



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

Crop production and usage forecasts

The USDA's latest estimates indicate that U.S. farmers will harvest about 278 million metric tons of grain this year. Such a level would mark a 36.5 percent rebound from the drought-reduced harvest of last year and about equal the harvest of two years ago. Despite the rebound, the usage of grain (through domestic channels and export shipments) in the year ahead is expected to exceed the amount to be harvested. Hence carryover stocks of grain are projected to be lower again next year, both domestically and worldwide. Conversely, carryover stocks of soybeans are expected to rise. While usage of soybeans during the 1989/90 marketing year may recover somewhat, it will probably fall short of the 1.89 billion bushels of soybeans expected to be harvested this year.

The latest crop production estimates are mostly based on conditions in sample field plots as of September 1, prior to the harvest of most crops. In past years, the USDA's September estimates have often come close to the final estimates that are published following the completion of harvest. But there have been occasions when the final estimates have differed considerably from the September estimates. Because of the possibility of harvesting problems this fall and/or yield losses from a killing frost before this year's late-developing crops mature, the current crop production estimates should be regarded as tentative. Moreover, with the widespread uncertainties pertaining to both foreign and domestic demand, the current projections of crop usage in the year ahead should be viewed as very tentative.

Together, corn and wheat account for about 87 percent of the U.S. grain harvest expected for this year. This year's wheat harvest is projected to rise 14 percent from last year. But at 2.06 billion bushels (56.2 million metric tons), the projected 1989 wheat harvest would still be the fourth lowest since 1974 and 11 percent below the 1983 to 1987 average. The harvest of winter wheat (planted last fall) was off about 6 percent and at an 11-year low, due to several weather-related problems that afflicted the crop from fall through early spring. Conversely, the harvest from wheat planted this spring is likely to be 2.4 times last year's drought-devastated crop and the largest in 7 years. Overall, both planted and harvested wheat acreage rose more than a sixth this year. But wheat yields per acre har-

vested are now projected to be off 3.5 percent from the poor 1988 showing and, at 32.9 bushels per acre, the lowest since 1978.

This year's corn harvest is now expected to approximate 7.32 billion bushels (186.0 million metric tons), up 49 percent from the hard-hit 1988 crop. While acreage planted to corn this year rose only 7 percent, the acreage harvested for grain is projected to rise 12 percent as less acreage will be abandoned with this year's better weather conditions. Moreover, the national average corn yield is projected to recover to about 112.4 bushels per acre, up from 84.6 last year. The corn yield estimate lags slightly below the 113.6 bushel per acre average of the past 10 years (excluding the drought-reduced yields in 1980, 1983, and 1988) and 6 percent below the 1987 peak of 119.4 bushels per acre.

The current estimate of the 1989 soybean harvest, at 1.89 billion bushels, would mark a rise of 23 percent from last year but lag the harvest of two years ago by 2 percent. The gain from last year stems from a sizable rebound in per acre yields and a modest rise of 3 per-

1989 corn and soybean yield forecasts in perspective

	<u>Past 10 years</u>			
	<u>High</u>	<u>Normal*</u>	<u>1988</u>	<u>1989**</u>
	<i>(-----bushels per acre-----)</i>			
<u>Corn</u>				
Illinois	136	129	73	122
Indiana	135	120	83	128
Iowa	135	125	84	108
Michigan	107	100	70	105
Wisconsin	118	110	67	110
District states	129.1	122.0	78.2	115.7
United States	119.4	113.6	84.6	112.4
<u>Soybeans</u>				
Illinois	42.5	38.5	27.0	38.0
Indiana	41.5	37.5	27.5	39.0
Iowa	43.5	39.5	31.0	36.0
Michigan	35.0	32.0	28.0	36.0
Wisconsin	38.0	34.5	23.0	36.0
District states	40.2	38.2	28.5	37.4
United States	34.1	31.8	26.8	32.0

*Average of the seven highest years out of the past ten.
For the U.S., the years excluded are 1980, 1983 and 1988.

**USDA projections as of 9/12/89.

cent in projected acreage harvested. Soybean yields this year are expected to average 32.0 bushels per acre nationwide. That compares to 26.8 bushels last year, the 1985 peak of 34.1 bushels, and the average of the past 10 years (excluding the drought years of 1980, 1983, and 1988) of 31.8 bushels.

