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WEEKLY OUTLOOK

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WHAT IS THE POTENTIAL SIZE OF THE 1992 CORN CROP?

Based on the March *Prospective Plantings* report and an analysis of trend yields, the USDA's World Outlook Board has judged the potential size of the 1992 corn crop at 8.575 billion bushels. A crop of that size would be 1 billion bushels larger than the 1991 harvest and second in size to the 1985 crop of 8.875 billion bushels. Even with rather generous projections of corn use, a crop of that size would lead to a 500 million bushel increase in stocks by the end of the 1992-93 marketing year. The first official USDA estimate of the size of the 1992 crop will be released on August 12 and will reflect crop conditions as of early August.

What can be said about potential crop size now? First, the market generally expects that more acres were planted to corn than indicated in March. The USDA's survey of farmers revealed intentions to plant 79.007 million acres of corn in 1992. That would be 3.056 million more acres than planted in 1991 and the largest acreage since 1985. Some private forecasters have estimated acreage at 80.2 million acres, with some analysts guessing as high as 81 million acres. It seems likely that the June 30 *Acreage* will show about 80.5 million acres planted to corn. The expected increase from the March report reflects replanting of failed winter wheat acreage to corn and the general under-counting of acreage in March.

Over the past 6 years (excluding the severe drought year of 1988) the difference between planted acreage of corn and acreage harvested for grain has ranged from 6.7 to 7.68 million acres. The trend has been towards a smaller difference between the two figures. Harvested acreage as a percentage of planted acreage has varied from 89.6 to 90.7 percent. The average was 90.1 percent. If 80.5 million acres of corn have been planted, harvested acreage might be between 72.5 and 73 million acres.

The second observation that can be made is that the average yield potential is probably less than the trend yield. The USDA's production figure of 8.575 billion bushels reflected a national average yield of about 120.5 bushels per acre. For the period 1985 to 1990 (excluding 1988) the U.S. average corn yield was in a very narrow range — 116.3 to 119.8 bushels per acre. The average for the period was 118.4 bushels. The 1991 average dropped to 108.6 bushels due to severe drought conditions in portions of the eastern Corn Belt. A combination of dry weather, unseasonably cool weather, frost damage, and germination

problems throughout the midwest, may have already reduced the yield potential of the 1992 crop to the 110 to 112 bushel range. Weather conditions for the remainder of the season will determine if further reduction will occur.

It now appears that the potential for the 1992 crop is between 8 and 8.2 billion bushels. A crop of that magnitude would be the largest since 1986, but would probably not lead to a significant increase in stocks by the end of the 1992-93 marketing year. Those stocks would likely remain well under 1.5 billion bushels. With much of the growing season still to come, including the critical pollination period, corn prices are not expected to make further significant declines in the near term. December futures, for example, should find good support at the late April lows just under $2.50. July futures are expected to be supported above the contract low of $2.39½ per bushel. Price rallies can still be expected if weather conditions point to further yield reductions. Prices could remain very volatile until late in the growing season this year.

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