



RETURN TO 419 M.H.

ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE DEPARTMENT OF AGRICULTURAL ECONOMICS

Urbana, Illinois 61801

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SEPTEMBER 1 CROP REPORT CONTAINS NO SURPRISES

THE CROP REPORT RELEASED ON SEPTEMBER 12 confirmed the effect of excellent August weather with modest increases in corn and soybean yields. The implications are the same as a month ago: moderately abundant corn supplies and large soybean supplies that could be troublesome.

Total corn production was placed at 7.268 billion bushels, up 2.2 percent from the estimate of 7.109 billion last month and 2.6 percent above last year's production. The national average yield was placed at 104.6 bushels per acre, another new record. There were yield increases in nearly all states. The average yield for Illinois was estimated at 118 bushels per acre, a new record. Last month's estimate was 112 bushels.

By September 1, corn yields have been estimated fairly accurately in the past, so subsequent changes have been small. There have been exceptions, such as the blight-stricken year of 1970, 1972 when harvest conditions were very poor, and 1974 when a record was set for an early frost. The corn crop is later than normal this year; hence, more vulnerable than usual to weather, frost in particular. The crop is the latest in Minnesota and northwest Iowa, the areas most vulnerable to early frost. Frost on a normal date will do some damage in those areas. However, yield estimates there are low and probable damage has been taken into account. For planning purposes, producers must think in terms of a very large crop.

Looked at in perspective, the corn crop is only moderately larger than last year. The carryover from last year's huge crop will increase the total by only about 120 million bushels. The market has almost absorbed last year's production increase and has done so at strong prices. This experience makes the prospect of another record crop much less depressing in terms of price than it would be otherwise.

World grain crops outside the United States are smaller than a year ago, particularly in Russia. In August, the USDA estimated the 1979 Russian grain crops at 185 million metric tons. On September 12, they dropped the figure to 180 million metric tons, which would be 24 percent below last year. Crop problems elsewhere plus trend increases in demand will result in record U.S. corn exports during the year ahead.

Livestock numbers in the United States are currently very large--hogs, broilers, and turkeys in particular. But feeding profitability is low and numbers may be cut back during the second half of the crop year unless feed is priced moderately.

The price implications are obvious. Any industry that expands output so rapidly probably will see low prices. In the past when there were good profits in hog production, the industry has expanded so that production became unprofitable. The over-expansion was slow in developing this time, but is more extreme now than in the past.

How low will hog prices go? That depends on several things. Continued and rapid inflation will moderate the decline. Beef production is down substantially from a year ago and will not increase from current levels during the next 12 months. On the other hand, broiler production is at record levels and will continue to be high. The projected production of broiler meat is about 11 billion pounds, up from 10.6 billion during the past 12 months. Total meat supplies are very large. We are in a recession, and consumers will be forced to cut expenditures. How much of the reduction will be in livestock products is uncertain, but the sharp increases in food expenditures of recent years will not be repeated.

Hog prices may decline into the \$30 area before the end of the year, with a moderate recovery during the winter. If the pattern of this hog cycle follows those of the past, the greatest pressure on hog prices will come next spring.

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