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CORN PRICES have been under downward pressure during the past few days. The declines largely reflect abundant supplies still available from last year's harvest glut and the generally favorable weather conditions for the 1972 crop. Although corn usage in the first half of the current marketing year (October 1, 1971-September 30, 1972) has been sharply above year-ago levels, April 1 supplies totaled more than 3.3 billion bushels, nearly one-third over the year-earlier level, and far in excess of needs projected for the remainder of this marketing year.

Corn prices received by farmers fell to less than $1 per bushel last November, following a record harvest which, coupled with the previous year's carryover, pushed total corn supplies to 6.2 billion bushels at the beginning of the current marketing year. Although prices recovered to the $1.08 to $1.10 range in December, and stayed at that level for the first quarter of this year, these prices were the lowest since the 1968-69 crop year. The low price levels encouraged corn producers to place a record 919 million bushels of the 1971 crop under the Commodity Credit Corporation's (CCC) loan program by May 1. This resulted in holding corn prices near the support level, somewhat offsetting the price-depressing effects of the large supply. Farmers have until the end of June to decide whether they will redeem this corn, deliver it to the CCC, or reseal it for another year.

Low corn prices also encouraged livestock farmers to sharply expand feeding rates, and provided the incentive for a near-record flow of U. S. corn exports. Domestic utilization of corn—primarily for feeding purposes—rose to 2.5 billion bushels during the October-March period, up 10 percent from the corresponding year-earlier amount. This increase came in spite of no change in the number of animal feeding units. Corn exports during the same period absorbed another 333 million bushels of corn—up from 277 million bushels in the first six months of the 1970-71 marketing year.

Demand for corn during the last half of the current marketing year is expected to continue strong, but free supplies—corn not under CCC loan—coupled with a modest amount of loan redemptions should be sufficient to meet the demand. Total corn usage for the last half of the 1971-72 marketing year is forecast at 2.1 billion bushels. This is about 100 million bushels less than free supplies available on April 1, suggesting that only about 250 million bushels of corn will have to be redeemed from CCC loan contracts to bring normal free carryover supplies up to the levels of previous years. Domestic corn usage during the April-September period is expected to about match the year-to-year gains recorded in the first half of the marketing year. Exports are expected to show even stronger gains—perhaps reflecting the expected sharp reduction in Argentina's recently-harvested 1972 corn crop. These projections portend total carryover at the end of September of 1.25 billion bushels—the largest in eight years and equivalent to around one-fourth of total corn usage anticipated for the current marketing year.

A large portion of the needed redemption of corn under loan likely has already occurred. Corn prices at the farm level trended upward in April and May, rising to $1.15 per bushel. These higher levels were above loan redemption costs—loan support rate plus interest charges—no doubt encouraging some farmers not wanting to store their corn beyond the summer to redeem their loans.

So far this month, corn prices have fallen about 5 cents per bushel. In addition to the abundant supplies, favorable weather conditions for the 1972 crop no doubt have contributed to the price declines. Although wet weather conditions early in the planting season slowed field work, conditions improved sufficiently in late May to allow farmers to about catch up with the unusually early plantings of a year ago. This could mean that actual corn plantings may come closer to the 68.5 million acres of plantings projected in the March 1 Planting Intentions Report than originally thought.

Corn prices for the remainder of the 1971-72 marketing year will be mostly influenced by factors affecting the progress of the 1972 crop. The first official indication of the size of the new crop will come in the July Crop Production Report, scheduled for release on July 12. If actual plantings are within 1 million acres of the March 1 projections, further price declines are likely. Although continuing ripples of USSR trade rumors may result in some upward price pressure, most officials now feel that any nearby trade agreement will be limited to a "one shot" deal rather than the long-term contract which had received earlier speculation.

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