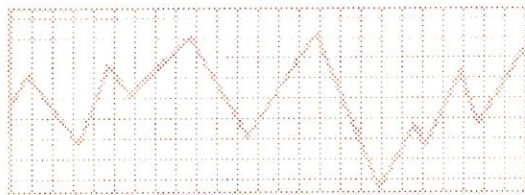




Cooperative
Extension
Service



WEEKLY OUTLOOK

A joint publication of the Departments of Agricultural Economics, Colleges of Agriculture of Purdue University, West Lafayette, Indiana, and the University of Illinois at Urbana-Champaign

AUGUST 9, 1993

ALL EYES ON THE CROP PRODUCTION REPORT

The USDA's August *Crop Production* report is always eagerly anticipated because it reflects the first field observations on potential yield of fall harvested crops. This year's report, to be released on August 11, is especially important because of the updated acreage figures that it will contain. Typically, changes in acreage estimates are small in the August report. That will not be the case this year due to significant acreage not being planted and additional acreage lost to flooding.

In the case of soybeans, the USDA reported planting intentions in June at 61.575 million acres, 2.275 million more acres than indicated in March and 2.245 million more acres than planted last year. Substantial increases in acreage were expected in Arkansas, Indiana, Iowa, Minnesota, Mississippi and Ohio. Acreage was expected to decline by 200,000 in Illinois. Harvested acreage of soybeans was forecast at 60.473 million acres, 2.09 million more than harvested in 1992.

In the case of corn, the June report reflected intentions to plant 74.259 million acres, 2.227 million fewer acres than indicated in March and 5.066 million fewer acres than planted last year. Most major corn producing states intended to reduce acreage because of a larger reduction requirement under the Acreage Reduction Program. The largest decline, 1.1 million acres, was indicated in Iowa. Harvested acreage was forecast at 67.265 million acres, 4.879 million less than harvested last year.

A number of private groups have released estimates of the potential size of the 1993 corn and soybean crops. The estimates for corn are generally in a range from just below 7.3 billion to slightly over 7.6 billion bushels. The soybean estimates range from just above 1.8 billion to slightly over 1.9 billion bushels. The estimates reflect a wide array of average yield and harvested acreage figures.

Once again, it is important to put the USDA's production estimates, whatever they are, in perspective. One way to do that is to pose the question: How large must the crops be so that a reduction in use is not required? The answer to that question requires an estimates of stocks at the start of the 1993-94 marketing year, an estimate of minimum pipeline stocks at the end of the year, and a projection of use if supplies were abundant.

For corn, the USDA is currently projecting stocks at the start of the 1993-94 marketing year at 2.124 billion bushels. A recent slow down in both exports and domestic feed use might result in larger inventories, but the 2.124 billion figure is used here. Over the past 10 years, the smallest inventory of corn at the end of the marketing year was 1 billion bushels (September 1, 1984). As a percentage of use, the smallest inventory was the 1.1 billion bushels of a year ago (13.9 percent of annual use).

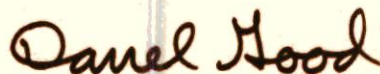
For our purposes, we suggest a minimum carryover of 1.2 billion bushels at the end of the 1993-94 marketing year.

In its, July *Supply and Demand* report, the USDA projected a market for 8.35 billion bushels of corn during the 1993-94 marketing year. Using that figure, the 1993 corn crop needs to be 7.426 billion bushels or larger to keep ending stocks above 1.2 billion bushels and not require significant price rationing.

For soybeans, stocks at the beginning of the 1993-94 marketing year are projected at 290 million bushels. Over the past 10 years, the smallest inventory at the end of the marketing year was 176 million bushels (September 1, 1984). Stocks were at 182 million bushels on September 1, 1989. We are using a minimum pipeline supply estimate of 180 million bushels.

Projecting soybean use without supply constraints is more difficult than for corn. Use during the current marketing year is projected at 2.187 billion bushels, but that figure contains an unusually large residual figure to compensate for an over estimate of the 1992 crop. In June, before the 1993 production problems were apparent, the USDA projected use during the 1993-94 marketing year at 2.093 billion bushels. That projection was dropped to 2.045 billion last month. If soybean use would be near 2.075 billion bushels with abundant supplies, the 1993 crop needs to be 1.965 billion bushels or larger to hold ending stocks above 180 million bushels and not require price to ration use.

Because of the lateness of the growing season, the August yield estimates will be highly tentative. The market will find the acreage estimates very valuable.



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