



WEEKLY OUTLOOK

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CROP SIZE UNCHANGED

THE USDA'S SEPTEMBER CROP PRODUCTION ESTIMATES were essentially unchanged from those released a month ago. Corn production is still forecast at 8.32 billion bushels. The soybean crop is estimated at 2.31 billion bushels, up less than 1 percent from last month. The production of all classes of wheat totaled 2.82 billion bushels, 46 million bushels above last month's estimate. Production of other feed grains (sorghum, oats, and barley) is forecast at 1.93 billion bushels, unchanged from the August estimate.

For corn, production potential improved in Iowa, Missouri, Nebraska, and Texas, while estimates were lowered for Minnesota, Ohio, South Dakota, and Wisconsin. All the changes were small.

A number of state soybean production estimates were revised modestly. The largest change was a 7 percent increase in the estimated crop size in Missouri.

Almost all the increase in the wheat production estimates was in Montana and North Dakota. The production estimates for spring wheat other than durum increased by 32 million bushels in these two states.

For world coarse grain, the estimated size of the 1982-83 crop declined by 1.9 million tons (only 0.2 percent) from last month. At 779.6 million metric tons, that crop is expected to be only 1 percent larger than it was a year ago. The increase results from larger crops in the United States, Russia, and South Africa. Smaller crops are expected in Eastern Europe, China, and Australia.

The 1982-83 world wheat crop is projected at 449 million metric tons, up 1.4 million tons from the August estimate, but 4.3 million tons below last year's production. Compared with those a year ago, the crops in Canada, West Europe, East Europe, Argentina, and the United States are expected to be larger. However, major reductions are forecast for Russia and Australia. The Australian crop is projected at 9.3 million tons, compared with 16.4 million last year.

World soybean production for 1982-83 is forecast at 98.55 million metric tons, up 13 percent from last year. Most of the increase is represented by the large

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U.S. crop. The crop outside the United States is estimated at 35.6 million tons, an increase of 4 million tons from last year. Sixty percent of that increase is expected in South America as the Brazilian crop rebounds from the small production of last spring. The projected increase in Brazilian production is less than that of last month, as acreage estimates have been reduced.

Implications. The small increases in U.S. corn and soybean production were generally below expectations. Although this fact was not reflected in their "official" guesses, many traders had expected a corn crop as large as 8.5 billion bushels and a soybean crop in excess of 2.35 billion bushels. In that context, the production estimates have been encouraging and should result in some immediate, but modest, recovery in prices.

Supplies are still extremely large, and prices will be under pressure as grain looks for a home during the harvest period. Low prices suggest that farmers will be tight holders and that basis levels will become firm following harvest. The firm basis should result in seasonally increasing cash prices. At this time, it appears that such increases may not exceed the cost of owning the grain (storage, shrinkage, and interest). Increases in excess of that will require a very rapid rate of use, both domestically and abroad, as well as some indication that production will decline in 1983.

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