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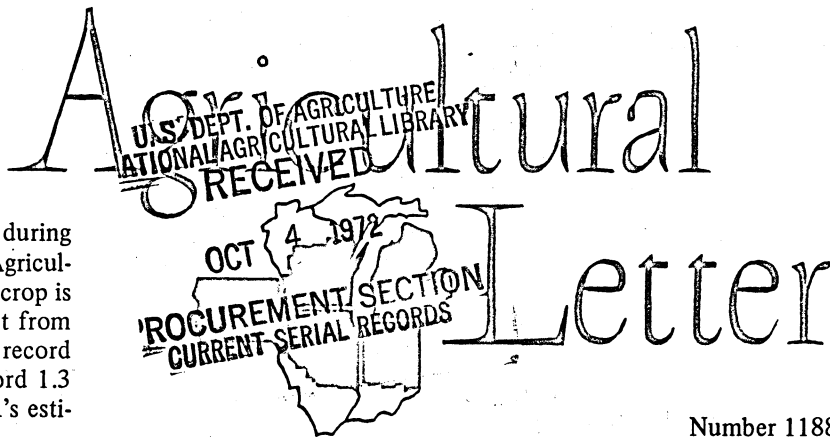
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Federal Reserve Bank of Chicago - -

September 22, 1972



Number 1188

CORN AND SOYBEAN crop prospects improved during the past month according to the U. S. Department of Agriculture. Based on September 1 conditions, the 1972 corn crop is expected to exceed 5.1 billion bushels—up 3.6 percent from the August estimate but still 7.5 percent below the record 1971 level. Estimated soybean production is at a record 1.3 billion bushels, more than 1 percent above last month's estimate and 10 percent over last year's actual production.

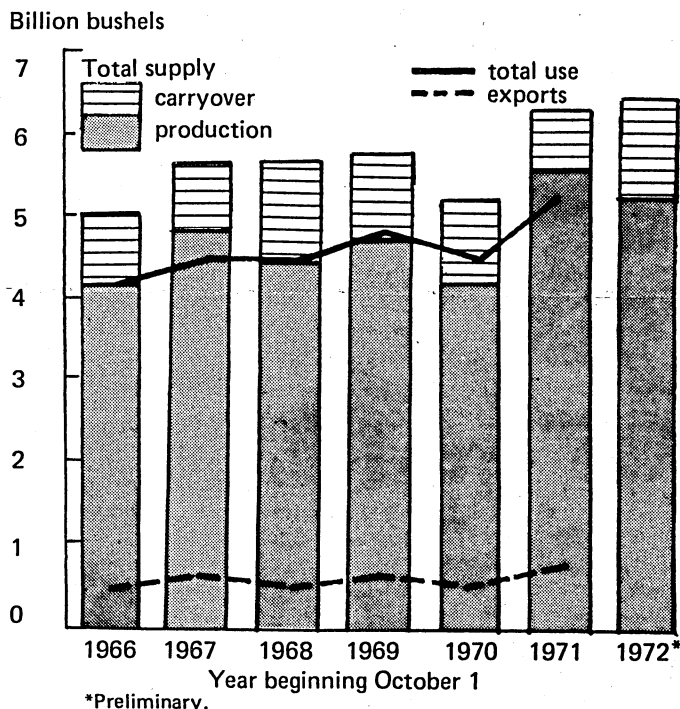
The changes in the latest projections reflect adjusted yield estimates rather than revised acreage estimates. Estimated corn yields are now pegged at a record 89.7 bushels, nearly three bushels above the 1971 crop but in line with the 1953-69 trend in corn yields. Soybeans are expected to yield a record 28.1 bushels per acre on average—up one-half bushel from last year.

Corn supplies for the 1972-73 marketing year starting October 1 will be plentiful despite the lower production. Indeed, carryover—currently estimated at 1.15 billion bushels, compared to less than 0.7 billion bushels last year—plus anticipated production portends total supplies of nearly 6.3 billion bushels. This level, if it materializes, would represent a 3 percent gain over the bumper supplies available in this marketing year, and would be substantially in excess of utilization.

will cause corn to replace wheat for feeding purposes) should raise domestic utilization, but the gains likely will be small.

Corn exports, which are estimated to have risen by nearly one-half during the current marketing year, should provide the largest relative gains in corn utilization during the 1972-73 marketing year. The recent trade agreement with the U.S.S.R. is expected to boost corn exports to that country above the level of this year. (During the first ten months of the current marketing year, some 80 million bushels of U. S. corn were shipped to the U.S.S.R.) Moreover, the \$390 million in "special purchases" of agricultural, forestry, and fishery products by Japan, confirmed in the recent U. S.-Japan trade talks, could also involve larger corn exports. These potential gains could be partially offset, however, if the European grain crop is larger than normal. Grain production prospects in Europe currently appear favorable.

Large Carryover Boosts Corn Supplies



Soybean supplies for the 1972-73 marketing year—which started September 1—will remain comparatively tight despite the large projected increase in production. Since the 1969-70 marketing year, total utilization of soybeans has exceeded production. Consequently, carryover stocks have fallen from over 300 million bushels at the end of the 1968-69 marketing year, to the estimated 60 million bushels on hand on August 31 of this year. The lower carryover will partially offset the expected increase in the 1972 crop and hold total supplies at around 1.35 billion bushels—about 6 percent greater than a year ago, but below the total supplies available in the 1970-71 marketing year.

A continued strong demand for soybeans and products will likely absorb most of the larger supplies. Although interrupted during the 1971-72 marketing year by short supplies and high prices, both domestic utilization and exports of soybeans and products have been rising steadily for the past several years. These trends should continue in the current year.

Despite larger supplies, distant futures contracts point to above year-ago prices for both corn and soybeans—particularly at harvesttime. December corn futures, for example, are currently trading at around \$1.40 per bushel, equivalent to a farm price of \$1.20 to \$1.25 per bushel depending on location. Last December, farm prices for corn averaged \$1.08 per bushel. Similarly, November soybean contracts are trading at \$3.37 per bushel. This compares to the \$2.84 price received by farmers in November of 1971.

Utilization of corn rose sharply during the current marketing year in response to low prices. Further increases in utilization during the 1972-73 marketing year, however, will be limited because of the expected higher-than-year-earlier prices. The higher-than-year-ago hog numbers expected by early 1973, and the higher domestic prices of wheat (which

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