



# WEEKLY OUTLOOK

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## CROP ESTIMATES SHOW LITTLE CHANGE

MOST OBSERVERS EXPECTED THE USDA'S OCTOBER CROP PRODUCTION report to contain an upward revision in the size of the 1982 corn crop. The U.S. average yield estimate was raised from 113.9 bushels to 114.2 bushels, but the crop size remained essentially unchanged at 8.31 billion bushels. Harvested acreage was projected to decline from 73 million to 72.8 million.

The estimated size of the 1982 soybean crop was reduced to 2.3 billion bushels. The 14 million-bushel decline was less than anticipated. The size of the 1981 soybean crop was also officially reduced by 30 million bushels--to 2.0 billion. This change has been expected since January.

The spring wheat production estimate dropped 5 million bushels, bringing the total wheat production estimate to 2.81 billion bushels. The wheat crop reached record levels, exceeding last year's production by 0.6 percent.

The estimated size of the 1982 Russian grain crop was unchanged at 170 million metric tons. Many had expected an upward revision. The world wheat production estimate was raised from last month, as the smaller crop in Australia was more than offset by increases in Europe, Canada, and Argentina. The world coarse grain crop estimate was lowered from a month ago. Crop prospects improved in both western and eastern Europe, but deteriorated in Argentina and Australia.

Because of poor export performance, the carryover supply of corn from the 1981 crop exceeded previous estimates. Inventories at the beginning of the 1982-83 marketing year are now estimated at 2.17 billion bushels, more than twice the level of inventories a year ago. The exact magnitude of these stocks will be revealed in the USDA's October 1 Grain Stocks report due to be released on October 21. The USDA also lowered its corn export projection for the current marketing year from 2.35 to 2.25 billion bushels. Carryover stocks for September 30, 1983, are projected at 2.99 billion bushels. The farmer-held reserve is expected to grow from the current 1.3 billion bushels to 2.05 billion and CCC stocks are projected at 425 million bushels, up from 285 million at the present time.

At the beginning of the 1982-83 marketing year (September 1), soybean stocks totaled 268 million bushels. By August 31, 1983, those stocks are expected

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to grow to 430 million bushels. Wheat inventories at the beginning of the marketing year (June 1, 1982) totaled 1.159 billion bushels. By the end of the year (May 31, 1983) stocks are expected to total 1.432 billion bushels. This increase from last month's projection reflects a reduction in export prospects for the current marketing year.

*Price Implications.* The latest revisions in the supply and demand projections do not alter the price outlook. Free market supplies of corn will apparently be ample. If so, prices will not be forced up to the CCC loan redemption level (\$2.55 plus interest). Tight farmer holding has resulted in a narrow corn basis, but the spreads in the futures markets are wide. For corn stored on the farm, any postharvest rally in the futures market should be viewed as a forward pricing opportunity for corn not eligible for the CCC loan. July futures over \$2.70 represent a cash price of about \$2.50 for summer delivery.

In the case of soybeans, both the basis and the spreads in the futures market are very narrow. High cash prices relative to the futures discourage forward pricing. Sales should probably be made only for nearby delivery. The CCC loan program is available for stored soybeans.

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