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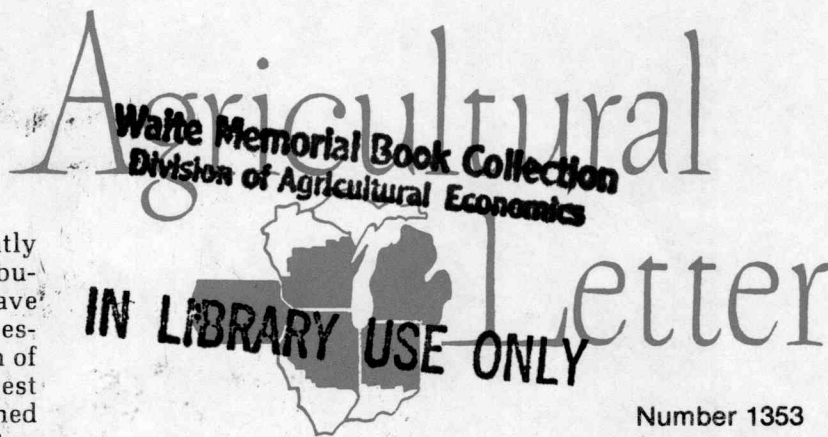
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CROP PRICES have trended downward recently as a record harvest has temporarily choked distribution channels. Additional price pressures have resulted from upward revisions in production estimates and the lower-than-anticipated utilization of corn during the summer. Prospects for a post-harvest recovery in prices, however, have been strengthened by export sales and renewed cattle feeding activity.

Carryover stocks of corn totaled 359 million bushels on October 1, down sharply from a year earlier but considerably above previous expectations. The larger-than-expected carryover resulted from markedly curtailed utilization of corn for feed during the third quarter. During the July-September period corn exports rose 4 percent above the year-earlier level, while domestic feed utilization fell nearly 30 percent. For all of the 1974/75 corn marketing year, domestic feed utilization was down 24 percent.

Crop production estimates for both corn and soybeans were revised further upward this week. Corn production is now pegged at a record 5.8 billion bushels, up 67 million bushels from last month's estimate. Soybean production is expected to exceed 1.5 billion bushels this year, up 46 million bushels from the October estimate and only 27 million bushels short of the 1973 record.

1975/76 Supply and demand estimates for corn and soybeans

	Corn		Soybeans	
	Amount (mil. bu.)	Change (percent)	Amount (mil. bu.)	Change (percent)
Supply				
Beginning stocks	359	-26	186	9
Production	5,804	25	1,520	23
Total	6,164 ¹	20	1,706	22
Utilization²				
Domestic				
Feed	3,575	12	n.a.	
Crush	n.a.		775	11
Other	465	3	81	-16
Total domestic	4,040	11	856	7
Exports	1,450	27	475	13
Total utilization	5,490	15	1,331	9
Ending stocks ²	674	88	375	102

¹Includes imports of 1 million bushels.

²Figures represent midpoints of USDA estimates.

Supply/demand projections portend a sizable rebuilding of carryover stocks. Soybean supplies for the 1975/76 marketing year are at a record high. Domestic demand for crushings is expected to rise during the current year. In contrast to the 1974/75 marketing year when crushing activity was largely influenced by soybean oil values, it appears that soy-

bean meal values—dependent on livestock feeding activity—will dominate crushing activity in the current year. Soybean exports are expected to rise about 13 percent this year, despite stiff competition from substantially larger world supplies of oilseeds.

Corn supplies for the 1975/76 marketing year will be short of the 1972/73 record high. Nevertheless, the 20 percent rise from the low year-ago level will be more than sufficient to offset the projected gains in utilization. The USDA currently projects domestic utilization of corn for feed will rise 12 percent above the low year-ago level. To some observers, such a large increase appears optimistic in light of the recently depressed livestock feeding activity and the fact that the first half of the corn marketing year typically accounts for a high proportion of total annual feed utilization. Nevertheless, the recent surge in feedlot placements, the heavier weights of hogs slaughtered, and the expansion in broiler production all indicate that livestock producers have responded to the lower corn prices experienced in recent weeks. Furthermore, corn exports for the 1975/76 marketing year are expected to reach a record 1.5 billion bushels.

Crop prices may continue to trend downward briefly, but some recovery is expected in December. Markets will be particularly attuned to the level of weekly exports (which have been at a record pace in recent weeks), developments reflecting upon domestic livestock feeding activity, and final estimates of 1975 crop production—which many observers anticipate will show further upward revisions. Moisture shortages throughout much of the major wheat producing areas, however, are likely to cut winter wheat pasture capacities and may stimulate feed demand.

Despite the anticipated post-harvest rise, it appears Chicago corn prices may not recover to the late summer highs. Indeed, many observers expect that prices will hold within the \$2.65-\$2.85 range at Chicago for most of the current marketing year, particularly if developments associated with the 1976 crop are not adverse. Soybean prices will be constrained by prospects of a record large carryover and a comparatively lackluster year for utilization. Consequently, soybean prices will continue to trade at a low level relative to corn.

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