



ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

Urbana, Illinois 61801

October 18, 1978

LARGE CORN AND SOYBEAN CROPS CONFIRMED

A CORN CROP OF 6,824 MILLION BUSHELS AND A SOYBEAN CROP OF 1,792 MILLION BUSHELS are indicated by a USDA report based on October 1 conditions. There will be further changes with the November and final estimates, but these will not be large enough to change the "bottom line": corn supplies are huge; soybeans, abundant.

The USDA also issued a revised estimate of the 1977 soybean crop on October 11. The revised production estimate was 1,762 million-up 46 million bushels from the 1,716 million estimated last January. Thus the 1978 soybean crop is only 30 million bushels larger than last year, despite a major increase in acreage.

The national average yield for corn is now placed at 100.7 bushels per acre, up from 100.3 a month ago and 90.8 last year. The estimate for Illinois was reduced to 114 bushels per acre from a record 116 a month ago. Iowa was unchanged from a month ago at 115. Indiana was up 3 bushels at 110, and Minnesota was up 2 bushels at 99. The large increases in production from a year ago are west of the Mississippi River.

The national average yield for soybeans is now estimated at 28.3 bushels per acre, compared to 28.0 in September and 30.4 in 1977. Illinois was unchanged at 34 bushels per acre. The Iowa yield estimate was 36, compared to 35 last month. Indiana was 33 versus 32 last month; Arkansas, 22 versus 20; and Minnesota, unchanged at 32.

The huge corn crop is partly offset by a decrease of 92 million bushels for grain sorghums and 152 million bushels for oats. The estimates for total production of the four feed grains is up 7.5 million tons from last year, but corn production is up 12.6 million.

The price of corn increased slightly after the report was issued. Corn prices are increasing just as harvest is moving into full swing, a counter-seasonal performance. Exports during the year ahead may be unchanged to up as much as 100 million bushels. The domestic use for food and industry will be up about 20 million bushels. For the carry-over to be unchanged from the large 1,007 million bushels estimated for this year, feed use would have to increase by 504 million bushels, or 13.4 percent. With only moderately increasing livestock numbers, such a large increase is very unlikely. The price of corn is above the loan rate, taking into account the cost of storage.

Why the strength in corn prices? Current demand is strong, and little corn is coming to market. However, the corn is out there and will eventually come to market. A

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price for July, 1979, futures of \$2.50 per bushel is the equivalent of about \$2.35 to Illinois farmers next May. Given the situation of super abundance, current prices may be higher than they will be next spring--considering the cost of storage, including interest.

The soybean supply is large enough to permit an increase of 5 percent in the crush and export figures if the carryover remains constant next fall. Such an increase is probable unless prices go too high too soon. High prices for soybean oil and soybean meal during the next 3 months might cause reductions in use for the year as a whole. This is especially true for soybean meal, which tends to suffer as prices approach \$200 per ton. Current oil prices and a meal price of \$200 produce a soybean price of about \$7 a bushel. Rising soybean prices should be looked at as selling opportunities, rather than as signals to hold soybeans.

Some farmers will have to choose between holding corn and holding soybeans. The recently released crop report indicates that corn is in greater abundance and has less of a chance of a price increase than soybeans.

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