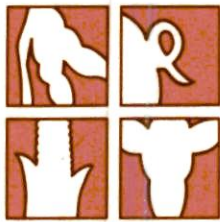




Cooperative
Extension Service
University of Illinois
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WEEKLY OUTLOOK

Department of Agricultural Economics
College of Agriculture
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CROP DAMAGE IS SEVERE

Weekly reports on crop conditions showed a gradual deterioration in the nation's corn and soybean crops through June and a sudden sharp decline, particularly for corn, in early July. Based on that information and revised estimates of planted acreage, the USDA released estimates of the potential size of the corn crop and soybean crop as of early July. In addition, estimates of the winter wheat crop were updated, the spring wheat crop was assessed, and new estimates for supply and demand were released. These reports for corn, soybeans, and wheat are summarized below.

Corn. Planted acreage of corn is estimated at 67.5 million acres, 600 thousand acres above March intentions and 1.8 million more acres than planted a year ago. Compared with March intentions, corn acreage is up in Illinois, Indiana, Iowa, Kentucky, and Nebraska. Corn acreage harvested for grain is projected at 59.7 million acres, only 520 thousand more acres than was harvested a year ago. More corn will be harvested for silage or abandoned than was the case last year.

Based on early July crop conditions and the assumption that weather conditions are "normal" for the remainder of the growing season, the U.S. yield was projected at 87 bushels per acre. The three-year average yield for 1985, 1986, and 1987 was 119 bushels per acre. The U.S. average was 81 bushels per acre in 1983, the last drought year.

Yield and acreage estimates resulted in a crop estimate of 5.2 billion bushels, down 26 percent from last year's crop. Carryover stocks on September 1 are now projected at 4.365 billion bushels, up 250 million bushels from last month's projection. September 1 corn stocks may turn out to be nearly 4.5 billion bushels.

Total use for the 1987-1988 marketing year will probably be about 7.45 billion bushels. With a 1988 harvest of 4 billion bushels or more, use during the 1988-1989 marketing year would not have to decline, and ending stocks would still exceed 1 billion bushels. Further crop deterioration will probably push prices higher in the immediate future. Such high prices, however, will probably not be possible to maintain unless potential production drops below 4 billion bushels.

Soybeans. Based on a harvested acreage estimate of 57.06 million acres and a national average yield of 29 bushels per acre, the USDA sees a 1988 crop potential of 1.65 billion bushels. The harvested acreage estimate is only 630 thousand acres more than harvested a year ago, and the estimated yield is 4.7 bushels below both last year's yield and the three-year average yield.

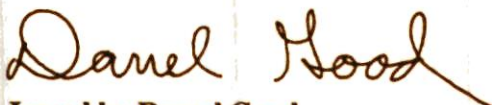
Carryover stocks of soybeans on September 1, 1988, are projected at 290 million bushels. If we assume that a minimum level of stocks at the end of the 1988-1989 marketing year is 150 million bushels, only 1.79 billion bushels of beans will be available for use during the upcoming marketing year. That would be a 13 percent reduction from expected use during the current marketing year.

In recent short-crop years (1976, 1980, and 1983) the U.S. average soybean yield ranged from 26.1 to 26.5 bushels, averaging 26.3 bushels per acre. A repeat of that yield in 1988 would result in a crop of only 1.5 billion bushels. Use during the 1988-1989 marketing year would then have to be 20 percent less than use during the current year. In modern history, use has not declined more than 16 percent from one year to the next. That decline came with the short crop of 1974 and was approximated after the small 1983 harvest.

If crop conditions deteriorate further, prices will probably move higher to get the attention of users. Soybean meal prices will have to move high enough to restrict domestic use. Once that happens, prices will probably moderate through the 1988-1989 marketing year, particularly if South American plantings increase sharply. Longer-term prospects for both corn and soybean prices will hinge on the magnitude of planted acreage in 1989 and the degree to which soil moisture is replenished this fall and winter.

Wheat. The 1988 winter wheat crop is estimated at 1.568 billion bushels, almost identical to the June estimate and 3 percent larger than the 1987 harvest. The spring wheat crop is expected to total only 272 million bushels, half the size of the 1987 harvest.

Stocks of wheat on May 31, 1989--the end of the 1988-1989 marketing year--are projected at 666 million bushels, the lowest since 1976. Because the smaller crop of wheat was anticipated, prices may have already reached the highs for the year. Sharply higher corn prices over the next few weeks could carry wheat prices back to those highs. Increased acreage points to the possibility of lower prices after the fall, if weather is more normal.



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