



WEEKLY OUTLOOK

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September 17, 1980

CORN AND SOYBEAN PRODUCTION ESTIMATES REDUCED

THE USDA'S SEPTEMBER CROP PRODUCTION REPORT estimates the 1980 U.S. corn crop at 6.534 billion bushels, down 1.7 percent from the August estimate and 16 percent below the 1979 crop. The national average yield was estimated at 91.8 bushels per acre, compared to 109.4 bushels last year.

The average corn yield in Illinois is projected at 100 bushels per acre, down 8 bushels from the August estimate and 28 bushels below the average yield in 1979. Since August 1, the prospects for the corn crop have improved in the Northern Corn Belt and in Ohio but have deteriorated in the central Corn Belt, in the Southern and Eastern States, and in South Dakota. The estimate on corn production for Iowa was unchanged from August.

This year's soybean crop is now expected to total only 1.83 billion bushels. That estimate is down 2.6 percent from the one in August and 19 percent below the harvest last year. The national average yield is estimated at 27 bushels per acre, 0.4 bushel less than the August estimate and 5.2 bushels below the average yield in 1979. The September estimate of harvested acreage was 770,000 less than the August estimate.

The average soybean yield in Illinois is projected at 35 bushels per acre, unchanged from the August estimate and 3.5 bushels under last year's record yield. Since August, the soybean-crop prospects have improved in Iowa, Minnesota, Nebraska, and Ohio. Production estimates were unchanged for Illinois and Indiana. Production prospects declined in all other major soybean-producing states.

IMPLICATIONS. Because carryover stocks of 1979 corn will be large—an estimated 1.7 billion bushels, the total 1980-81 corn supply will be only about 9 percent smaller than last year. Even though the use of corn is expected to be higher in 1980-81 than in 1979-80, corn supplies will be adequate. Based on current projections, corn inventories will be reduced to about 820 million bushels by the end of the crop year. Prices will have to be high enough to bring the reserve corn into the market. However, the reserve call price of \$3.26 per bushel should be an effective ceiling on price. A national average price of \$3.26 per bushel is equivalent to about \$3.50 to Illinois farmers and \$3.70 at Chicago. Market prices approaching that level will offer good selling opportunities. Beyond the spring of 1981, prices will be influenced by the 1981 crop prospects.

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The price outlook for soybeans is more uncertain. Soybean supplies will be 10 percent smaller this year than in 1979-80. Historically, such reductions have produced substantial price increases. Although soybean prices have advanced sharply since mid-August, the rise has been relatively modest overall. Expectations of a slowdown in the demand for soybean products is one of the major factors that has tempered price increases. At this time, projections of a weak demand for U.S. soybeans seem premature. During August, the rates for soybean exports and crushings remained large. The South American crop has not been planted yet. With the smaller soybean crop now expected, the risk of lower soybean prices is small. If demand remains strong, further price increases are likely. The pattern of such increases will depend on the size of the U.S. crop and the rate of soybean use.

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