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THE OUTLOOK FOR CROP PRICES was partially clarified by recent reports and announcements from the USDA. The 1981 Annual Summary of *Crop Production* verified earlier estimates of last year's record corn harvest and large soybean harvest. According to the January 1 *Grain Stocks* report, the utilization rate of soybeans was about as expected, but the utilization rate of corn was higher than previously expected. The latest projection for corn exports has been trimmed slightly, while that for soybeans has been raised. As a result of these reports, carryover stocks of corn are now estimated at 2 billion bushels and soybean carryover stocks are expected to be 350 million bushels. In addition, farmers indicated in the *Prospective Plantings* report that they are going to plant more corn and soybeans this year. In order to offset somewhat the effects of large stocks of grains on farm prices, the administration announced a voluntary program to reduce feed grain acreage in 1982. Farmers must participate to be eligible for target-price protection, CCC price support loans, and the farmer-owned reserve.

Crop production in the U.S. surged to a new high in 1981. According to the USDA, the index of all crop production rose to 117 (based on 1977=100) last year, surpassing the previous record of 112 in 1979. Last year's corn crop was estimated at 8.2 billion bushels, up nominally from the previous estimate and the largest on record. The crop was 23 percent higher than the drought-reduced harvest of 1980 and 3 percent above the previous record in 1979. Record harvests were reported in a number of states, including all District states except Indiana. Average yield for the U.S.—at 109.9 bushels per acre—was also a record, just topping the previous record of 109.7 bushels per acre in 1979. Record yields were posted in three of the five District states—Illinois, Michigan, and Wisconsin. The area harvested in 1981 was 74.6 million acres, 2 percent more than the year before. Soybean production, at 2.0 billion bushels, was 13 percent over 1980's crop but 10 percent below the previous ~~record crop~~ in 1979. The final estimate was lowered from earlier expectations, owing in part to losses in harvesting late-planted fields in many areas. Average yield for the U.S. was 30.4 bushels per acre, a substantial increase over the 26 bushels per acre reported in 1980. Record yields were reported in several states but Iowa's 40.5 bushels per acre was the highest in the nation. The area harvested was 66.7 million acres, down 2 percent from last year.

Corn stocks as of January 1 were at a record level, even though domestic utilization was up during the latter part of 1981. The corn stock estimate, at 6.9 billion bushels, implied a total utilization during the October-December 1981 period of 2.33 billion bushels, a 3 percent decline from the year before. However, since exports during the last quarter of 1981 were substantially lower, the indicated domestic utilization of corn—primarily for livestock feed—was up about 7 percent. The increase in domestic utilization surprised many trade analysts, because the smaller hog inventories and fewer cattle on feed in the latter part of 1981 would indicate somewhat less corn feeding.

Implied soybean utilization for the September-December 1981 period—obtained by subtracting the January 1 stocks from beginning supplies—was 700 million bushels, up about 12 percent from a year ago. Crush and export reports for the same period basically confirmed this utilization rate, although the figure obtained by combining these reports was nominally higher. Crushings were up 2 percent in the same period from a year ago. However, soybean exports during the period were 330 million bushels, up nearly a third from the year before and nominally above the record pace of the same period two years ago.

Based, in part, on the utilization rates implied in the January 1 stocks report, the USDA raised its estimate of corn that will be utilized for feed during the entire 1981/82 marketing year by 100 million bushels to 4.25 billion bushels. The export estimate, however, was lowered another 75 million bushels to 2.18 billion bushels, which is substantially below early forecasts of

2.5 billion bushels. Larger prospective exportable supplies in Argentina and weaker import demand in major importing countries greatly influenced the downward revision in the corn export estimate. For example, the latest export sales report indicated that corn export shipments for the first four months of the marketing year trailed last year by a fifth. Corn exports to the European Community were down 17 percent. Exports to Eastern Europe were off nearly 40 percent, led by a decline of 73 percent in shipments to Poland. Corn exports to Japan, a major customer, were down a fifth from a year ago and shipments to Western Hemisphere countries were down 60 percent, reflecting a sharp decline in exports to Mexico. (The four areas—the European Community, Eastern Europe, Japan, and Mexico—imported half of the U.S. corn exported a year ago.) As a result of recent changes in utilization estimates, projected carryover is 2.0 billion bushels, equaling 28 percent of total utilization and double the carryout of last year.

