

# Ag Economist Thinks \$3.50 Corn Possible

COLUMBUS, Ohio — Producers gleeful over the recent rally in the markets should hang on to their hats, because a bigger jump may be on the way, said an Ohio State University agricultural economist.

Allan Lines thinks \$3.50 per bushel corn prices "may be in the cards" by the time all is said and done on this supply-short market. In fact, markets are defying the harvest glut's law of gravity that makes it difficult to establish new highs in the fall for cash and distant futures prices.

"Conventional wisdom suggests a 'short crop-long tail' pricing pattern should develop . . . There is a good chance prices will rise into mid-winter before the tail begins," Lines said. "It will come. Price and when are the questions."

With current bullish projections, producers can afford to wait and see before selling because downside risk is minimal for now, Lines said. Producers should also look ahead to price some of the 1996 crop since \$3-per-bushel prices at harvest are not likely two years in a row. "Take some of the current action in the \$2.60 arena," he said.

Lines' prognoses are based on recent USDA figures (released Oct. 11) that adjusted the national yield down to 116.6 bushels per acre compared to September's projection of 121.1 bushels per acre, and is also down from last year's 139 bushels per acre average, and below the five-year average of 119.58 bushels per acre.

With total production pegged at 7.54 billion bushels — a 25 per-

cent drop from last year — ending stocks are projected to be at a 20-year low of 685 million bushels. The last time ending stocks were as low was two years ago when carryout was 850 million bushels, and prices averaged \$2.50 per bushel, Lines said. What's different this time is that world coarse grain output is down 30 percent from last year and down 25 percent from two years ago.

"The U.S. is short, and the world is short," Lines said. "The market is in untested water."

For Ohio, USDA projects an average yield of 122 bushels per acre, unchanged from the September projection. It's down from last year's 139 bushels per acre and about the same as the five-year average of 121.8 bushels per acre. Total production is pegged at 384.3 million bushels, or down 21 percent from last year's record 486.5 million bushels.

As for soybeans, Lines thinks \$7-per-bushel prices are possible, given a production estimate 13 percent below last year's, and sharply tighter stocks. USDA projects a 2.19-billion bushel national crop compared to last year's 2.52 billion-bushel crop. Average yield is projected at 35.5 bushels per acre, down from last year's record 41.1 bushels per acre, but about equal with a 35.98 bushels-per-acre five-year average.

"Expect higher bean prices into the marketing year," Lines said. "It's probably not a 'short crop-long tail' situation."

Here's why:

- Demand remains strong. Do-

mestic crush remains at the same level of last year's 1.4 billion bushels. Meanwhile, a 33 percent hike in export inspections early in the marketing year casts some doubts on expectations that exports will soften.

• Supply-wise, carryout is 220 million bushels, among the lowest since the 1988 drought. That year, an 11 percent stocks/use ratio produced a \$7.35 per bushel average price. Although the projected

stocks/use ratio is at 10 percent, the hworld oilseed situation is not critically tight.

• Soy oil price is expected to weaken, while meal price continues to strengthen. The teeter-totter effect could add an additional 85 cents to last year's average price. So far, USDA's midpoint average price projection of \$6.75 per bushel is up \$1.30 from last year. Current prices are at the lower end of the USDA range: \$6.25-\$7.25.

"It's difficult for me, but as you can tell, my usual 'bear' has sprouted 'bullish' horns," Lines said.

As for Ohio production, USDA projects a 3.6 percent drop from last year's 173.6 million bushels to 167.3 million bushels. Yields are projected at 41 bushels per acre, down from 43.5 bushels per acre last year, but still higher than the five-year average of 39.3 bushels per acre.

## Composting Research, Education Center Opens

KUTZTOWN (Berks Co.) — Rodale Institute President John Haberern has announced the opening of a Composting Research and Education Center located on the grounds of the 333-acre Rodale Institute Experimental Farm in Kutztown.

"Our two-acre facility is the first of its kind in this country and quite possibly the world," Haberern said. "Its opening is the culmination of several years of planning between the staff and scientists here at the Institute and staff members and scientists at the USDA."

The Composting Research and Education Center will serve three main functions. As a unique research facility, it will test compostable materials not only for their efficiency and economy (alone and in combination with other materials), but also for the potential impact on ground and

surface water of those materials and management regimes.

A second use of the Composting Center will be educational. Future home of the Rodale School of Practical Composting, the site is expected to draw farmers, nursery growers, greenhouse operators, landscape managers, and other professionals from around the world interested in incorporating composting into their waste management or soil improvement practices.

"We will offer week-long courses at the Center on a variety of topics from production through use, combining both classroom instruction and hands-on learning," said Cary Oshins, composting specialist at the Rodale Institute. The Institute expects to hold the first course in the autumn of 1996.

Thirdly, the Compost Center will function as the model site for the Institute's own compost production which is used for its Compost Utilization Trial (CUT) and general farm production. The CUT is a long-term field trial comparing several different compost mixtures to each other as well as to more conventional fertilizers. The Rodale Institute scientists who have been running the CUT since 1991, are testing whether the use of compost over conventional fertilizers or raw farmyard manures will lead to reduced nutrient loss and groundwater pollution.

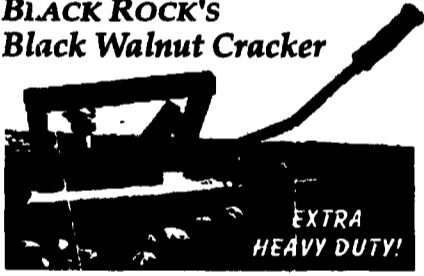
Offering all-weather access and appropriate environmental protection, the Institute hopes the Composting Research and Education Center will be used by the Department of Environmental Protection, the Conservation District, the Conservation Service, and others to study the economic and environmental impacts of increased compost use.

The facility is funded in part by the USDA's Alternative Agriculture Research and Commercialization (AARC) Center. AARC supports private individuals or companies in bridging the gap between research results and commercialization of that research, thereby complementing the USDA's research agencies. Preference is given to projects that are environmentally friendly and benefit rural communities.

"The Institute is currently accepting proposals for compost research projects and collaborations," said Oshins. "We are particularly interested in linking production and utilization research."

According to Haberern, the purpose of this facility is congruent with the ongoing goals of Rodale Institute. "We want to educate people all over the world about the importance of protecting and improving our soil. Healthy soil is the first step in producing healthy food," he said. "Soil not only provides a growing medium, it also influences the water we drink and even the air we breathe."

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