



WEEKLY OUTLOOK

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CORN AND SOYBEAN PRODUCTION ESTIMATES DECLINE SHARPLY

THE SEVERITY OF THE 1983 DROUGHT WAS REVEALED in the USDA's September crop production estimates. The national average corn yield is projected at 85.1 bushels per acre, down 26 percent from last year's record 114.8 bushels and down 15 percent from last month's estimate. The corn yield is expected to be the lowest since the frost-damaged crop of 1974.

The acreage of corn harvested is expected to total only 51.56 million, compared with last month's estimate of 52.41 million and last year's total of 73.15 million acres. The 1983 corn crop is projected at 4.39 billion bushels, 48 percent less than last year's record crop.

In Illinois, corn production is forecast at 608.4 million bushels, 60 percent less than in 1982. The acreage harvested will total only 7.8 million, compared to 11.38 million a year ago. The average yield is forecast at 78 bushels per acre, down from 134 last year.

Of the major corn-producing states, only four are expected to have average yields of 100 bushels or more per acre--Minnesota, Nebraska, Texas, and Wisconsin. Yields in Kentucky and North Carolina are expected to average only 50 bushels per acre.

The U.S. soybean crop is estimated at 1.535 billion bushels, down 33 percent from a year ago and 17 percent from the August estimate. The national yield is expected to average 24.9 bushels per acre, compared with last year's record 32.2 bushels and last month's estimate of 29.7 bushels.

At 247.8 million bushels, the Illinois soybean crop is expected to be 32 percent smaller than last year's. The average yield is estimated at 28 bushels per acre, 11 bushels less than a year ago. Only five states--Iowa, Michigan, Minnesota, Nebraska, and Ohio--are expected to have average yields of 30 bushels or more. Eleven major states will have average yields below 20 bushels per acre.

With a 1983 corn crop of 4.39 billion bushels and carry-over stocks of about 3.45 billion, this year's corn supply will total 7.84 billion bushels, down 27 percent from last year. Carry-over stocks of corn at the end of the 1983-84 marketing year may be below 1 billion bushels for the first time in seven years.

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Because of reduced stocks, the price of corn will have to go high enough and stay there long enough to reduce total use about 4 percent from the current year. Exports and domestic processing of corn will probably increase marginally during the year ahead. Domestic feed use will have to be cut 7 to 8 percent.

The price of corn is expected to exceed the previous high of \$3.76 for the December futures contract. The price may approach \$4.00 per bushel. Prices will need to stay at relatively high levels for a period of perhaps two months to reduce feed demand.

A soybean crop of 1.535 billion bushels and carry-over stocks of 455 million bushels will result in a total supply of 1.99 billion bushels. Assuming that a minimum pipeline carry-over supply is about 120 million bushels, soybean use will have to be cut about 10 percent during the year ahead. The export demand for soybeans should remain relatively strong because available supplies of soybeans and products in South America are small. Domestic demand may have to be reduced by about 12 to 13 percent during the year ahead.

Because of short supplies, the price of soybean meal will probably be high relative to corn. Soybean oil prices are expected to stay at or above current levels until more is known about world vegetable oil supplies. The price of soybeans is expected to reach new highs for the current year. November futures may go above \$10 and possibly much higher if the rate of use remains high.

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