The USDA raised its estimate of soybean exports by 10 million bushels, owing mainly to expectations that Brazil's soybean production and exportable supplies may be somewhat reduced. For the first five months of the marketing year (September-January) U.S. soybean exports exceeded the year-ago level by a fifth and are now expected to be up 17 percent for the year. Even if the higher estimate is realized, soybean exports would be 3 percent short of the record 1979 pace. Export shipments of soybeans to Western Europe paced the rise in shipments during the five-month period, with most of the increase going to the Netherlands, Belgium, and Spain. The USSR also purchased a considerable amount of soybeans during the period after having made no purchases the year before. Soybean crush in the 1981/82 marketing year is expected to be up 4 percent from last year. With the downward revision in production and the upward revision in exports, carryover stocks of soybeans were lowered to 350 million bushels. But this still represents a very high level, equivalent to 18 percent of utilization.

1982 planting intentions are still very tentative, but a recent USDA report summarized the intentions of farmers in major producing states. The results support, in general, prospects for another large harvest. The report suggested both corn and total feedgrain acreage may rise 1 percent this year. Indicated soybean plantings showed a 2 percent rise from last year, while intentions point to a fractional rise in total oilseed acreage.

A number of circumstances, however, could result in actual 1982 plantings that differ considerably from those indicated in the February report. A voluntary feedgrain set-aside program was announced by the Secretary of Agriculture after the survey was underway. To remain eligible for target-price protection, CCC price support loans, and use of the farmer-owned reserve, a farmer is required to reduce his 1982 feedgrain acreage by at least 10 percent. In the case of corn, the 1982 provisions include a $2.55 CCC price support loan, a $2.90 farmer-owned reserve loan and a target price—which is used to establish deficiency payments—of $2.70. A similar program was announced for wheat, but acreage must be reduced by at least 15 percent in this program. The extent to which farmers choose to participate will not be known for several months. But many analysts think that participation will not be sufficient to provide more than a 2 to 4 percent reduction in total corn acreage. Final planting decisions may also be affected by weather conditions and near-term price developments.

Chicago cash prices for corn, which have averaged $2.60 per bushel in recent weeks, have been propped up primarily by the price support program. Nevertheless, this is an improvement over the $2.45 low of mid-December. Soybean prices have averaged $6.30 in recent weeks, moderately improved over late December's low $6.08. For the marketing year, the USDA estimates that the season average farm price for corn will be only $2.48 per bushel, well below the $3.11 of last year. The season average farm price for soybeans is estimated at $6.25, down from $7.57 last year.

Price trends in the months ahead will be influenced by a number of factors. Weather patterns will be an important variable, although the buildup in stocks provides a cushion against the impact of adverse weather. Export movements will also be important, especially for corn, since future shipments will have to maintain recent rates if the projected level is to be realized. The pending spring harvest in the Southern Hemisphere will be important in determining the level of exportable soybean supplies for world markets.

The movement of 1981 corn under CCC loan, which has been at a record pace in recent months, will be a positive factor for grain prices. As of the end of January, 1.7 billion bushels were under loan, of which 1 billion bushels were placed in the three-year reserve. Reserve corn will not come onto the market until prices reach the release price of $3.15 per bushel. The rest of the 1.7 billion bushels is under regular CCC loan. This corn will likely be withheld from free-market supplies until prices reach a level sufficient to repay the loan plus accumulated interest.

Total corn under loan, reserve, or CCC ownership nearly equals the estimated carryout for this year. As a result, a tight free supply situation may develop during the summer months. In order to free corn for markets, prices will have to rise to entice farmers with corn under loan to redeem their loans and sell.

THE U.S. CATTLE INVENTORY increased for the third consecutive year in 1981, but at a slower pace. According to the USDA, the inventory of all cattle and calves in the United States on January 1 was 115.7 million head, an increase of 1 percent from a year ago and 4 percent above the trough of the cattle cycle three years ago. The report, which was surprising to many analysts who were expecting a larger increase, suggests that near-term cattle prices may increase somewhat above recent projections.

The smaller-than-anticipated rise in cattle numbers reflects a nominal decline in the 1981 calf crop. The 1981 calf crop, at 44.7 million head, was 1 percent below 1980's number. (The 1980 calf crop figure was revised downward 1 percent in the latest report). The extreme drought during 1980 apparently led to a lower conception rate and a smaller 1981 calf crop. However, some analysts dispute the likelihood that the effect was large enough to account for the decline in calf numbers.

The calf crop, although down, was sufficient to more than offset cattle and calf slaughter and death losses. Cattle and calf slaughter in 1981 rose to 38.1 million head, up 4 percent from the year before. Death losses in 1981 edged down to 5.2 million head from 5.5 million the year before.

