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1982-83 Crop Price Outlook

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Most people who are engaged in commodity price outlook had the opportunity during the 1981-82 crop year to learn again the difficulty of estimating demand. Most market analysts feel comfortable with the supply estimates but sometimes find a large number of unpredictable variables in demand. These variables currently include (1) the state of the U.S. and world economies, (2) the value of the U.S. dollar in relation to other currencies, (3) the cost of energy, (4) the cost of interest, (5) potential changes in agriculture policy and programs, (6) potential changes in foreign policies and (7) the "attitudes" of consumers and traders.

Most significant causes for current low grain prices can be attributed to large supplies and a shaky world financial situation. Large importers of grains and oilseeds, such as Brazil, Mexico, and Venezuela, currently are

considered high risk in financial arenas. Solutions to the economic problems in these countries may include a reduction of imports. However, these negative factors generally are known and there are some who believe the market has already discounted them and may be in an "oversold" position.

Some increase in the price for grains can be expected in late 1982 and throughout 1983, at least until the 1983 crop influences take over. The potential price increases for different grains and oilseeds will vary.

Feed Grains

The projected 1982-83 ending stocks of all U.S. feed grains at 90.7 million metric tons is high -- one-third more than that for 1981-82 and 160% more than that for 1980-81 (Table 1). These larger stocks certainly limit the size of potential price increases.

Corn: The September 1 crop report indicated a record U.S. yield of 113.9 bushels per acre and a record total production of 8.3 billion bushels. This results in an estimated very high carryover of 2.9 billion bushels. Even if one were to subtract 2.3 billion in

Table 1. U.S. Supply and Demand of Feed Grains, Corn, Oats, Barley, and Sorghum for Recent Marketing Years and Projections for 1982-83.

	Feed Grains Million Metric Tons			Corn Million Bushels			Oats Million Bushels			Barley Million Bushels			Sorghum Million Bushels		
	1980-1981	1981-1982	1982-1983	1980-1981	1981-1982	1982-1983	1980-1981	1981-1982	1982-1983	1980-1981	1981-1982	1982-1983	1980-1981	1981-1982	1982-1983
Beginning Stocks	52.4	34.6	67.7	1,617	1,034	2,151	236	177	152	192	137	149	147	109	298
Production	198.7	248.4	252.0	6,645	8,201	8,319	458	508	599	361	478	516	579	880	819
Imports	.3	.3	.3	1	1	1	1	1	1	10	10	10	0	0	0
Total Supply	250.7	283.3	320.0	8,263	9,236	10,471	696	686	752	563	625	675	726	989	1,117
Feed Food, Seed, etc.	123.0	130.8	134.0	4,139	4,300	4,400	432	452	460	174	201	215	307	420	430
Exports	23.8	25.1	26.8	735	785	850	74	75	75	175	175	177	11	11	11
Total Demand	69.3	59.7	68.5	2,355	2,000	2,350	13	7	10	77	100	75	299	260	275
Ending Stocks	216.1	215.6	229.3	7,229	7,085	7,600	519	534	545	426	476	467	617	691	716
	34.6	67.7	90.7	1,034	2,151	2,871	177	152	207	137	149	208	109	298	401

farmer owned reserve and C.C.C. stocks, the 500 million free stocks remaining would cause no shortage in supplies of corn. Farm price of corn is likely to drop below \$2.00 a bushel at harvest time, but may reach \$2.20 to 2.25 for the full 1982 crop.

Oats: Oats prices cannot be expected to reach 1981 price levels. Good quality milling oats, however, show excellent prospects of yielding a good return for storage. Milling oats in 1981 were at times \$2.25 a cwt. higher than corn. Minneapolis prices may not advance beyond \$1.80 to 2.00 per bushel. Canadian production of oats is expected to be down 2% from 1981. U.S. ending stocks of 207 million bushels are 36% higher than for 1981-82, and restrict any substantial increase in the price of ordinary oats.

Barley: Good Morex barley may approach \$2.80 to 3.00 per bushel in Minneapolis, depending on how much good quality barley there is. The lower grades of barley seem destined to compete at the low levels of corn. Barley should be sold on any rallies. Canadian barley production is expected to be down 2%.

Sorghum: Even though sorghum is the only feed grain whose expected production in 1982 is below that for 1981, carryover supplies were so great that stocks will build in 1982-83. Export expectations for 1981-82 will not be reached because of the Mexican financial turmoil. As a result, sorghum prices seem destined to be 20 to 25 cents a cwt. lower than for corn. The upper range of prospects now appears to be \$3.50 to 3.80 a cwt.

Table 2. U.S. Supply and Use of All Wheat, Hard Red Winter, Hard Red Spring and Durum for Recent Years and Projections for 1982-83 (Million Bushels)

