



WEEKLY OUTLOOK

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PRODUCTION ESTIMATES REVISED, PIK ANNOUNCED

THE USDA'S FINAL CROP PRODUCTION ESTIMATES for 1982 contained an upward revision for corn and a reduction for soybeans. The 1982 corn crop is estimated at 8.397 billion bushels, 67 million above the previous estimate. Harvested acreage is estimated at 73.15 million, up from the previous estimate of 72.82. The average U.S. yield is pegged at 114.8 bushels per acre compared with the previous estimate of 114.4 bushels.

The 1982 soybean crop is placed at 2.277 billion bushels, compared with the earlier estimate of 2.3 billion bushels. Both the harvested acreage and yield estimates were lowered marginally. For Illinois, both the corn and soybean yield estimates were lowered one bushel per acre to 134 and 39 bushels, respectively.

Soybean production estimates for the rest of the world were unchanged from last month. Some very small changes in the estimates for wheat and coarse grain production were made outside the United States. The most significant change was a 2-million-ton (or 17 percent) increase in the size of the Argentine wheat crop.

Supply and demand estimates released by the USDA following the revised production estimates contained no changes in projected corn use for the 1982-83 crop year. Estimates of corn carryover were raised to 3.564 billion bushels or 49.5 percent of expected use. In the case of soybeans, the projected level of crush was raised 15 million bushels to 1.115 billion. Ending stocks are estimated at 390 million bushels or 18 percent of projected use.

In spite of the deteriorating supply-demand picture for old crop corn, nearby futures prices have advanced 12 to 14 cents since the first of the year. Basis levels have generally widened so that cash prices have been very stable for the past two weeks. December futures have advanced about 10 cents during the same time period. Most of the increase is related to the expectation that 1983 corn production will decline significantly because of the government's efforts to reduce corn plantings. The 20 percent reduced acreage program (RAP) has been supplemented with a payment-in-kind (PIK) program. The PIK program calls for an additional 10 to 30 percent reduction in acreage, with corn producers receiving 80

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percent of their established yield on the set-aside acreage. Participation is expected to be quite high in RAP because of the price protection it affords. Whether individual farmers will participate in the PIK program will depend on the level of established yield in relation to expected yield.

The USDA expects that under normal growing conditions the 1983 corn crop will total 6.9 billion bushels, compared with 8.4 billion in 1983. However, corn stocks by the end of the 1983-84 crop year would still total nearly 2.9 billion bushels--well above minimum requirements.

High levels of participation in acreage reduction programs will result in a large percentage of the 1983 crop being eligible for government loan and support price benefits. This should guarantee that the average price of corn during the 1983-84 crop year will be supported near the loan level. By the summer of 1984, prices would have to be near \$2.85 to bring loan corn back on the market.

We should point out that prices being offered for 1983 crop corn now equal or exceed the government price support level. Nonparticipants in the 1983 programs may want to consider forward pricing some new crop corn.

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