



WEEKLY OUTLOOK

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CORN PRODUCTION ESTIMATE IS SURPRISINGLY LOW

THE USDA CROP PRODUCTION REPORT FOR JULY estimates that the 1981 corn crop will be 7.1 billion bushels, which is larger than last year's drought-reduced crop, but much smaller than the private forecasts of 7.3 to 7.5 billion bushels that were released before the USDA's estimate.

Based on new surveys that were conducted in Indiana and Ohio, harvested corn is estimated at 74.2 million acres, 360,000 acres less than the June estimate, but a 1.1 million acre increase over last year's harvest. The national average yield was projected at 95.9 bushels per acre, about 5 bushels below the trend value.

Corn yields in Illinois are expected to average 113 bushels per acre, which is 20 bushels per acre above last year, but 15 bushels per acre below the record of two years ago. Compared with last year, corn yields are expected to be significantly lower in Indiana and Ohio, but considerably higher in Kansas, Nebraska, and Missouri. The size of the crop in the southeast is expected to rebound from last year's drought-reduced harvest.

The revised estimates of wheat production placed the 1981 winter wheat crop at 2.1 billion bushels, 90 million bushels above last month's estimate and 200 million bushels more than last year's harvest. At 1.1 billion bushels, the hard red winter wheat crop is 7 percent less than a year ago, but the soft red wheat crop is estimated at 689 million bushels, a 60 percent increase from last year. The spring wheat crop is potentially very large. At 717 million bushels, the crop is projected to be 50 percent larger than last year's crop. The production of all wheat is estimated at a record 2.8 billion bushels, an increase of 19 percent.

The world crop of coarse grains for 1981-82 is projected to be 760.3 million metric tons, an increase of 5 percent over the 1980-81 crop, but 2 percent below last month's estimate. Reductions in production estimates for the U.S. and U.S.S.R. accounted for most of the change from last month. At 465.1 million metric tons, the world wheat crop is 6 percent larger than it was a year ago.

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The Russian grain crop, which has been the source of much recent speculation, is being projected at 200 million metric tons. This is 11 million tons above last year's crop, but 10 million tons less than last month's projection.

Implications. With a carry-over of 816 million bushels and a crop of 7.1 billion bushels, 1981-82 corn supplies will be 7.9 billion bushels. If exports remain at 2.5 billion bushels, and domestic food, seed, and industrial uses rise to 840 million bushels, only about 4.1 billion bushels of corn will be available as feed. Corn feeding will have to be cut 3.5 percent from the 1980-81 level, but with a record wheat crop and a substantial increase in the production of other feed grains, this cut may not require an increase in the real price of corn over the 1980-81 level, although the market is currently offering such an increase. We expect a temporary rise in corn prices followed by declines at harvesttime if a crop of 7.1 billion bushels or larger materializes. Wheat prices will remain under pressure, supported only by the government loan program.

No estimate of soybean production was included in the July report, but the modest increase in soybean acreage from last month's estimate will probably support soybean prices. Sixty-nine million acres planted to soybeans means 67.3 million acres for harvest. Late planting suggests a yield in 1981 that is below the trend level. Current conditions point to a soybean crop of only 1.9 billion bushels.

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