



WEEKLY OUTLOOK



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HOW BIG IS THE CORN CROP?

Reports of consistently high yields across the Midwest have led to expectations that the corn crop is much larger than the USDA's October estimate. That estimate placed the crop at a record 8.938 billion bushels, reflecting a record yield of 123.8 bushels per acre. That yield estimate is 4 bushels above the previous record established in 1987.

Industry estimates of the size of the crop range as high as 9.5 billion bushels. Using the current estimate of harvested acreage of 72.2 million acres, a 9.5 billion bushel crop would require a national average yield of nearly 132 bushels per acre. The states of Iowa, Indiana, and Illinois would have to show average yields near 145 bushels per acre, or about 10 bushels above previous record yields.

In addition to the actual size of the crop, the manner in which the actual size is revealed will be important. The USDA will release a crop estimate on November 10, another estimate in early January, and a final estimate in January 1994.

In some years, the November estimate has fairly accurately reflected the final estimate. In other years, the estimate in January following harvest and/or the estimate in January one year later has been significantly different than the November estimate. The pattern of estimates of the size of the 1979 crop is the prime example of the saying that "a large crop tends to get larger". For that crop, each estimate was larger than the previous estimate. The final estimate released in January 1981 was 342 million bushels larger than the November 1979 estimate and 538 million bushels larger than the October 1979 estimate. Other recent years when the crop estimate increased by more than 150 million bushels after November included 1976, 1978, 1980, 1985 and 1988.

The size of the crop estimate on November 10 could influence the magnitude of the set-aside requirement for the 1993 crop. The set-aside has been announced at 10 percent, but the Secretary of Agriculture has until November 15 to announce the final decision. According to the 1990 farm bill, the set-aside for the 1993 crop must be between zero and 12.5 percent if the projection of carryover stocks on September 1, 1993 is equal to or less than 25 percent of projected use in the preceding 12 months. If the projected stocks to use ratio exceeds 25 percent, the set-aside requirement is to be between 10 and 20 percent. The projected ratio in the October *Supply and Demand* report was 22.8 percent. A larger crop estimate might result in the set-aside being raised

to 12.5 percent. If the projection of use remains unchanged at 8.185 billion bushels, the November crop estimate would have to exceed 9.121 billion bushels to allow a set-aside of more than 12.5 percent. If the estimate of use is increased by 200 million bushels, a November crop estimate in excess of 9.372 billion bushels would allow a set aside in excess of 12.5 percent.

A larger crop estimate may also influence the decision about opening the Farmer-Owned-Reserve (FOR) for the 1992 crop. The projection of stocks to use is already large enough to allow the Secretary to open the FOR. If the average farm price from December 15, 1992 to March 15, 1993 is less than \$2.07 and the projected stocks to use ratio exceeds 22.5 percent, the Secretary must open the FOR for the 1992 crop. Corn would first have to be held under the 9-month loan and then entered into the Reserve. A significant increase in the November and/or January crop estimate might result in an early announcement about the FOR. Existing rules also require the Secretary to establish a maximum amount of 1992 crop corn allowed in the Reserve. That maximum is to be between 600 and 900 million bushels. The procedures for allocating loan corn to the Reserve would have to be established.

A larger crop estimate and continued low prices will result in a larger-than-expected deficiency payment for the 1992 crop. The payment rate will be the difference between the average farm price from September through January and the \$2.75 target price. Those who requested advance payment have already received \$.28 per bushel on eligible production. The large deficiency payment for eligible producers and the extremely high yields per acre will partially offset the impact of low market prices.

Darrel Good

Issued by Darrel Good
Extension Economist
University of Illinois

Cooperative Extension Service
United States Department of Agriculture
University of Illinois
At Urbana-Champaign
Urbana, Illinois 61801

FIRST CLASS