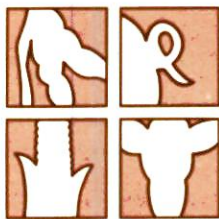




Cooperative
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WEEKLY OUTLOOK

Department of Agricultural Economics
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HOW LOW ARE CORN AND SOYBEAN PRICES?

CORN AND SOYBEAN PRICES WERE RELATIVELY STABLE during the decade of the 1960s. The season's price of corn received by farmers in the U.S. ranged from \$1.00 to \$1.24 per bushel and averaged \$1.12. The season's soybean price ranged from \$2.13 to \$2.75 and averaged \$2.44. Inflation rates were relatively low during that period so that "real" prices (adjusted by the rate of inflation as measured by the implicit GNP deflator) were also stable.

Annual corn prices adjusted for inflation (1972=100) ranged from \$1.27 to \$1.59 and averaged \$1.46. Annual real soybean prices ranged from \$2.60 to \$3.55 and averaged \$3.20 per bushel. In nominal terms, annual soybean meal prices ranged from \$60.60 per ton to \$81.20 per ton and averaged \$73.30. In real terms, the average was \$94.70 per ton. Annual soybean oil prices, in nominal terms, ranged from \$.084 per pound to \$.113 per pound, averaging \$.099 per pound. In real terms, the average was \$.13 per pound.

What has happened to prices over the last 15 years? Corn prices increased rapidly during the first half of the 1970s. The season's average price increased from \$1.16 in 1969 to \$3.03 per bushel in 1974. The average for the first five years of the decade was \$1.91 per bushel, almost 80 cents above the average of the 1960s. Part of that increase was eroded by inflation so that real prices increased only 30 cents per bushel.

Corn prices declined in 1975 and remained at the lower levels through 1979. The average price for the period, however, was \$2.30 per bushel, almost 40 cents above the average of the previous five years. Real prices averaged only \$1.29 per bushel, 47 cents *below* the previous five years and 17 cents *below* the average of the 1960s. Corn prices during the period 1980 through 1983 were highly variable, but generally higher than during the late 1970s. Prices averaged \$2.88 per bushel during that period, up 58 cents from the previous five years. The real price, however, averaged only \$1.40 per bushel, 36 cents less than during the early 1970s and 6 cents less than during the 1960s.

For 1984-85, the average corn price is projected at \$2.65. In real terms, that is equivalent to about \$1.16, the second lowest level in the past 25 years and 30 cents below the average of the past 25 years.

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Soybean prices have followed a pattern similar but not identical to that of corn. The pattern of average nominal prices was as follows: 1960s-\$2.44; 1970-74-\$4.51; 1975-79-\$6.11; 1980-83-\$6.57. Real prices increased from \$3.20 in the 1960s to \$4.11 in the early 1970s, but then declined to \$4.04 in the late 1970s and to \$3.28 in the period 1980-83. In nominal terms, the two years of highest prices in the last 25 were 1980 and 1983. In both those years, however, the real price was below the average of the 1970s.

For 1984-85, the season's average price is forecast at \$5.85 per bushel. In real terms, that is equivalent to about \$2.57. That is the lowest level of the past 25 years and 43 cents below the average of the 1960s. The weakness stems from the soybean meal side. Oil prices, in real terms, were highest in the early 1970s and have now come back down to the level of the 1960s. The decline in soybean meal prices since the early 1970s has been dramatic. For 1984-85, the average price of soybean meal is forecast at \$122 per ton. In real terms, that is about \$54 per ton, the lowest of the past 25 years by a margin of \$25. The highest price in real terms was \$217 per ton in 1972-73.

Based on USDA's forecast of nominal prices, real prices of corn and soybeans will be lower again in 1985-86.

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