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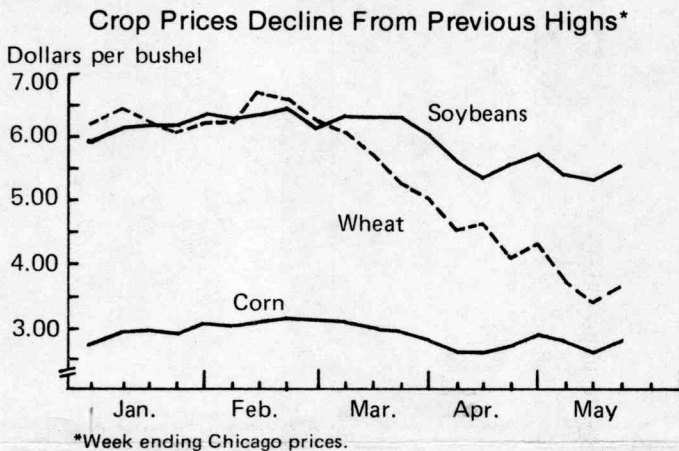
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May 17, 1974

**CROP PRICE FLUCTUATIONS** have closely paralleled weather and export developments in recent weeks. A weakening export market and an upward-revised estimate for U. S. winter wheat production combined to drop wheat prices to about half their February highs. The drop in prices was coupled with reports that farmers were ahead of schedule in spring plantings and tended to depress the prices of other grains and soybeans.

Corn and soybean prices reversed their downward trend briefly on the strength of the U. S. Department of Agriculture's *Grain Stocks* report indicating that April 1 stocks of both crops were less than anticipated. As a result, the corn carryover estimate for the end of the marketing year was lowered to 453 million bushels, the smallest since 1952 and equal to about a three- to four-week supply based on current disappearance rates. The estimated carryover of soybeans was lowered to 200 million bushels, over three times the previous year's level.



Reports that farmers were far ahead of usual spring planting schedules tended to depress prices somewhat early in May. Corn plantings in Iowa were 72 percent complete at the beginning of this week. The five-year average for mid-May is a 58 percent completion rate. On the same date last year, only 18 percent of corn plantings were completed in Iowa. In Illinois, plantings were just under the halfway mark, slightly ahead of the normal rate but well ahead of last year. Relatively heavy rainfalls throughout the Corn Belt in recent days caused most crop prices to rise.

**World crop production** developments remain mixed. Wheat production reports from many foreign countries are optimistic, but there are scattered reports of serious crop failure in parts of Asia and Central Africa. The Russian wheat crop may not match last year's record level, but it will probably be adequate to cover domestic needs. Argentina and South Africa appear to be pushing corn exports, a reflection of the increased production levels of recently

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# Letter

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harvested crops. U. S. soybeans are facing growing competition from foreign producers, particularly Brazil, and from Peruvian fish meal, once again becoming available on world markets.

In the current marketing year, U. S. wheat exports are likely to fall slightly below the U. S. Department of Agriculture's 1.2 billion bushel estimate. Corn exports may be slightly above the USDA projection of 1.2 billion bushels. Soybean exports will likely be very near the present estimate of 585 million bushels.

Domestic demand for corn and soybean meal may be affected by the current livestock situation. Declining livestock feeder margins, in some instances amounting to rather substantial losses, have induced many cattle and hog feeders either to hold activity at present levels or cut back on the volume of animals being fed. Although hog inventory numbers are up slightly, farrowings have fallen slightly below the year-earlier pace. Placements of cattle on feed were down 12 percent during the first quarter of 1974. In addition, about mid-February the ban on DES was lifted, an action suggesting better feed utilization rates in the future and slightly lower consumption rates of feed. As a result, the increased disappearance rate of corn during the first half of the corn marketing year may be somewhat offset during the second half.

**Corn and soybean prices** will continue to be highly sensitive to weather developments, both in the United States and abroad. While the early planting of corn generally favors high yields, cool temperatures and wet conditions could reduce stands and increase the chance of insect damage.

On balance, the current situation suggests further downward pressures on corn prices depending largely on how stands emerge. However, given the present level of supplies, corn prices could make rather volatile moves in either direction. For soybeans, the larger carryover plus the prediction of only a slight reduction from last year's record crop would not seem conducive to a sustained upward trend in prices. Wheat prices will probably be subject to additional downward pressures throughout the harvest season with brief upward swings coming on the strength of foreign purchases.

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