

January 28, 1977

RECENT CROP REPORTS from the USDA provide fresh insights into the availability and utilization of 1976 crops as well as production prospects for 1977. The 1976 annual summary of *Crop Production* indicated that last year's harvest of both corn and soybeans exceeded earlier expectations, and the total 1976 crop harvest virtually equaled the year-earlier record. The *Grain Stocks* report confirmed expectations that the utilization of soybeans continued at a record pace during the latter part of 1976, while the rise in corn utilization was surprisingly small. The *Prospective Plantings* report indicated that farmers intend to boost 1977 plantings of both corn and soybeans above year-earlier levels.

The 1976 corn production estimate was raised to nearly 6.2 billion bushels, a surprisingly large increase of 153 million bushels from the previous estimate and 7 percent above the revised tally for the 1975 harvest. The revised production estimate coupled with last fall's carryover stocks indicate total corn supplies for the 1976/77 marketing year that started last October exceeded 6.6 billion bushels, 457 million bushels more than a year earlier and second only to the 6.7 billion bushel supply in 1972/73.

Corn and soybean production, 1976

	<u>Ill.</u>	<u>Ind.</u>	<u>Ia.</u>	<u>Mich.</u>	<u>Wis.</u>	<u>U.S.</u>
Corn						
Acres						
Planted (thou.)	12,000	6,500	13,800	2,450	3,650	84,121
Change (percent)	8.1	11.1	4.5	6.5	4.3	7.6
Harvested (thou.)	11,690	6,300	12,750	2,050	2,180	71,085
Change (percent)	8.1	11.9	3.7	7.3	- 8.8	5.7
Yield per acre (bu.)	107	110	90	69	68	87.4
Change (bu.)	- 9	12	0	- 11	- 15	1.2
Production (mil. bu.)	1,251	693	1,148	141	148	6,216
Change (percent)	-0.2	25.6	3.7	-7.4	-25.3	7.2
Soybeans						
Acres						
Planted (thou.)	7,600	3,300	6,610	570	160	50,327
Change (percent)	- 7.9	- 9.6	- 5.6	- 7.3	-20.0	- 8.0
Harvested (thou.)	7,560	3,280	6,590	565	152	49,443
Change (percent)	- 8.0	- 9.6	- 5.5	- 7.4	-20.4	- 8.0
Yield per acre (bu.)	32.0	33.0	31.0	20.5	22.0	25.6
Change (percent)	- 4.0	- 0.5	- 3.0	- 5.5	- 3.5	- 3.2
Production (mil. bu.)	242	108	204	12	3	1,265
Change (percent)	-18.2	-11.0	-13.8	-27.0	-31.3	-18.2

The 1976 soybean production estimate was raised to 1.26 billion bushels, up nominally from earlier expectations, but still 18 percent short of the revised estimate of the 1975 harvest. In conjunction with last fall's large carryover, total soybean supplies for the current marketing year that started last September are down nearly 13 percent from the year-earlier record.

The **Grain Stocks report** for January 1 provided clues to domestic utilization rates for grains and confirmed other indications that soybean utilization slightly exceeded the record year-earlier pace during the last four months of 1976. The differential between

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the January 1 stocks and total supplies for the entire marketing year indicate corn utilization during the October-December 1976 period was up less than 3 percent from the same period a year ago. And in light of the record pace of corn exports during the same period, it appears that domestic utilization of corn was up only 1.5 percent, a surprisingly small increase considering the cold weather, poor pasture conditions, and increased hog and broiler inventories.

The small increase in domestic corn utilization during the October-December period may be partially due to an apparent 50 million bushel pickup in domestic wheat utilization during the same period, perhaps reflecting increased feeding to livestock. Nevertheless, the rise was less than expected and it failed to offset the slow wheat exports.

The **Prospective Plantings** report indicates farmers intended—as of the first of this year—to boost 1977 soybean plantings to 53.1 million acres, 2.8 million acres more than last year but still well short of the 1973 record of 56.8 million acres. In contrast to widely anticipated declines, farmers reported they intend to plant 84.5 million acres of corn, up slightly from last year's level which in itself was the highest since 1949. Indications of a sharp drop in spring wheat coupled with an earlier report of last fall's seeding of winter wheat suggest total wheat plantings may decline to 74.7 million acres, down 7 percent from a year ago but still about equal to the large acreage seeded in 1975.

The **implications** of the three reports will likely undermine some of the recent support in grain prices, while strengthening the support for high soybean prices. The unexpectedly large increase in the corn production estimate and the lower-than-anticipated utilization rates for both corn and wheat portend larger carryover stocks of grain. Reflecting this, the USDA raised its estimate of this fall's corn carryover to 724 million bushels, 196 million above the previous estimate and the highest since 1972. Projected wheat carryover was raised 77 million bushels to 1.1 billion, the highest since the early sixties. In contrast, the record-setting pace in crushing activities has further tightened the soybean supply/demand balance, despite the upward revised production estimate. As a result, this fall's projected carryover of soybeans has been reduced to 75 million bushels, down from the previous estimate of 85 million and sharply below the past three-year average of 200 million bushels.

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