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Revised estimates still point to lower corn stocks

The latest estimates and projections from the U.S. Department of Agriculture continue to imply that carryover stocks of corn will be lower again next fall. The final estimate of the 1990 corn harvest was pegged at just over 7.93 billion bushels, virtually unchanged from the previous forecast made in November and up 5.4 percent from the harvest of 1989. With new evidence that a rise in domestic use may offset a decline in exports, total usage of corn for the 1990/91 marketing year is now projected to reach nearly 8.10 billion bushels, up slightly from the previous forecast and close to the record high of 1989/90. If that is the case, carryover stocks of corn would retreat to 1.18 billion bushels by the end of the marketing year, down 12 percent from the relatively tight level of last fall.

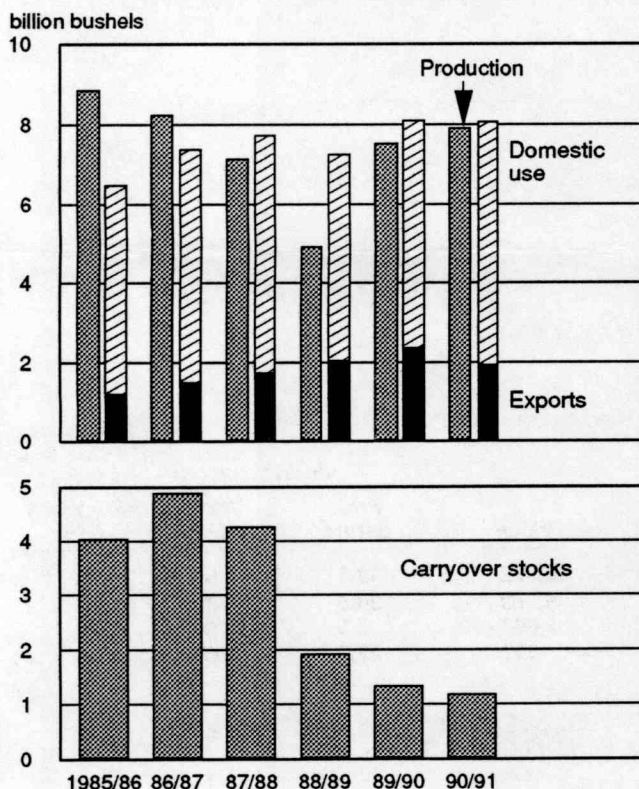
The 1990 corn harvest was the largest in four years but well short of the 1985 record of 8.88 billion bushels. An increase in both acreage and yields contributed to last year's larger harvest. Farmers nationwide harvested nearly 67 million acres of corn for grain last fall, up 3.5

percent from the year before. The average yield, at 118.5 bushels per harvested acre, was up nearly 2 percent from 1989 and the third highest on record. Farmers in the five states of the Seventh Federal Reserve District harvested some 4.18 billion bushels of corn last fall, up 4.6 percent from the 1989 crop. The average yield per harvested acre for the five-state region, at 125.4 bushels, was up 3.6 percent from the 1989 average and also the third highest on record. Michigan farmers achieved a new high in per acre corn yields while farmers in Wisconsin matched an earlier high.

The focus of the corn market has been on the abrupt downturn in exports, particularly to the USSR, since the start of the new marketing year in September. Reflecting this, the tonnage of U.S. corn exports during the three months ending with November was off more than a third from the strong pace of the year before and the second lowest for that period in the past 15 years. Weekly reports since then indicate that the sluggish export pace continued into early January. However, the negative aspects of the slow export pace have been eased by the recent USDA report that indicated U.S. stocks of corn on December 1 were considerably less than expected. The implications were that domestic use of corn during the three months ending with November was up nearly a tenth from the year-earlier pace and at a new high for that period. In short, the report revived hopes that an increase in domestic use may offset the decline in exports.

Trends in exports and domestic use of corn during the remainder of the 1990/91 marketing year remain highly uncertain. But in light of the recent trends, the USDA lowered its export projection for the 1990/91 marketing year by 100 million bushels while raising its forecast of domestic use by 150 million bushels. The latest projections imply that the pace in corn exports during the final three quarters of the 1990/91 marketing year will pick up considerably but remain some 14 percent below the record pace of last year. Alternatively, domestic use of corn during the final three quarters of the 1990/91 marketing year is projected to remain at a high level and up nearly 7 percent from a year earlier. Many private analysts feel that the latest USDA projections of corn exports and domestic use are somewhat high. Nevertheless, corn prices have recently recovered to a range of \$2.30 to \$2.35 a bushel. And the USDA projection of a further tightening in carryover stocks adds to the possibility of a weather-related rally in corn prices this spring.

Corn production, usage, and carryover stocks



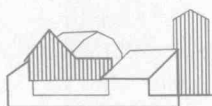
Selected agricultural economic indicators

	Latest period	Value	Percent change from		
			Prior period	Year ago	Two years ago
Receipts from farm marketings (\$ millions)					
Crops*	September	15,979	18.1	5	9
Livestock	September	8,163	36.5	7	13
Government payments	September	7,697	3.3	6	10
	September	119	22.7	-53	-72
Real estate farm debt outstanding (\$ billions)					
Commercial banks	September 30	17.3	1.1**	5	13
Farm Credit System	September 30	29.4	-0.5**	-3	-11
Life insurance companies	September 30	10.6	5.3**	11	14
Nonreal estate farm debt outstanding (\$ billions)					
Commercial banks	September 30	33.2	4.1**	5	8
Farm Credit System	September 30	11.0	4.1**	7	12
Interest rates on farm loans (percent)					
7th District agricultural banks					
Operating loans	October 1	11.94	0.0**	-2	2
Real estate loans	October 1	11.07	-0.2**	-2	0
Commodity Credit Corporation	January	7.12	-3.4	-8	-20
Agricultural exports (\$ millions)					
Corn (mil. bu.)	November	3,500	15.5	-4	4
Soybeans (mil. bu.)	November	168	55.6	-43	12
Wheat (mil. bu.)	November	63	110.8	-18	2
	November	81	-7.9	7	-16
Farm machinery sales^p (units)					
Tractors, over 40 HP	December	6,861	39.7	26	51
40 to 100 HP	December	2,853	16.9	8	16
100 HP or more	December	4,008	62.3	42	92
Combines	December	1,082	-10.7	7	114

*Includes net CCC loans.

**Prior period is three months earlier.

^pPreliminary



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FEDERAL RESERVE BANK OF CHICAGO

Public Information Center

P.O. Box 834

Chicago, Illinois 60690

(312) 322-5111



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