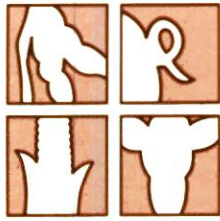




Cooperative
Extension Service
University of Illinois
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WEEKLY OUTLOOK

Department of Agricultural Economics
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April 3, 1985

PRICING NEW CROP CORN

IT WILL SOON BE CORN PLANTING TIME in the Corn Belt. The decision process for marketing the 1985 crop has already begun. The amount of acreage to plant to corn and whether or not to participate in the 1985 feed grain program have already been decided. It is also time to evaluate the prospective supply, demand, and price situation for the 1985-86 corn marketing year in order to set pricing objectives.

Production Prospects. The size of the 1985 corn crop will obviously depend on the magnitude of corn acreage and yield levels. We can do little at this time except identify a "most likely" or "normal" crop for 1985.

In February, farmers indicated that they would plant 82 million acres of corn this spring, 1.6 million more than a year ago. Because of the expected high level of participation in the feed grain set-aside program, it is likely that planted acreage will be less than intentions. A similar pattern was followed last year, with actual plantings less than intentions.

If 80 million acres of corn are planted, we should expect about 71.2 million acres to be harvested for grain. A "normal" U.S. yield, based on the trend of the last 20 years, would be between 108 and 109 bushels per acre. A "normal" crop for 1985 then would be just over 7.7 billion bushels.

The level of participation in the 1985 feed grain program will likely be revealed within a week. According to the current schedules, an estimate of planted acreage will not be available until July 10 and the first production estimate will be released on August 12.

Demand Prospects. Projections of corn use for 1985-86 are just as tentative as production prospects. However, some parameters can be identified. In six of the last seven years (including the current year) corn supplies have been abundant. Total annual use in these six years ranged from 6.98 billion to 7.62 billion bushels, averaging 7.23 billion.

Within the usage total, domestic nonfeed use of corn has been trending higher and is expected to reach 1.05 billion bushels this year. Both exports and the feed and residual uses of corn have been variable. Over the past four years, however, exports have become quite stable, ranging from 1.86 to 1.97 billion bushels.

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For the reasons outlined two weeks ago, it is difficult to see a significant increase in corn exports in 1985-86. A decline is possible if the Soviet crop is large. The increase in livestock production necessary to push feed use of corn higher than 4.3 billion bushels is not forecast.

The total market for corn during the 1985-86 marketing year may not exceed 7.3 billion bushels. Even if use is near the all-time high of 7.62 billion bushels, an increase in stocks would occur with a "normal" crop.

Price Prospects. The supply and demand scenario outlined here suggests that corn prices will likely remain under pressure again in 1985-86, with the Commodity Credit Corporation (CCC) loan program providing the major support. With a high rate of participation, this program should provide a practical floor for harvest cash prices of \$2.30 to \$2.35 per bushel. Prices during the spring of 1986 would have to be around \$2.75 in order to encourage redemption of CCC loans.

This outlook implies that farmers may want to take advantage of forward pricing opportunities at levels above the CCC loan. This is particularly true for those producers who have limited storage facilities and will have to move corn at harvest. The most likely opportunity for forward pricing will occur with weather markets this spring and summer.

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