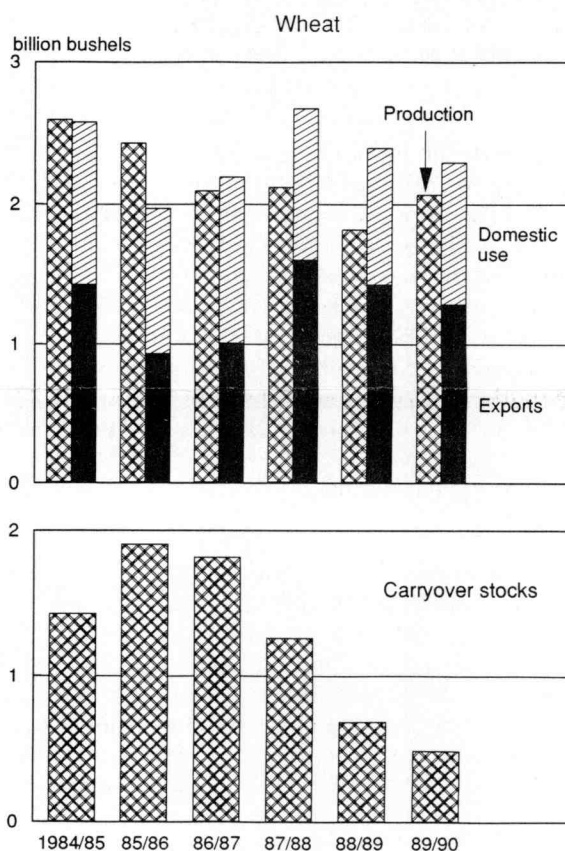
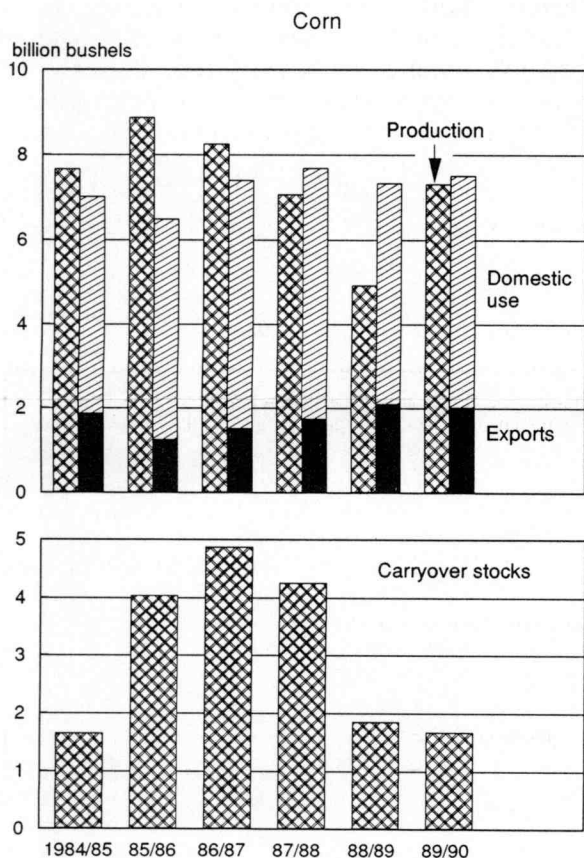
For the five states comprising the Seventh Federal Reserve District, the latest estimates foreshadow a 69 percent rebound in corn production this year and a 34 percent rise in soybean production. District states overall are expected to account for more than half of this year's corn harvest and about 45 percent of that for soybeans. In terms of the anticipated state-average per acre yields, this year's corn and soybean crop is shaping up as below normal (with "normal" defined as the average of the best 7 out of the past 10 years) in Illinois and Iowa and normal or better in Indiana, Michigan, and Wisconsin.

