks were large. The high on the monthly charts was again near \$9.50 and occurred in November. Prices declined sharply the remainder of the year.

**Corn.** The corn market has had three major rallies in the last decade. The crop years involved were 1972-73, 1974-75, and 1980-81. The 1972-73 rally was associated with an exceptionally strong export demand late in the marketing year. The peak came in the summer at about \$3.90 on the monthly charts.

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The high price of 1974-75 came in October and was associated with a small crop. A late spring, dry summer, and an early killing frost reduced the crop by 18 percent. Prices peaked near \$4 on the monthly chart and declined seasonally.

The 1980-81 rally was associated with a drought-reduced crop. The peak occurred in November at about \$3.95. Prices generally remained high for most of the marketing year as demand expectations were high.

Two of the four rallies in the soybean market have been associated with short crops, and the peaks came early in the crop year. Two were associated with strong demand, and the peak was late in the crop year. The prices associated with strong demand were higher than the short-crop peaks.

Two of the three rallies in the corn market were associated with short crops and came early. The third was demand related and came late. The peaks were all similar in magnitude.

The current corn and soybean markets resemble the patterns of short-crop years so far. The price of corn will continue at relatively high levels because of the need to keep the reserve in release status. Unless a strong demand for these crops develops, we would expect an early peak. Weekly export inspections and weekly soybean crush estimates should be watched closely. Developments in the South American soybean crop, as well as 1984 planting intentions and crop development in the U.S., will be important.

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