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CORN AND SOYBEAN PRODUCTION ESTIMATES

were raised again last week, dampening some of the export optimism associated with the recently announced Soviet shortfall. Based on conditions as of November 1, the U.S. Department of Agriculture now expects the 1977 corn harvest to approach 6.4 billion bushels. Such a level is 64 million bushels above the October forecast and 2 percent above last year's record. Soybean production is pegged at a record 1.7 billion bushels, 35 million bushels above the previous forecast, 33 percent above the comparatively small 1976 harvest, and 9 percent above the previous high in 1973.

Production estimates revised upward¹

	Soybeans			Corn		
	Bushels per acre	Production Million bushels	Percent change ²	Bushels per acre	Production Million bushels	Percent change ²
Illinois	36	319	32	109	1,188	- 5
Indiana	35	135	25	102	632	- 9
Iowa	34	245	20	88	1,074	- 6
Michigan	27	19	68	85	174	23
Wisconsin	25	8	42	104	270	82
District states	34.7	723	27	98.3	3,339	- 1
United States	28.9	1,683	33	91.5	6,367	2

¹Based on conditions as of November 1, 1977.

²From year-earlier level.

The increased soybean prospects reflect a boost in the per acre yield estimates. Both higher yields and a nominal increase in the harvested acreage estimate (all of which was attributed to Wisconsin) contribute to the revised production forecast for corn.

The large corn harvest appears more than adequate to cover a substantial increase in domestic utilization, as well as the enhanced export prospects. The recent announcement that the Soviet grain harvest would fall to 194 million metric tons this year has brightened export prospects. While current estimates are tentative, many observers expect Soviet imports of U.S. corn to approximate 400 million bushels (10 million metric tons) during the 1977/78 marketing year. In comparison, Soviet imports of U.S. corn approximated 125 million bushels in 1976/77 and slightly over 400 million bushels during the year following the disastrous 1975 Soviet grain harvest. The prospective large exports to the USSR, however, are largely offset by the reduced import needs of Western Europe. Consequently, total corn exports for the 1977/78 marketing year might reach only 1.7 or 1.8 billion bushels, nominally above the 1.7 billion bushels exported during each of the past two years.

Domestic utilization of corn during the current marketing year will likely be up substantially. Evidence of the expansion in hog and poultry produc-

tion, as well as increased cattle feeding, suggests total domestic corn utilization might be up about 8 percent to 4.4 billion bushels. Nevertheless, current indications suggest total utilization—domestic plus exports—of corn will fall short of the 1977 harvest by approximately 250 million bushels. Consequently, carryover stocks could rise from this year's 880 million bushels to more than 1.1 billion in October of next year.

The large soybean harvest also portends a substantial buildup in carryover stocks. Domestic crushing activity is projected to rise above last year's curtailed pace. However, with large supplies of feed grains, and the abnormally high soybean meal/corn price ratio continuing to suppress soybean meal demand, crushings may not exceed 850 million bushels. In comparison, crushings totaled 790 million bushels in 1976/77 and 865 million bushels in 1975/76. Soybean exports are projected to rise to a record 610 million bushels during the 1977/78 marketing year, up from 564 million bushels last year. Total utilization of soybeans, however, will likely fall about 150 million bushels short of the latest production estimate, suggesting that ending carryover stocks will rise to 250 million bushels next fall, roughly equal to the burdensome levels of two years ago.

Corn and soybean prices rose sharply in recent weeks. Chicago cash prices for corn rose from around \$1.80 per bushel in mid-October to about \$2.20 last week. During the same span soybean prices rose about 75 cents to \$5.65 per bushel. Several factors contributed to the uptrend, including the prolonged harvest due to wet weather, the improved grain export prospects, an apparently large farm-storage capacity, and a strong reluctance by farmers to sell at depressed prices. Despite all these factors, however, the uptrend has been somewhat surprising in light of the fundamental prospects for excess supplies. Although the current estimates of production and utilization may yet be revised, it would take a substantial reduction in domestic production prospects and/or a marked improvement in export prospects to materially alter the likelihood of burdensome carryover stocks. Barring these developments, the recent strength in prices will likely dissipate and may result in some near-term declines. For the longer term, however, corn prices will likely approximate the loan rate, while soybean prices may retreat to a level such that soybean meal prices can remain competitive with corn.

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