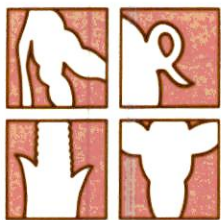




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WEEKLY OUTLOOK

Department of Agricultural Economics
College of Agriculture
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CORN AND WHEAT PRODUCTION ESTIMATES DECLINE, SOYBEANS UP

ACCORDING TO THE USDA'S OCTOBER *CROP PRODUCTION* report, the 1986 corn crop will amount to 8.22 billion bushels. That estimate is 48 million bushels below the September figure, reflecting a 0.5 bushel reduction in the U.S. average yield estimate and a slight reduction in the harvested acreage figure. The yield and production estimates for Illinois were unchanged from September, and production estimates were reduced for Indiana, Michigan, Minnesota, and Wisconsin. Production of all feed grains (corn, sorghum, oats, and barley) was estimated at 10.09 billion bushels, 90 million bushels less than the September estimate.

At 1.992 billion bushels, the October soybean production estimate was slightly higher than the September estimate of 1.98 billion bushels. The U.S. average yield estimate increased by 0.2 bushel to 33.3 bushels per acre. Yield and production estimates for Illinois were the same as a month ago. Production estimates were increased for Arkansas, Ohio, Kentucky, North Carolina, and Mississippi. Declines were registered in Michigan, South Dakota, and Texas.

In light of the wet weather experienced in September, the production estimates for both corn and soybeans are above our expectations. However, these estimates do not reflect the extent of the quality problems that are being encountered.

For wheat, the 1986 production estimate declined by 44 million bushels, reflecting a 0.5 bushel reduction in the yield estimate and a decline of 420,000 acres in the estimate for harvested acreage. The production estimates for all classes of wheat were below the estimates of a month ago, with the largest cuts coming in the spring wheat crop. The 1986 wheat harvest is estimated at 2.077 billion bushels, 348 million bushels below the 1985 harvest.

The USDA also revised its projections of grain and oilseed use for the 1986-87 marketing year. The most significant changes were for corn. The projection of domestic feed use was lowered by 50 million bushels to 4.2 billion bushels. The export projection declined by 150 million bushels to 1.4 billion bushels.

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The net effect of the changes in production and use estimates for corn was a substantial increase in the projected level of carryover stocks. Inventories on September 1, 1987 are now projected at 5.511 billion bushels, an increase of 1.473 billion bushels from stocks on September 1, 1986. Projected carryover stocks represent a ten-month supply at the expected annual rate of use.

For soybeans, use estimates were virtually unchanged from a month ago. Carryover stocks are projected at 600 million bushels, an increase of 10 million bushels from last month's projection and 64 million bushels above the level of inventories at the beginning of the 1986-87 marketing year.

The supply and demand projections improved somewhat for wheat. Along with the smaller production estimate, the USDA increased the projected level of domestic feed use of wheat by 50 million bushels. However, the export projection fell by 75 million bushels. Carryover stocks at the end of the marketing year (May 31, 1987) are projected at 1.786 billion bushels, 15 million below the previous projection and 119 million bushels below the level of stocks at the beginning of the year. As in the case of corn, carryover stocks represent nearly a ten-month supply.

Given the level of projected carryover stocks for corn, wheat, and soybeans, market prices will continue to be tied to the support prices. Such large supplies also increase the probability of additional acreage reduction programs for 1987.



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