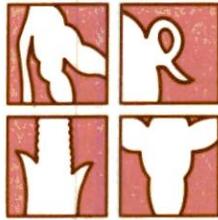




Cooperative
Extension Service
University of Illinois
at Urbana-Champaign



WEEKLY OUTLOOK

Department of Agricultural Economics
College of Agriculture
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August 17, 1988

SMALL CROPS CONFIRMED

The USDA's August *Crop Production* report released on August 11 confirmed that the drought of 1988 has taken its toll on the size of the harvest of major grains and oilseeds. The nation's spring wheat crop is down 51 percent, oat and barley production are down 45 percent, the corn crop is 37 percent smaller than a year ago, sorghum production is off 24 percent, and the soybean crop is down 23 percent. All these estimates reflect crop conditions as of August 1 and are subject to revision.

The national average corn yield is estimated at 78.5 bushels per acre, one-third less than the average of the past three years and the lowest yield since 1974. Yields are expected to be down sharply in the eastern Corn Belt. The averages in Illinois, Indiana, and Ohio are all estimated at 70 bushels, compared with the three-year average of 128.6 bushels per acre. Of the major corn-producing states, only Colorado, Kansas, Nebraska, and Texas are expected to have average yields over 100 bushels per acre.

Stocks of corn on September 1 are projected at 4.352 billion bushels, and the 1988 harvest is expected to total 4.479 billion bushels. With imports of 5 million bushels, supplies for the 1988-89 marketing year are projected at 8.836 billion bushels, 26 percent less than a year ago. Corn use for the upcoming marketing year is projected at 7.26 billion bushels, only 4 percent less than use during the current marketing year. Stocks at the end of the 1988-89 marketing year are projected at 1.576 billion bushels, the lowest level since September 1, 1984.

The national average soybean yield is estimated at 26 bushels per acre, 23 percent less than the average of the past three years, but very close to the average of the weather-reduced crops of 1976, 1980, and 1983. Of the major soybean-producing states, only Iowa and Nebraska are expected to have an average yield of 30 bushels or higher. The Illinois average yield is projected at 28 bushels per acre.

Planted acres of soybeans are now estimated at 58.8 million acres, 300,000 acres above last month's projection and 1.4 million more acres than planted a year ago. Harvested acres of soybeans, however, are expected to total only 56.7 million acres, just 300,000 more acres than harvested last year. August 1 crop conditions point to a crop of 1.474 billion bushels, the smallest crop since 1976. With carryover stocks from the 1987 crop of only 280 million bushels, the total supply of soybeans for the 1988-89 marketing year will be 1.754 billion bushels, 25 percent less than a year ago.

The USDA expects that stocks of soybeans at the end of the 1988-89 marketing year will be reduced to the lowest possible level of 100 million bushels. Even with stocks reduced to a

minimum, soybean use during the year ahead will have to be reduced by 400 million bushels, or about 20 percent. Such a large cut is unprecedented. A large South American crop will compensate for part of the shortfall in U.S. production. The USDA, however, projects an increase of only 110 million bushels in South American production. Soybean use will have to be severely reduced during the next 12 months.

The 1988 wheat harvest is estimated at 1.821 billion bushels, 13.5 percent less than a year ago. The winter wheat crop of 1.555 billion bushels is about the same size as the 1987 crop, but the spring wheat crop is about half the size of last year's production. Smaller supplies and a continuation of the export bonus program are expected to reduce wheat stocks to under 600 million bushels by June 1, 1989. At that level, ending stocks would be at the lowest level since June 1, 1975.

In general, the USDA's August *Crop Production* figures and revised supply and demand estimates were viewed as neutral to bullish for prices. The market, however, treated the information rudely. The day following the report, corn futures traded 10 cents higher early in the day, but closed 10 cents lower. Soybean futures opened 30 cents higher, but closed 4-to-12 cents lower for the day. Widespread professional selling was noted as the major factor in that day's market. Ideas that crop conditions have deteriorated since August 1, and that soybean prices are not high enough to ration the available supplies, should result in some additional price strength. December corn futures may test the \$3.20 area and November soybean futures are expected to move back above \$9.00 per bushel.



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