



# WEEKLY OUTLOOK

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## CORN AND SOYBEAN PRODUCTION ESTIMATES RAISED AGAIN

THE USDA'S OCTOBER CROP PRODUCTION REPORT portrayed a record corn crop and a large soybean crop. Corn production is expected to total 8.081 billion bushels, 141 million bushels above the September estimate and larger than the previous record crop of 1979. The U.S. average yield is estimated at 109 bushels per acre, just slightly smaller than the 1979 yield.

Iowa will be the largest corn-producing state, with the crop forecast at 1.73 billion bushels, reflecting an average yield of 128 bushels per acre. The average yield in Illinois is expected to be a record 129 bushels per acre, producing a crop of 1.46 billion bushels. Compared to a month ago, production estimates were unchanged or higher in every major producing state.

U.S. soybean production is estimated at 2.107 billion bushels, 17 million bushels above the September estimate but 161 million bushels less than the 1979 record crop. The national average yield is pegged at 31.5 bushels per acre, compared to last month's estimate of 31.2 and last year's yield of 26.8 bushels per acre.

Yields are expected to average 42 bushels per acre in Iowa and 39 bushels per acre in Illinois and Nebraska. Illinois will have the largest soybean crop, totaling 366.2 million bushels, followed closely by Iowa at 342.3 million.

The estimated size of the wheat crop, 2.75 billion bushels, was essentially unchanged from last month. The 1981 sorghum crop is projected at 877.4 million bushels, up 13.5 million from last month and 49 percent larger than the 1980 crop.

The estimated size of the Russian grain crop was lowered from 180 million tons to 175 million tons. The Russian wheat crop is projected at 90 million tons, compared to 98.1 million last year. The coarse grain crop estimate is 75 million tons, compared to 80.7 million a year ago.

The world wheat crop is expected to total 447.5 million tons, down slightly from last month's estimate but 2 percent greater than last year's crop. The world coarse grain crop is estimated to be up 5.4 percent from last year. However, the crop outside of the United States will be smaller

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than a year ago. The world soybean and total oilseed crops are expected to be larger than a year ago.

*Implications.* If the projected corn crop materializes, supplies will total nearly 9.1 billion bushels. Estimating very liberally, we project the use to total 7.8 billion bushels, leaving a carryover of 1.3 billion bushels. Under such circumstances, futures prices cannot be expected to rise very much from current levels. The seasonal increase in cash prices will result only from narrowing of the basis. Because of high interest rates, the spread in the futures market is very large; July futures are over \$3.25. Distant futures seem vulnerable to decline, particularly if interest rates moderate. Where storage is available, forward pricing should be considered. Government loans can be used as a source of cash.

The same situation exists for soybeans. The large carrying charge in the market makes it difficult to be bullish about distant soybean futures. Under these circumstances, forward pricing offers a good return on storage.

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