



WEEKLY OUTLOOK

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OCTOBER ESTIMATE ON SOYBEAN PRODUCTION DOWN SHARPLY

THE USDA'S OCTOBER REPORT ON CROP PRODUCTION SHOWED a major reduction in the prospects for soybean production. At 1.757 billion bushels, the October estimate is 4 percent smaller than the September estimate and 22.5 percent below the figure for the 1979 crop. If the October estimate is correct, the 1980 soybean crop will be the smallest one since 1976.

The lower production estimate reflects a deterioration in yield prospects and a reduction in the number of acres expected to be harvested. The average yield is now placed at 26.1 bushels per acre, down 0.9 bushel from the September estimate and 6.1 bushels under last year's yield. Harvested acreage is expected to total 67.3 million, down a half million acres from last month's estimate and 3.2 million acres less than a year ago.

Compared to a month ago, yield estimates were lowered in every major producing state in the South except Louisiana. The average yield estimated for Illinois was lowered by 3 bushels, down to 32 bushels per acre. Yield estimates in other Corn Belt states were unchanged.

The October corn estimate was 6.467 billion bushels, 1 percent below the September estimate and nearly 17 percent smaller than the 1979 crop. The average yield is now projected at 90.8 bushels per acre, 1 bushel less than the September estimate. The average yield in 1979 was a record 109.4 bushels per acre.

The greatest reduction in corn-yield prospects compared to a month ago came in Illinois. The average corn yield for Illinois is now estimated at 94 bushels, down 6 bushels per acre from last month. Yield prospects also were reduced for Kansas, Missouri, and Nebraska. The USDA's estimates for average yields were increased for Iowa, Michigan, Pennsylvania, and Wisconsin.

For spring wheat production, the estimates were also increased, bringing the projected size of the 1980 total crop (spring and winter) to 2.362 billion bushels. That estimate is 8 million bushels greater than the September projection and 220 million bushels more than the crop harvested in 1979.

The 1980-81 estimate for the world grain crop was lowered by 1 percent this month. The one for the world wheat crop declined about 2 percent from last month,

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reflecting deteriorating crop prospects in Western Europe, Russia, China, Argentina, and Australia. The estimates for coarse grain production were reduced about 1 percent. Reductions were forecast for the United States, Russia, and Australia.

IMPLICATIONS. The October estimate for the 1980 U.S. soybean crop was smaller than generally anticipated. Soybean supplies are down 13 percent from a year ago, underscoring the necessity for rationing. The price change required to do that will depend on the strength of demand. The domestic demand for soybean meal will be the major factor in determining soybean prices. Based on current estimates of export demand, domestic soybean meal supplies will be reduced by at least 10 percent, perhaps by as much as 15 percent. The price for soybean meal needed to ration use is uncertain. Projected livestock prices suggest that a relatively high price for soybean meal can be sustained over the year ahead. Further price strength seems likely.

The October estimate for U.S. corn production was in line with expectations. The projection for the Russian crop shows it as larger than expected. If the October estimate materializes, corn supplies will be adequate in 1980-81. The reserve-release and call-price mechanism is likely to set the range for the market price. An unusually narrow basis situation could develop where production is low if most farmers hold their corn.

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