WEEKLY OUTLOOK
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GRAIN AND SOYBEAN PRICES SHOULD REBOUND

GRAIN AND SOYBEAN PRODUCERS MAY BE WONDERING if they have already seen the market highs, as prices declined sharply last week. December corn on the Chicago Board of Trade closed at $3.52 per bushel last Friday, down 13 cents from the close of Monday, September 12; November soybeans closed at $8.87, down 51 cents. A review of the USDA's *Supply and Demand* reports for these commodities clearly indicates that their prices are likely to return to their previous highs or higher.

The 4.39 billion bushels of corn estimated to be produced in the United States, when added to the 3.43 billion bushels expected to be carried over on October 1, will total about 7.82 billion bushels of corn available for 1983-84, down almost 27 percent from last year. On the surface, this quantity would seem sufficient even to meet a level of utilization equal to the expected 7.25 billion bushels of the year just ending. Such utilization would result in ending stocks below 600 million bushels (about 4 weeks' supply). Free market stocks would be even lower, considering that some grain would remain in the farmer-held reserve and CCC stocks. Pipeline needs will not allow carryover stocks to be reduced to such low levels. Hence, a substantial rise in price above this season's farm average of $2.65 will be necessary to ration the supply available in the year ahead.

The USDA estimates that the season average corn price for 1983-84 will be between $3.50 and $3.75. Domestic livestock producers will be most responsive to that rise in price as reflected by an expected 20 percent decline in corn utilization from a year ago to 4.05 billion bushels. Relatively inelastic domestic demand for products that contain corn and a tariff-protected feed grain market in drought-plagued Europe will allow some growth in the food, industrial, and seed use and export categories. The former will increase by only 5.5 percent while the latter may increase by 4.0 percent.

Similarly, the 1.99 billion bushels of soybeans expected to be available for supply in 1983-84 will have to be rationed at a price higher than last year's $5.65 a bushel when utilization approached 2.1 billion bushels. Additional strength for soybeans will be generated by tight world edible oil supplies resulting from substantially reduced production of palm oil this year. Higher soybean meal and oil prices should allow soybean prices to rise to between $8.50 and $9.50 per bushel, according to the USDA. That level of price should cut domestic crush by 8.2 percent from last year and slash exports by as much as 17.8 percent.

Given these expected ranges for the season average farm prices for corn and soybeans, the season's highs should exceed the upper end of these ranges for a substantial length of time this fall. That is, one would expect to see cash farm prices for corn near $3.75 per bushel or higher and soybean prices near $9.50 per bushel or higher for a period of time that will allow ample opportunity for pricing by farmers.

When will this rebound occur? Given that the level of corn and soybean supplies is known, the expected rebound will occur as the actual rate of use becomes apparent. This may not happen immediately and may take several months, as weekly export trends and expectations about domestic feed disappearance develop.

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