	All U.S. Wheat			Hard Red Winter			Hard Red Spring			Durum		
	1980	1981	1982	1980	1981	1982	1980	1981	1982	1980	1981	1982
Beginning stocks	902	989	1,159	440	541	537	285	257	346	61	60	107
Production	2,374	2,793	2,816	1,181	1,115	1,262	312	468	513	108	186	148
Exports	2	3	2	0	0	0	1	1	1	1	2	1
<b>Total Supply</b>	<b>3,278</b>	<b>3,785</b>	<b>3,977</b>	<b>1,621</b>	<b>1,656</b>	<b>1,799</b>	<b>598</b>	<b>726</b>	<b>860</b>	<b>170</b>	<b>248</b>	<b>256</b>
Domestic Use	779	853	840	383	364	361	153	174	172	51	59	50
Exports	1,510	1,773	1,775	697	755	800	188	206	240	59	82	75
<b>Total Use</b>	<b>2,289</b>	<b>2,626</b>	<b>2,615</b>	<b>1,080</b>	<b>1,119</b>	<b>1,161</b>	<b>341</b>	<b>380</b>	<b>412</b>	<b>110</b>	<b>141</b>	<b>125</b>
Ending Carryover	989	1,159	1,362	541	537	638	257	346	448	60	107	131
Carryover as % of Use			52%			55%			109%			105%
Farmer Owned Res.		562	850									
CCC Inventory		187	185									
Free Stocks		410	327									

### Wheat

Wheat: Statistically wheat is not in as bearish a situation as that for corn (Table 2). Free stocks of wheat are expected to decrease. All wheat has found a bin, and the price has most likely bottomed out. Considering that estimated carryover stocks relative to total expected use are high--Hard Red Winter wheat 55%, Hard Red Spring 109%,

and Durum 105%--wheat prices do not have much up-side potential. Fourteen percent protein Hard Red Spring wheat prices are estimated to be \$4.00 to 4.25 per bushel in Minneapolis. Winter wheat is expected to be at only a slight discount from Spring wheat, and quality Durum is estimated to sell for \$4.30 to 4.50 per bushel.

	Soybeans			Sunflower Seed			Flaxseed		
	million bushels			thousand metric tons			thousand bushels		
	1980-81	1981-82	Projected 1982-83	1980-81	1981-82	Projected 1982-83	1980-81	1981-82	Projected 1982-83
Beginning stocks	359	318	270	980	304	145	5,018	2,775	2,300
Production	1,792	2,030	2,314	1,748	2,098	2,700	7,928	7,799	10,940
Imports				28	30	10	2,510	3,893	2,000
Total Supply	2,151	2,348	2,584	2,756	2,432	2,855	15,456	14,467	15,240
Domestic crush	1,020	1,030	1,090	780	475	750	11,927	11,500	11,800
Seed, feed, res.	89	118	94	167	162	150	76	10	20
Exports	724	903	960	1,505	1,650	1,500	677	657	600
Total use	1,833	2,078	2,144	2,452	2,287	2,400	12,681	12,167	12,420
Ending Stocks	318	270	440	304	145	455	2,775	2,300	2,820

### Oilseeds

Soybeans: In spite of record exports, soybeans also will be in record supply and carryover (Table 3). Decreased production in Brazil may help to improve U.S. price prospects, but large stocks will dominate. Farm prices probably will fall below \$5.00 per bushel at harvest, but then show the potential to rise to \$5.60 to 5.75 per bushel in 1983.

Flax: The U.S. will still need to import flax to satisfy its domestic crush demand. Because of this, flax prices will not necessarily follow other oilseeds closely. Prices could

weaken when sunflowers are being crushed and then strengthen again later. Flax prices are expected to range from \$6.00 to 6.50 per bushel in Minneapolis. Flax prices will probably range \$1.00 a bushel higher than for soybeans for the crop year.

Sunflowers: A 28% increase in acreage plus sluggish foreign demand probably will keep sunflower prices depressed. However, an activated foreign demand could improve prices dramatically. Prices are apt to range between \$9 and \$10 per cwt. in Minneapolis. The \$10 price may not appear until April or May.

Table 4. World Supply and Demand for 1981-82 and Projections for 1982-83 (Million Metric Tons)

	Wheat		Coarse Grains		Total Grains		Soybeans	
	1981-82	1982-83	1981-82	1982-83	1981-82	1982-83	1981-82	1982-83
Beginning Stocks	74.7	82.2	80.1	108.3	179.7	216.3	15.70	14.24
Production	453.3	449.0	771.3	779.6	1,500.8	1,500.0	86.99	98.55
Imports	105.2	103.5	111.4	115.3	227.9	230.4	29.27	30.96
Feed Use	82.8	72.9	451.2	463.8				
Crush							74.49	79.05
Total Domestic Use	445.9	444.6	743.1	758.1	1,464.1	1,478.3	88.49	92.88
Exports	108.7	107.3	108.5	112.6	229.2	232.2	29.24	31.07
Ending Stocks	82.2	86.5	108.3	129.8	216.3	238.0	14.24	19.78

### World Supply and Demand

With U.S. production geared for a big export market, world conditions will definitely affect U.S. grain prices. Currently, not only are economic conditions in the world adversely affecting demand for U.S. commodities, but world supplies of grains are generally abundant.

Total projected grain stocks in the world are estimated to be up from 216 to 238 million metric tons (10%); soybean stocks up from 14.2 to 19.8 million metric tons (39%); wheat stocks up from 82.2 to 86.5 million metric tons (5%), and coarse grains up from 108.3 to 129.8 million metric tons (20%). (Table 4).

These increases are expected in spite of a small Russian crop. U.S. production primarily is responsible for the increases in world stocks. The U.S. will export about 65% of 1982 wheat production, 60% of soybeans and sunflowers, 28% of corn and 34% of sorghum. Figures include whole grains and products.

#### Summary

Heavy U.S. and world supplies will restrict the amount of any price rise,

and will delay a return to a "sellers" market. However, there is some bullish news about that could be translated into some price increases the later part of 1982 and into 1983. Historically, back to back large crops produce either a pre-harvest low or an early harvest low price for the second large crop.