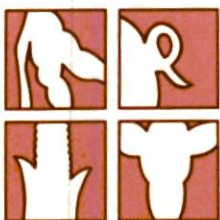




Cooperative
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WEEKLY OUTLOOK

Department of Agricultural Economics
College of Agriculture
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August 10, 1988

ANTICIPATING THE CROP PRODUCTION REPORT

On August 11, the USDA will release estimates of the potential size of the 1988 corn and soybean crops. These estimates will reflect crop conditions as of the first of the month and are based on actual field observations and measurements of yield potential in sample fields. These data are reportedly being supplemented with an informal survey of industry people to gather additional information about crop conditions. Acquisition of additional information is an attempt to deal with the highly variable crop conditions. The estimates in the report will be based on the assumption that weather conditions are normal from August 1 through the remainder of the growing season.

There appear to be two general expectations about the August production report. First, the corn and soybean estimates are expected to be significantly less than the preliminary figures released a month ago. Based on crop condition reports as of early July, potential crop size was evaluated as 5.2 billion bushels for corn and 1.65 billion bushels for soybeans. Second, the production estimates are expected to overstate actual crop size. The latter expectation is based on the pattern of yield and production estimates during the most recent two years of weather-reduced production (1980 and 1983) and on the fact that August weather this year has not been favorable for yield prospects.

In 1980, the national average corn yield was estimated at 93 bushels per acre in August. That estimate was lowered to 91.8 bushels in September and 90.8 bushels in October. The October corn production estimate, however, was only 179 million bushels, or 2.7 percent less than the August estimate. The final yield estimate in January 1981 was very close to the October estimate, but the production estimate was almost identical to the August estimate because of an increase in the harvested acreage figure.

In 1983, the national average corn yield was estimated at 99.9 bushels per acre in August. That figure dropped to 85.1 bushels in September, 82.9 bushels in October, and 80.5 bushels in November. The January figure increased to 81.6 bushels. The November production estimate was 1.116 billion bushels or 21.3 percent less than the August estimate.

In 1980, the national average soybean yield was estimated at 27.4 bushels per acre in August. The figure declined to 27 bushels in September and 26 bushels in October but increased to 26.5 bushels in November and 26.8 bushels in January. The October production estimate was 123 million bushels, or 6.5 percent less than the August figure. The January figure, however, was only 3.4 percent below the August estimate.

In 1983, the August soybean yield estimate came in at 29.7 bushels per acre. The figure declined to 24.9 bushels in September and 24.7 bushels in October but increased to 25 bushels in November and to 25.7 bushels in January. The October production estimate was 326 million bushels, or 17.7 percent below the August estimate.

Comparison of the pattern of yield estimates in 1988 to those in 1980 and 1983 is complicated because much of the yield reduction in 1980 and 1983 occurred late in the growing season. In 1988, adverse weather conditions have been affecting crop size since May, but August weather can still have a significant impact on soybean yields. Much of the 1988 soybeans crop was just in the pod-setting stage in early August.

Corn and soybean prices moved sharply higher during the first week of August, regaining about one-third of the price decline registered in late July. For the rally to be sustained, the August production figures must come in well below the July estimates. Analysts generally expected the soybean production figure to be between 1.52 and 1.57 billion bushels. The guesses for the corn crop widely varied but tended to be below 4.5 billion bushels. With such large yield reductions built into the market, potential for a "bullish" August Crop Production report is reduced.

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