



WEEKLY OUTLOOK

Department of Agricultural Economics
College of Agriculture
University of Illinois at Urbana-Champaign

January 21, 1981

REVISED ESTIMATES FOR CORN AND SOYBEANS

THE USDA'S JANUARY CROP PRODUCTION REPORT contained revisions on the estimated size of the soybean crop for 1980 and the corn crops for 1979 and 1980. In addition, the completion of the 1978 Census of Agriculture caused changes in the estimated size of the corn crops for 1975, 1976, 1977, and 1978. The revisions in production estimates have, in turn, altered estimates concerning corn useage and inventories for the years involved. Most of the extra grain has already been used.

For 1975 through 1977, the revised estimates on corn production show an additional 112 million bushels of corn. Revised reports on stocks suggest that essentially all of that was used for feed, resulting in a corn stocks' estimate for October 1, 1978, only 7 million bushels above the previous figure.

The size of the 1978 corn crop was revised upward by 180 million bushels. Again, most of this increase was actually used for feed. The estimate of corn stocks for October 1, 1979, was increased by only 18 million bushels.

The final estimate on the size of the 1979 corn crop was placed at 7.939 billion bushels, 175 million bushels above the previous figure. The USDA also revised its estimates of corn use during the 1979-80 crop year. These changes indicated that all of the increase in supply was used. Feed use during the 1979-80 crop year now is placed at 4.564 billion bushels, 168 million above the previous estimate. The figure for food and industrial use was raised by 25 million bushels.

Finally, the supply-demand projections for the current crop year were also revised. Corn production for 1980 totalled 6.648 billion bushels, 187 million above the estimate released last November. Revised disappearance figures suggest that all of the increase will be used. Thus, the prospects is still for a very small corn inventory by the time the 1981 crop is harvested.

The 1980 soybean crop was also larger than estimated previously. At 1.817 billion bushels, that is 42 million bushels above the November estimate. Unlike corn, however, some of the increase may show up as part of the inventory at the end of the crop year. The USDA's revised disappearance estimate,

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for example, shows carryover stocks for 1980-81 at 210 million bushels. That would be about 150 million bushels smaller than the beginning inventory, but 30 million bushels larger than the previous USDA estimate. Although projections covering the domestic use of soybean products were raised over those of last month, export expectations were decreased.

IMPLICATIONS. Revised supply and demand estimates for recent corn-marketing years reveal that utilization has been greater than indicated previously. For the current year, use is projected at 7.7 billion bushels. As a result, the ending inventory of corn is expected to be 546 million bushels, representing a supply for only 3.5 weeks.

Corn prices have already advanced significantly, are above the reserve call level now, and are high in relation to livestock prices. Near-term price increases may be modest. However, unless the 1981 corn crop is 7.7 billion bushels or more, the use rate will have to be reduced during 1981-82. Without an increase in corn acreage, the national average yield for 1981 would need to be 105 bushels per acre in order to produce 7.7 billion bushels. If achieved, that yield would be the second highest on record. Any indication of a small corn crop this year probably would lead to higher corn prices.

The increase in the estimated size of the 1980 soybean crop added pressure to a market already suffering from a disappointing export demand. However, current soybean product prices are quite low. Further price reductions, if any, should be small. The possibility that export movement will pick up and the general expectation that soybean plantings will be reduced this year are likely to lead to modest improvements in soybean prices.

Darrel L. Good

Darrel L. Good, Extension Economist, Prices and Outlook

Cooperative Extension Service
United States Department of Agriculture
University of Illinois
At Urbana-Champaign
Urbana, Illinois 61801

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