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CORN AND SOYBEAN PRICES have risen sharply since last fall's harvest. Corn prices at Chicago averaged $3.25 per bushel during the latter half of February, about $1 above the level during last fall's harvest and double the year-earlier level. Similarly, soybean prices averaged $6.50 per bushel during the past two weeks, up from $5.40 during the harvest season and $6.35 in the same period a year ago. Although continuing uncertainties render price forecasting extremely tenuous, corn prices are expected to remain firm for the next few months, while soybean prices may soften somewhat.

The strength in corn prices largely reflects the 5 percent reduction in total corn supplies, continued heavy exports, and the prospects of another sizable reduction in carryover stocks at the end of the current marketing year (September 30, 1974). The latest projections of the U. S. Department of Agriculture place ending corn carryover stocks this fall at about 600 million bushels, 100 million bushels below last fall and the lowest since 1952.

Many observers, however, anticipate an even greater depletion in ending stocks. Several factors, including corn utilization during the last three months of 1973 and the strong export picture, appear to provide justification for such expectations. Total disappearance—including domestic use and exports—of corn during the October-December period rose slightly ahead of the year-earlier pace. And although "one quarter does not a (crop) year make," first-quarter disappearance has accounted for a surprisingly consistent 30 to 31 percent of total utilization in each of the past seven marketing years. If this relationship holds again this year, and if the estimate of first-quarter disappearance is reasonably accurate, this would suggest total utilization of corn might approximate last year's record level of 6.0 billion bushels (as opposed to the 4 percent decline currently projected by the USDA) and carryover would fall to one-half of the level currently anticipated by the USDA.

The prospects of a greater disappearance of corn than presently forecast by the USDA are most evident in export demand which as yet shows no softening despite the energy situation. During the first four and one-half months of the current marketing year, corn exports rose 19 percent above the corresponding year-earlier level. And corn exports to date, when added to the remaining unfilled export commitments, indicate corn exports during the 1973-74 marketing year might exceed the 1,258 million bushels exported a year earlier. This compares to an 11 percent decline currently projected by the USDA.

The soybean picture is best characterized as a huge supply (up 21 percent from a year ago) and a slower-than-anticipated rate of disappearance so far during the 1973-74 marketing year (September 1, 1973-August 31, 1974). Although crushings have picked up in the last three months, total crush during the first five months of the marketing year fell 1 percent short of the high year-earlier level. The USDA, however, projects a better than 7 percent increase in crushings for the entire year. Soybean exports through mid-February of the current marketing year rose less than 3 percent from the year-earlier level. This rate falls short of the USDA's projected 9 percent gain for the entire marketing year, and the potential 20 percent increase suggested by soybean exports to date and the remaining unfilled export commitments.

Recent upward pressures on soybean prices largely reflect the tight supply of soybean oil, which accounts for over half of all food fats and oils consumed domestically. During the latter half of February, soybean oil prices at Decatur averaged nearly 38 cents per pound, up from 14 cents a year earlier. On the other hand, soybean meal prices averaged $150 per ton, down sharply from $225 last year. With the surge in oil prices, crushing margins averaged close to $1 per bushel during February, more than double the year-ago level.

Disappearance of soybeans in the months ahead is expected to run well above the year-earlier pace. But in light of the prospective fourfold increase in carryover stocks and possibly even larger supplies next year, an increase in disappearance is not likely to place any significant upward pressures on soybean prices. Export movements are expected to increase but a resumption of fishing in Peru and a large increase in the Brazilian crop may hold the line on prices. Domestic crushing rates are likely to increase reflecting current high profit margins and sufficient processing capacity. But the shortage of hexane—a petroleum-based solvent used in soybean processing—and the falling profit margins suggested by distant futures prices could dampen domestic demand for soybeans.

While the future trend in corn and soybean prices is difficult to predict, the possibility of marked fluctuations appears certain. The near-unprecedented tight supplies of food and feed grains, and the uncertainty over the impact of fuel and fertilizer shortages, portend sizable market reactions to spring planting developments. Such a possibility will no doubt persist until evidence of the rates of disappearance and the size of the 1974 harvest becomes more certain. And although foreign demand as yet does not appear to have slowed, recent strengthening in the U. S. dollar, and the energy-related curbs on both the economic growth and the import demand for food in major countries of the world, may cause some slowing in exports in the months ahead.

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