WEEKLY OUTLOOK
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February 15, 1984

CORN PRICE PROSPECTS

CORN PRICES HAVE BEEN VERY STABLE for the past 12 weeks. The closing price of March futures has ranged from $3.27 to $3.44 per bushel. December futures have been even more stable, ranging from $2.85 1/2 to $2.96 per bushel. The national average cash price of corn has fluctuated around the Reserve IV and Reserve V trigger prices of $3.15 and $3.25 per bushel, respectively. Corn prices are currently at the low end of the recent range.

For the next several weeks, old crop prices will be influenced by the rate of farmer selling and the demand for corn in both the export and domestic market. With cash prices below the Reserve IV and Reserve V trigger prices, one would expect that producers would be tight holders of old crop corn. However, producers must take title to the remainder of the payment-in-kind corn over the next 4 weeks. It appears that a sufficient amount of this PIK corn will be sold, thus keeping market supplies ample.

In the spring and summer months, free market supplies are expected to become extremely tight. This is especially true in the eastern Corn Belt. According to the USDA's January *Grain Stocks* report, corn inventories in Illinois, Indiana, and Ohio totaled only 1.256 billion bushels on January 1. Stocks in those states are almost 50 percent less than a year ago and considerably less than the amount normally used during the January through September period.

Corn exports to date are running slightly ahead of a year ago. Some analysts believe that the strong dollar and likelihood of a large 1984 crop will put a crimp in export demand during the last half of the marketing year. However, the recent drought conditions in South Africa have reduced the potential size of the 1984 harvest. This development should support U.S. corn exports for the next 3 or 4 months.

Feed demand for corn will be supported for the next 4 or 5 months by the large number of livestock currently being fed. The number of cattle on feed is down only 4 percent from last year. The number of hogs to be fed will be larger than a year ago through the spring. Feed demand of corn could be curtailed in

July and August by a large harvest of low-priced wheat. The next competition, however, will continue to be in the western cattle feeding industry. Demand for corn in the eastern Corn Belt should continue to be strong.

The old crop situation seems to indicate good rally potential for old crop corn in the late spring or early summer months. Since the tightest supply situation exists in the eastern Corn Belt, much of the rally might be in the form of a very strong basis. The April 1 *Grain Stocks* report will reveal exactly how tight these supplies are.

It almost goes without saying that the new crop prices will be influenced primarily by planting intentions and weather conditions, although old crop prices will have some influence. The USDA will release a *Prospective Plantings* report on February 16. Acreage will be up from a year ago but is expected to be less than the 81.8 million acres of 1982. Participation in the acreage reduction program should be well above the 29 percent of 1982. Corn production is expected to rebound to the 8 billion bushel level. If so, prices will likely decline to near the loan level during the year ahead. A decline to that level (about 2.60 December futures) would not be expected to occur until such a large crop becomes obvious late in the summer. Without any surplus corn, new crop prices will be especially sensitive to any indication of crop problems.

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