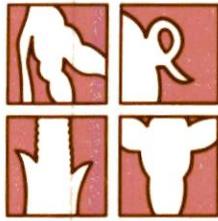




Cooperative  
Extension Service  
University of Illinois  
at Urbana-Champaign



# WEEKLY OUTLOOK

Department of Agricultural Economics  
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University of Illinois at Urbana-Champaign

September 16, 1987

## **CORN AND SOYBEAN PRODUCTION ESTIMATES REDUCED**

In its September Crop Production report the USDA lowered its estimate of the potential size of the 1987 corn and soybean crops. The U.S. corn crop is expected to reach 7.14 billion bushels, compared with the August estimate of 7.23 billion bushels. The national average corn yield is still expected to be record large at 119.9 bushels per acre, which is 0.5 bushels per acre less than the August figure.

The lower production estimate reflects deteriorating yields in the Southeast and East Coast states as well as in Ohio and Nebraska. Production estimates for Illinois, Indiana, and Iowa were unchanged from the previous month. No state estimates exceeded the August figures.

The U.S. soybean crop is estimated at 1.957 billion bushels, compared with the August estimate of 2 billion bushels. The national average yield is pegged at 34 bushels per acre: 0.7 bushels per acre less than the August figure, but very close to the yield of the past two years.

The lower U.S. production estimate reflects lower yield prospects in the Southeast, East Coast and eastern Corn Belt states of Ohio and Indiana. Production estimates were unchanged for Illinois and Iowa and slightly higher for Kansas, Michigan, and Minnesota.

The estimate of the spring wheat crop was reduced by about 11 million bushels, evenly split between hard red and durum. Production estimates were unchanged for oats and barley and were reduced less than 2 million bushels for sorghum.

The USDA also revised some foreign grain production estimates. The most notable of these changes included a 3.5 million ton reduction in the expected size of the coarse grain crop in Eastern Europe, a 1.4 million ton increase in the size of the Canadian coarse grain crop, and a 3.2 million ton reduction in the size of the wheat crop in the European Economic Community (EEC). Wheat production outside of the United States is now estimated at 448.1 million tons: 5 percent less than a year ago. Coarse grain production outside of the U.S. is expected to total 585.5 million tons: only 0.5 percent more than produced last year. Soybean production in countries other than the U.S. is forecast at 47.7 million tons: up 4 percent from last year. These estimates are highly tentative, particularly for the Southern Hemisphere countries.

Revisions in supply and demand estimates were minor. In the case of corn, no revisions were made for the 1986-87 marketing year. The September 30 *Grain Stocks* report will provide the basis for finalizing those estimates. For the current crop year, the smaller production figure was translated into a smaller carryover projection. Stocks at the end of the 1987-88 marketing year are projected at 4.557 billion bushels, down 372 million bushels from the estimated level of beginning stocks.

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For soybeans, the export estimate for the 1986-87 marketing year was increased by 20 million bushels and the domestic crush estimate was raised 5 million bushels. Ending stocks are estimated at 480 million bushels: down 56 million from a year ago. For the current marketing year, forecasts of use were unchanged from last month and the forecast of ending stocks was lowered to 480 million bushels, reflecting the smaller crop estimate.

The lower production estimate for wheat translated into a smaller projection for carryover stocks. Stocks at the end of the marketing year (June 1, 1988) are forecast at 1.714 billion bushels: 101 million less than on June 1, 1987. Stocks at that level would represent a 9-month supply at the projected annual rate of use.

For the most part, the USDA left its projections of the 1987-88 average prices unchanged. The average corn price is expected to range from \$1.60 to \$1.90 per bushel; soybeans are expected to average between \$4.70 and \$5.00; and the average wheat price is expected to fall between \$2.30 and \$2.60.

Grain markets currently are more optimistic than the USDA. The corn market currently reflects prices at the high end of the USDA's range, whereas soybean and wheat prices are above the high end of the range. The difference is probably in export expectations. The market generally believes that exports will exceed USDA projections and carryover stocks will be smaller than projected. However, barring severe weather problems, upside price potential is limited. Wheat and corn surpluses will remain large. The Commodity Credit Corporation (CCC) resale price will likely be an upper limit on soybean prices in the near term. World wheat production, particularly in the USSR, could rebound sharply next year, and U.S. soybean producers could increase acreage sharply in 1988 in response to higher prices.



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