



WEEKLY OUTLOOK

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

November 18, 1981

LARGE CROPS PRESSURE GRAIN PRICES

THE USDA'S NOVEMBER CROP PRODUCTION REPORT CONFIRMED the large corn and soybean crops for 1981. The corn crop is now estimated at 8.097 billion bushels, about 16 million more than last month's estimate. The national average yield is forecast at 109.2 bushels per acre, only a half bushel under the 1979 record. Illinois corn production is expected to total 1.469 billion bushels, reflecting a record yield of 130 bushels per acre.

The 1981 soybean production estimate was reduced by about 30 million bushels from last month. At 2.077 billion bushels, the crop will still be about 16 percent larger than that of a year ago. The Illinois production estimate was unchanged from last month and is 18 percent larger than last year's crop. The reductions in yield estimates from a month ago came in the southern producing states and in Minnesota. The soybean crop in Iowa is expected to average 42 bushels per acre.

On the world scene, wheat production estimates were lowered for Russia and Argentina, but raised for China, India, and Western Europe. On balance, the world wheat production estimate was increased 1 million tons from last month. If this estimate materializes, the world crop will be about 10 million tons above last year's output. The crop outside of the United States will be one half million tons less.

Coarse grain production estimates were raised for Russia but lowered for China, Eastern Europe, India, and Argentina. Compared to last month, the world production estimate was lowered 400 thousand tons. The world crop is expected to be almost 6 percent larger than a year ago. The crop outside of the United States will be about 1 percent smaller than that of last year.

Minor adjustments were also made in world soybean production estimates. In terms of competition with the United States, the size of the South American crop is most important. The USDA expects that crop, which is just now being planted, to be slightly larger than that of a year ago.

Following the November production estimates, the USDA released revised supply and demand estimates for the 1981-82 corn and soybean crops. In the case of corn, export projections and estimates for domestic processing were

STATE • COUNTY • LOCAL GROUPS • U.S. DEPARTMENT OF AGRICULTURE COOPERATING

revised downward. Total corn use is forecast at 7.5 billion bushels, leaving 1.632 billion bushels of carryover stocks. This level of carryover would represent nearly 3 month's supply. Feed use may eventually be larger than the projections of 4.25 billion bushels, but carryover stocks will be large.

In the case of soybeans, the estimates of both domestic crush and exports were reduced from last month. Even with the smaller production estimate, carryover stocks are projected at a record 405 million bushels.

IMPLICATIONS. The projections of abundant corn and soybean supplies suggest that prices will remain under pressure over the next several weeks. Corn and soybean futures both reached life-of-contract lows following the release of the revised estimates. Recovery in cash prices will depend on the rapidity with which corn and soybean meal are used during the first half of the marketing year. An improvement in livestock prices would also be beneficial to feed price prospects. Recovery will thus hinge largely on general economic conditions.

In the short run, the farmers' tight hold of corn and soybeans may force a significant narrowing of the basis. This pattern has already begun to emerge, particularly for soybeans. If an extremely narrow basis emerges, producers who want to continue to own corn and soybeans may want to investigate alternatives for "locking in" this basis.

Darrel Good

Issued by *Darrel Good*, Extension Specialist, Prices and Outlook

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

Official Business
Penalty for private use, \$300

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF
AGRICULTURE
AGR 101

