



WEEKLY OUTLOOK

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CORN AND SOYBEAN PRODUCTION REDUCED

THE USDA'S AUGUST 1 CROP PRODUCTION REPORT confirmed that the hot, dry weather has substantially reduced the prospects for the 1980 corn and soybean crops. Nationally the average corn yield is now projected at 93 bushels per acre, compared with the July estimate of 99.3 bushels and last year's record yield of 109.4 bushels. Total production is estimated to be 6.65 billion bushels, down 9 percent from the July estimate and down 14 percent from a year ago.

Soybean production is projected at 1.88 billion bushels, reflecting a national average yield of 27.4 bushels per acre. Production last year was a record 2.27 billion bushels. The reduction this year reflects a cutback in acreage and a decline in yields from last year's 32.2-bushel average.

In Illinois, corn yields are expected to average 108 bushels per acre, down 20 bushels from last year. The state's corn crop is projected at 1.2 billion bushels, compared with 1.36 billion last year. Iowa will continue to be the largest corn-producing state, with 1.43 billion bushels.

Of all the major corn-producing states, only Ohio and Wisconsin are projected to have a larger production than last year. Since July, however, prospects have improved in Michigan and Minnesota. Missouri was hardest hit by the dry weather. Production there is expected to total only 90 million bushels, compared with 229 million last year.

Soybean production is estimated to be smaller than a year ago in every major producing state. The largest reductions are expected in Missouri (69 million bushels), Arkansas (62 million bushels), and Illinois (50 million bushels).

Since the yield estimates were made, further crop deterioration has probably occurred in several areas. Production may turn out to be smaller than the August estimates. The weather in 1976 followed a similar pattern. In that year the September corn yield estimate was 3.4 percent less than the August estimate. The soybean yield projection declined by 5 percent. If the similarity to 1976 persists, this year the September production estimates could be 6.4 billion bushels for corn and 1.78 billion bushels for soybeans.

Implications. The demand for corn is expected to be large again in the year ahead. Expanding livestock numbers and the need to rebuild inventories outside the United States should produce another record export year. Although livestock numbers in the United States have been declining, the small supply of competing feed grains (down 23 percent) should keep corn-feeding rates high. Expanded use of corn for food and industrial purposes is likely. Corn disappearance could reach 7.4 to 7.5 billion bushels in the year ahead. If so, much of the corn that is currently in the farmer-held reserve program would be required. This possibility suggests that corn prices could fluctuate between the \$2.81 "release" price and the \$3.26 "call" price.

The small soybean crop means that the current rate of soybean use may have to be reduced. Historically, a sharp increase in price is required to initiate such a reduction. In 1976-77, a 4-percent reduction in use required a 35-percent higher price than the previous year.

A reduction in soybean oil inventories may result in a price close to the long-term average. Allowing for inflation, that average is about 30 cents per pound. If corn is priced at about \$3 per bushel, soybean meal would be worth about \$225 per ton. Thirty-cent oil and \$225 meal translates into \$8 soybeans. A further price increase from current levels may be warranted.

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