Increases in the beef cow and milk cow herds and the number of heifers held for replacement were of significance in the inventory report. The nation's beef cow herd, at 39.4 million head, was 2 percent above the number a year ago while the inventory of heifers held for beef cow replacement rose 8 percent. The increases in these two categories, especially replacements, set the stage for further increases in cattle and calf numbers over the next couple of years and support the likelihood that herd rebuilding will continue through a cycle of normal length. The nation's milk cow herd increased 1 percent and the number of heifers held for milk cow replacements was up 4 percent. These numbers also point to a continuation of the expansion in the dairy herd that began in 1980. However, recent changes in the dairy support program that will continue to hold the support price for milk at its October 1980 level may induce heavier culling rates in dairy herds this year, resulting in a slower expansion than these numbers imply.

The inventory of cattle on feed on January 1, at 10.6 million head, was down 8 percent from the year before. Most of this decline resulted from lower placements in the latter half of 1981. An 11 percent year-to-year decline in third-quarter placements was followed by a 6 percent fourth-quarter decline. Marketings during the July-December period also nominally trailed the year-earlier level. The largest percentage decreases in feedlot inventories were reported among the lighter-weight groups of steers and heifers.

Available feeder cattle supplies outside feedlots were up 2 percent as of January 1. The number of steers and nonreplacement heifers over 500 pounds outside feedlots was up about 4 percent while steers and heifers under 500 pounds were up 1 percent. Some analysts expected the supply of feeder cattle outside feedlots to be higher in line with expectations of an increase in calf numbers.

The inventory suggests that potential commercial cattle slaughter could be unchanged or slightly higher in 1982. Nearly stable beef production accompanied by reduced supplies of pork could bring about a rise in cattle prices this year, particularly if consumer demand improves. Slow growth in real earnings and high unemployment have strapped consumer spending—and, in turn, dampened the buying of higher value cuts of meat. Although consumer demand may not rebound significantly for a few more months, the outlook for cattle prices has been enhanced by the prospects of a leveling off in beef production and a decline in per capita supplies of all meats. Choice steer prices at Omaha have averaged $64 per hundredweight this month, up from the low of $59 per hundredweight in December. Prices are likely to show further strength in the months ahead, averaging in the mid to upper $60s by late summer.

Higher cattle prices along with relatively low feed costs could improve feeding margins substantially this year and assure some profits for the industry again. According to budget analysts, returns for finishing a yearling steer have averaged below breakeven for nine straight quarters, while the returns for finishing steer calves have been below breakeven in seven of the last eight quarters.

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Selected agricultural economic developments

Subject	Unit	Latest period	Value	Percent change from Prior period	Year ago
Index of prices received by farmers	1977=100	January	130	+ 1.6	−10
Crops	1977=100	January	123	+ 0.8	−15
Livestock	1977=100	January	136	+ 2.3	− 6
Index of prices paid by farmers	1977=100	January	153	+ 2.0	+ 4
Production items	1977=100	January	147	+ 1.4	+ 1
Producer price index* *(finished goods)*	1967=100	January	277	+ 0.8	+ 6
Foods	1967=100	January	256	+ 1.3	+ 2
Processed foods and feeds	1967=100	January	247	+ 1.4	− 2
Agricultural chemicals	1967=100	January	296	+ 0.4	+11
Agricultural machinery and equipment	1967=100	January	302	+ 0.3	+ 9
Consumer price index** *(all items)*	1967=100	December	282	+ 0.3	+ 9
Food at home	1967=100	December	272	+ 0.3	+ 3
Cash prices received by farmers					
Corn	dol. per bu.	January	2.40	+ 0.4	−25
Soybeans	dol. per bu.	January	6.05	+ 0.8	−22
Wheat	dol. per bu.	January	3.69	− 2.9	−12
Sorghum	dol. per cwt.	January	4.04	+ 2.3	−26
Oats	dol. per bu.	January	1.94	0	− 2
Steers and heifers	dol. per cwt.	January	57.50	+ 0.5	−11
Hogs	dol. per cwt.	January	43.80	+12.3	+ 7
Milk, all sold to plants	dol. per cwt.	January	14.00	0	− 1
Broilers	cents per lb.	January	27.1	+10.2	−10
Eggs	cents per doz.	January	63.5	− 3.2	− 2
Income *(seasonally adjusted annual rate)*					
Cash receipts from farm marketings	bil. dol.	4th Quarter	141	− 2.3	− 1
Net farm income	bil. dol.	4th Quarter	24	− 2.8	+23
Nonagricultural personal income	bil. dol.	December	2,439	+ 0.2	+ 9

*Formerly called wholesale price index.

**For all urban consumers.

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