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CROP PROSPECTS declined in July reflecting high temperatures and below-normal rainfall throughout much of the Midwest. Brief and spotty showers barely sustained Seventh District crops and subsoil moisture deficiencies became readily apparent over most of Wisconsin and to a lesser degree in some areas of Iowa and Illinois. However, a record corn crop appears eminent and total soybean output will likely be the third highest on record. Furthermore, conditions appear to have stabilized in August, and crop development remains ahead of average.

Corn production will total close to 6.2 billion bushels based on August 1 conditions, up 7 percent from a year ago but down 6 percent from the USDA's July 1 projection. Over the last quarter century the August 1 estimate has averaged within 6 percent of the final crop estimate. Most of the reduction from the July estimate stems from the lower national average yield estimate, down five bushels per acre since July 1.

Soybean production was estimated at 1.34 billion bushels as of August 1. This was the first estimate of soybean production and was about in line with previous expectations. Harvested acreage estimates have been raised 1.2 million acres since July, which was almost sufficient to offset the slightly lower-than-expected average yield. This may reflect the increasing practice of double cropping soybeans behind wheat as well as the conversion of some rained out cotton ground to soybeans. The August estimate of soybean production over the past quarter century has been slightly closer to the final estimate than corn with an average deviation of 5 percent.

Among district states, Wisconsin was the hardest hit by adverse weather conditions in July. Corn production estimates in Wisconsin have been slashed 24 percent since July. Likewise, Iowa and Illinois production estimates were reduced 11 and 5 percent, respectively, due to dry weather. Although these changes suggest the Illinois crop will lag the year-earlier level by 4 percent, Iowa's corn is currently estimated to exceed 1975 by 9 percent. Indiana's corn crop improved slightly in July while the Michigan estimate was unchanged.

The cutback in estimated corn production coupled with an increase in projected 1976/77 corn exports served to stabilize corn prices. As a result of these changes the estimated midpoint for carryover stocks at the end of the 1976/77 crop year has been reduced from 817 million bushels to 566 million bushels. Nevertheless, the carryover would substantially exceed the 313 million bushels projected for the current crop year ending September 30. The situation with soybeans is somewhat more tenuous. While estimates of 1976/77 carryover supplies have been raised slightly in the past month, they remain 40 percent below the current year—ending August 30—estimated carryover.

1976 corn and soybean production estimates*

	Corn		Soybeans	
	Yield (bu./acre)	Production (million bu.)	Yield (bu./acre)	Production (million bu.)
Illinois	103 (-11)	1,195 (-4)	33 (-7)	249 (-15)
Indiana	106 (+8)	663 (+20)	34 (+3)	112 (-7)
Iowa	93 (+3)	1,186 (+9)	33 (-3)	217 (-8)
Michigan	80 (0)	160 (+5)	24 (-6)	13 (-19)
Wisconsin	70 (-16)	161 (-19)	18 (-29)	3 (-40)
Seventh District states	96 (-2)	3,365 (+4)	33 (-4)	594 (-11)
United States	86 (0)	6,189 (+7)	27 (-4)	1,344 (-12)

*Percent change from last year shown in parentheses.

Corn prices will likely be subject to continued downward pressures unless the production outlook deteriorates markedly between now and harvest. Bidders were discounting new crop bids as much as 59 cents per bushel from the current cash price last week. Such offers are in line with the experience of the last three years. Following fairly consistent uptrends from January to midyear, corn prices have typically peaked in early to mid-August and then have begun a downward trend to year-end, dropping between 40 to 60 cents in the last five months of the past three years. Prices may follow roughly the same trend this year. If corn exports continue at the recent high pace, however, old crop prices may stay near current levels until the Corn Belt harvest begins.

Soybean supplies will be tighter in the 1976/77 crop year than experienced in the current crop year. While some downward pressures may develop as harvest time approaches, it seems highly unlikely that prices will drop to the extent experienced last year, \$1.75 per bushel between early August and year-end. Furthermore, changes in the often turbulent world supply/demand situation could add to price fluctuations in either direction.

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