



WEEKLY OUTLOOK

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

January 20, 1982

LARGER CORN, SMALLER SOYBEAN CROP

THE USDA'S JANUARY CROP PRODUCTION REPORT revealed that the 1981 corn crop was a record 8.2 billion bushels. Soybean production was placed at 2.03 billion bushels.

The corn production estimate is 104 million bushels above the last estimate released in November 1981. The larger estimate reflects an upward revision in the number of acres harvested and the average yield per acre. The national average yield is estimated at 109.9 bushels per acre.

Compared with the last estimate, production had significantly increased in Nebraska and South Dakota. The Illinois production figure was lowered by 16.5 million bushels to 1.45 billion bushels. The state average yield was pegged at 129 bushels, down 1 bushel from the November estimate.

The soybean production estimate was 46.5 million bushels below the November estimate. Both harvested acreage and average yield estimates were lowered. There were no large changes for individual states. Estimates were lowered or unchanged for all but four of the major production states. Soybean production in Illinois totaled an estimated 354.5 million bushels, about 12 million less than estimated in November.

The USDA also updated the 1981-82 world production estimates for wheat, coarse grains, and oilseeds in major producing areas. No major changes were recorded from the December estimates. The Australian and Argentine wheat production estimates were raised moderately, and the Argentine corn estimate was increased somewhat. The wheat crop outside the United States is expected to be about equal to that of a year ago, while the coarse grain crop is projected to be down about 3 percent.

The South American soybean production estimate was unchanged. Production in Brazil and Argentina is forecast at 19.5 million metric tons, 0.5 tons more than last year.

Implications. The increase in the U.S. corn production estimate was, generally, as expected and will very likely not have significant short-term

price implications. However, such a large crop means that corn stocks carried into the 1982 harvest will be extremely large. To date, corn exports have been disappointing, running about 25 percent behind the pace of last year. The January Grain Stocks report, to be released on January 25, will give an indication of the level of corn-feeding during the first quarter of the marketing year. Even if corn-feeding exceeds current estimates, carry-over stocks will exceed 1.8 billion bushels.

Corn prices will probably continue to favor movement into the government loan and reserve program. As of January 13, the reserve contained an estimated 936.4 million bushels of the 1980 and 1981 crop corn. Such large levels of corn in the government programs suggests that, at a minimum, prices will have to go above the loan price by the cost of interest, by late summer. For prices to reach the reserve trigger price of \$3.15, small 1982 production prospects will be required, or another 500 to 600 million bushels of corn added to the reserve.

The U.S. soybean production estimate was generally lower than expected. The unchanged estimate of the South American production and the current high rate of use of the 1981 crop should add further support to the soybean market. However, price expectations should not be too high. Carryover stocks of soybeans will be large. The extent of price increase over the next few weeks will depend on the strength of soybean meal demand and the progress of the South American crop.

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

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