



# WEEKLY OUTLOOK

Department of Agricultural Economics  
College of Agriculture  
University of Illinois at Urbana-Champaign

July 20, 1983

## CORN PRICES--WHAT NOW?

CORN PRICES HAVE FOLLOWED AN UNUSUAL PATTERN in recent weeks. Extremely tight old-crop supplies resulted in cash prices in central Illinois exceeding the nearby futures prices in mid-June. Improving prospects for the new-crop yield and larger-than-expected planted acreage pushed July futures to a 53-cent premium over December prices on July 6. September futures exceeded those for December by 26 cents on July 8.

By July 18, the basis had weakened by about 10 cents; July futures were only 27 cents premium to December prices, and September futures were only 8 cents over December prices. December futures had gained 28 cents in less than two weeks. The strength was based primarily on hot, dry weather conditions over a large portion of the Corn Belt.

On Friday, July 15, the five-day moving average national price reached \$3.15. The USDA announced that the 1.147 billion bushels of corn in Reserve IV were placed in release status. It is not clear how much of that corn is committed for PIK payment and how much is eligible to be redeemed. Estimates suggest that between 250 and 300 million bushels are eligible for redemption. Most of that corn is in the western and northern Corn Belt.

It is generally believed that the released corn will come to market slowly for two reasons. First, storage payments continue through the end of August. Second, continued hot, dry weather may encourage farmers to hold on for a while longer. Unless the hot weather continues for an extended period, however, enough corn should come to market to prevent the necessity of releasing corn in Reserve IV. A national average price of \$3.25 would be required to trigger that reserve.

Prospects for new-crop prices depend on a number of factors. The most important at this time is crop size. The magnitude of use next year will also determine the tightness of free market supplies and the necessity of triggering the release of corn in Reserve V if it is not released this year.

Some confusion surrounds the current rate of domestic corn feeding. The high rate of feeding to date may indicate that the 1982 crop was overestimated or that corn feeding may exceed the USDA estimate of 4.5 billion bushels. A higher rate of

STATE • COUNTY • LOCAL GROUPS • U.S. DEPARTMENT OF AGRICULTURE COOPERATING

THE ILLINOIS COOPERATIVE EXTENSION SERVICE PROVIDES EQUAL OPPORTUNITIES IN PROGRAMS AND EMPLOYMENT.

feeding has implications for projecting next year's feed use. Corn exports may fall short of the USDA estimate of 1.9 billion bushels, which in turn makes the estimate of 2.05 billion for next year look unduly optimistic.

The USDA currently estimates that corn use next year will total 7.52 billion bushels. With PIK payments of about 1.8 billion bushels, a crop of 5.7 billion bushels or larger will provide adequate free market supplies. Based on current acreage estimates, such a crop will require an average yield of 109 bushels per acre or more. A smaller crop would suggest that the release of Reserve V could be triggered next summer.

The escalating price of new-crop corn raises concern about the magnitude of use next year. A reluctance to adjust projected use can fuel the price increase in the short run but result in a significant reduction in use. For example, as late as March, 1981, the USDA was projecting corn use for the 1980-81 crop year at 7.65 billion bushels. Actual use turned out to be only 7.23 billion bushels.

New-crop corn prices may reach the season's high before harvest. However, if projected use remains high, strength could extend beyond the harvest period.

*Darrel Good*

Issued by *Darrel Good*, Extension Specialist, Prices and Outlook

Cooperative Extension Service  
United States Department of Agriculture  
University of Illinois  
At Urbana-Champaign  
Urbana, Illinois 61801

Official Business  
Penalty for private use, \$300

POSTAGE AND FEES PAID  
U.S. DEPARTMENT OF  
AGRICULTURE  
AGR 101

