Cooperative Extension Service

WEEKLY OUTLOOK

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SEPTEMBER CROP REPORT CONFIRMS FLOOD DAMAGE

Past bull markets in grains have been associated with droughts which caused a major decline in crop production. This is a landmark year in which the bull market was caused by too much moisture. Prices rose sharply in mid-June due to flood damage, delayed planting, leaching of nitrogen, and slow crop development due to water logged soils. Futures prices stalled in mid-July, and have continued to decline as crop conditions have shown improvement.

There is a significant difference in this year's bull market and the previous bull markets caused by droughts. In years of a drought, the impact on crops is uniform across a large area of the U.S. and the harvested acreage can be readily determined. This year, the harvested acreage is uncertain due to prevented planting of crops, the opportunities for farmers to participate in the 0-92 alternative of the feed grain program, and crops that may be destroyed by an early frost. Crops in several states not severely impacted by the floods may have above average yields.

Benchmark estimates of prevented planting and flood damage were made by the USDA in August. Both acreage and yield estimates were further refined in the September *Crop Production* report. The USDA report assumes normal crop development for the remainder of the growing season.

As of September 1, the USDA estimates corn harvested for grain at 63.9 million acres, down 8.2 million acres, or 11 percent, from last year's acreage. Yield reductions were registered in 18 of the 33 major corn producing states. Corn production was projected at 7.229 billion bushels, down 194 million from the August report and 2.25 billion bushels, or 24 percent, from the record crop of last year. Lower crop estimates in Iowa, Minnesota, Indiana, and Ohio account for over half of the reduction. Illinois has the highest state average corn yield (for non-irrigated production) of 140 bushels per acre. Indiana is next, at 136 bushels per acre.

The USDA updates its supply and demand estimates with both the new crop estimates and additional information gathered since the last report. In the September report, feed use of corn was reduced by 50 million bushels and projections of corn exports lowered by 75 million bushels. Consequently, ending stocks on September 1, 1994 are projected to decline to 1.34 billion bushels, down only 68 million bushels from the August projection.

On balance, only minor changes were made in the soybean crop estimate. Compared to the August benchmark, production estimates were increased in 6 states, and reduced in 8 states. The crop was

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projected to be 1.909 billion bushels, up 7 million from the August report, but down 13 percent, or 287 million bushels, from last year's production. Indiana is expected to have a record average yield of 47 bushels per acre and has record production. Illinois' soybean yield is second at 44 bushels per acre.

Modest changes in the demand projections were made by lowering crush and exports 10 million bushels each. Ending stocks on September 1, 1994 are projected at 215 million bushels.

Spring wheat estimates were reduced by 58 million bushels, with large changes occurring in Minnesota, North Dakota, and South Dakota. Harvest losses due to excessive rain is a major factor in the lower crop estimates. The total wheat crop is estimated at 2.493 billion bushels, down 62 million bushels from the August estimate, but slightly above last year's production. Feed use projections were lowered by 50 million bushels and exports reduced by 25 million. Ending stocks on June 1, 1994 are projected to be 708 million bushels, 179 million larger than last year's stocks.

Weather may still have an impact on the 1993 crops. With crop development 2 to 3 weeks behind normal in Iowa and Minnesota, frost at the normal times could cause some crop losses and quality problems. However, the bigger problem is demand, especially in export markets.

Sharp price rallies in the futures markets should be viewed as selling opportunities. Planted acreage is expected to increase in 1994. Barring weather problems next year, crops are large enough to meet demand requirements. Storage of corn is expected to be profitable. When storing, consider CCC low interest loans to reduce holding costs and to provide cash. Soybean storage is more costly. Producers comfortable using the futures or options markets should consider selling at harvest and reowning after the harvest lows.

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