



WEEKLY OUTLOOK

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

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HOW BIG IS THE CORN CROP?

THE 1981 GROWING SEASON STARTED LATE in much of the eastern Corn Belt and dry weather, insects, and storm damage have plagued other areas. As a result, the production potential for corn and soybeans is uncertain.

The USDA will release its first official production estimate for corn on July 10. This report will also contain revised estimates of the size of the 1981 wheat crop. Soybean production will be estimated in the Crop Production report for August.

The revised wheat estimate is expected to be below the June figure. Damage from frost and storms in the west was apparently more severe than had been anticipated. Yield reports from the Corn Belt are disappointing. Heavy rainfall during the flowering stage, as well as some disease problems, prevented yields from reaching their potential.

The Acreage report for June usually gives analysts a good idea about the size of the July corn-production estimate. However, as we reported in the last *Weekly Outlook*, the lateness of planting in the eastern Corn Belt indicates that actual planted acreage could be significantly lower than the June estimates. The July production report will take these probable changes into account.

The USDA's supply-demand estimates, released on June 30, anticipated a decrease in corn acreage from the estimates in the Acreage report. Harvested corn was projected at 73.5 million acres rather than the estimated 74.6 million acres that was based on June planting surveys. Using a projected yield of 102 bushels per acre, the supply-demand report estimated 1981 corn production at 7.5 billion bushels.

Based on planting progress, the estimated reduction in corn acreage appears logical. However, current crop conditions indicate that the yield estimate of 102 bushels per acre is optimistic. Although last year's corn crop started out unusually well, the July yield estimate was only 99.3 bushels per acre and hot, dry weather reduced the actual yield to an average of 91

bushels per acre. Two years ago, yields were at record levels; however, the July yield estimate was only 95.8 bushels per acre.

The 1981 corn crop may be much smaller than the current USDA estimates. Rather than increasing next year, corn inventories could be reduced to minimum levels. If the Crop Production reports for July or August confirm corn inventory reductions, corn prices could rebound sharply. This would be a good opportunity to finish selling old-crop corn and to add to sales of new-crop corn.

The USDA's supply-demand report also reflected some changes that are anticipated in soybean acreage. Harvested soybeans were estimated at 68 million acres, compared with 67.3 million acres projected from June planting surveys. This increase offset the anticipated reduction in corn acreage, but the reports coming out of the eastern Corn Belt suggest that substantial acreage remains unplanted and much of it may not be planted. In addition, the amount of double-cropped soybean acreage may be overestimated. Although we may have to wait another month to find out, soybean acreage may not exceed June intentions; the lateness of planting also reduces the yield potential. If these evaluations are correct, soybean prices should rebound from current levels.

Darrel 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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