



WEEKLY OUTLOOK

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August 17, 1981

LARGE CROPS FORECAST BY USDA

AS OF AUGUST 1, LARGE CORN AND SOYBEAN CROPS seem probable in 1981. The USDA estimates the corn crop at 7.735 billion bushels, 9 percent higher than last month's estimate and 16 percent above last year's crop. The soybean crop is projected at 2.017 billion bushels, 11 percent above last year. The estimated size of the wheat crop was reduced slightly from last month, but is still expected to be a record at 2.747 billion bushels.

For corn, yield estimates were reduced from last month in some southern states, but increased for most of the other corn-producing states. The largest increases came in Iowa, Missouri, Ohio, Indiana, Nebraska, and Oklahoma. The U.S. average yield is projected at 104.3 bushels per acre, second only to the 1979 yield of 109.7 bushels. Yields are expected to average 125 bushels in Iowa and 120 bushels in Illinois. Over the past 11 years, the final yield has usually been higher than the August estimate. In the cases when yields declined, the drop never exceeded 2 bushels per acre except in 1970 (corn leaf blight) and 1974 (early frost). The 1981 crop may be susceptible to some frost damage because of the lateness of planting in some areas.

The 1981 soybean yield is projected at 30.2 bushels per acre, second only to the record 32.1 bushels established in 1979. Yields are expected to be especially good in Iowa, averaging a record 40 bushels per acre. The average yield in Illinois is projected at 36 bushels per acre, up 2.5 bushels from last year. The U.S. yield estimate is almost identical to the August estimate made in 1979. Continued good weather may result in increased soybean production estimates. As in the case of corn, however, the soybean crop is late enough to cause some concern.

Implications. Because of lagging exports, carry-over stocks of 1980 corn will be larger than was expected last month. With carry-over stocks of 950 million bushels, the total supply of corn for 1981-82 will be nearly 8.7 billion bushels, up 5 percent from last year. Preliminary USDA estimates

place 1981-82 consumption at about 7.5 billion bushels, which will result in a build-up of stocks again next year. However, because of a deteriorating crop in the USSR, exports may turn out to be larger than projected. Even so, corn supplies will be plentiful if the current crop estimate materializes. Historically, a large crop produces an average corn price very near the feeding value of corn. For the year ahead we project the feeding value at \$2.90 per bushel.

Barring any late season disasters, soybean supplies will also be abundant. Carry-over stocks from the 1980 crop will be a record at nearly 370 million bushels. With a crop of 2.017 billion bushels, the total soybean supply will be nearly 2.4 billion bushels. Early projections suggest that carry-over stocks will not be reduced substantially in the year ahead.

Soybean meal will be priced competitively with corn. The long-term average meal price is double that of corn (on a per pound basis). With corn at \$2.90 per bushel, soybean meal would be worth about \$205 per ton. *If* U.S. interest rates moderate, *if* the value of the dollar moderates, and *if* the 1982 South American soybean crop is smaller than a year ago, soybean oil prices could rebound to an average of 25 cents per pound. Under such circumstances soybeans would be worth about \$7.15 per bushel at the farm.

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