Despite an upturn in production of wheat, corn, and total grains, this year's harvest is not expected to be sufficient to meet usage during the 1989/90 marketing

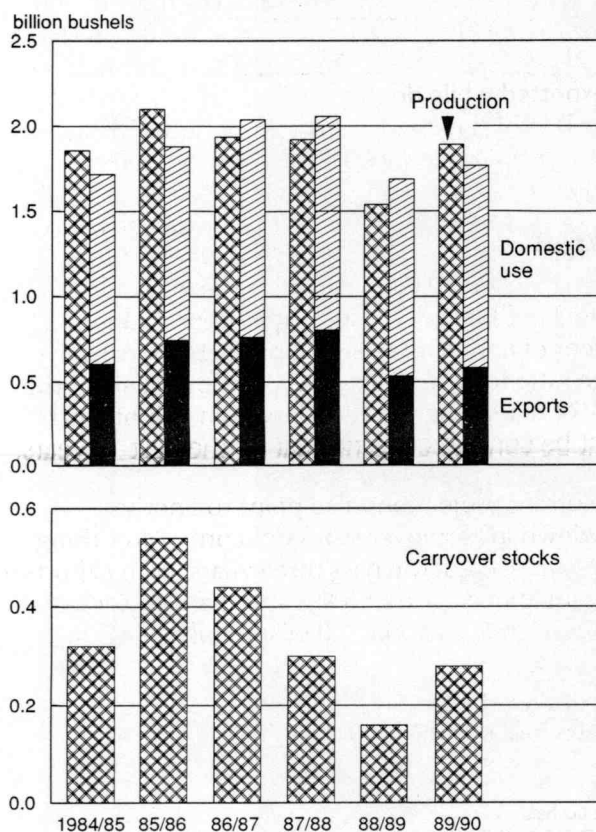
year. Hence, the already modest carryover stocks of grain, especially for wheat, will probably be pulled even lower by this time next year. For the 1989/90 wheat marketing year that started in June, the USDA currently projects that some 1.28 billion bushels will be exported while domestic use will total 1.01 billion bushels. This implies total usage, although down 5 percent from the previous year, may exceed production by roughly 200 million bushels. As a result, carryover stocks of wheat prior to next year's harvest are projected to total less than 500 million bushels, down from 700 million bushels at the end of the 1988/89 marketing year and equivalent to about 22 percent of annual usage. The projected stocks-to-usage ratio for wheat would be the lowest since the 1973/74 marketing year and less than half of what might be considered as normal for the past 15 years.

The current projections also point to another drawdown in carryover stocks of corn. After rising sharply in each of the past three years, corn exports in the marketing year that just started are projected to decline slightly to about 2.0 billion bushels. Con-

Despite increased production, carryover stocks of corn and wheat are expected to decline further



Carryover stocks of soybeans are expected to increase



versely, after declining during the year just completed, domestic use of corn in the 1989/90 marketing year is expected to rise about 5 percent to around 5.5 billion bushels. Since the envisioned usage exceeds the harvest projected for this year, carryover stocks of corn next fall may drop to less than 1.68 billion bushels. Such a level would be down from the 1.86 billion bushel carryover estimated as of the end of the 1988/89 marketing year and equivalent to roughly 22 percent of annual usage. From an historical perspective, the stocks to usage ratio projected for the new corn marketing year would be only slightly tighter than normal.

The expectation that the current grain harvest will fall short of usage and result in a further drawdown in carryover stocks is also the case from a worldwide perspective. Estimates of foreign grain production and usage for the 1989/90 marketing year are even more tentative than those for the U.S. This becomes obvious when one considers the data collection problems

for some parts of the world as well as the fact that the grain from Southern Hemisphere countries that will be lumped in with total 1989/90 world production will not be harvested for several more months. Aside from these caveats, however, the USDA's current estimates suggest that world carryover stocks of grain will drop another 8 percent during the 1989/90 world crop year. The anticipated decline follows a drop of 25 percent during the just completed crop year that pulled world carryover stocks of grain, relative to annual consumption, to the lowest level since the early to mid 1970s.

Contrary to the situation for grains, current prospects for harvest and usage point to a rebound in carryover stocks of soybean, both domestically and worldwide. For the 1989/90 soybean marketing year, the USDA currently expects about 1.19 billion bushels of soybeans will be consumed through crushings (into oil and meal) and other domestic uses, up only 3 percent after an 8 percent drop during the past year. Soybean exports are projected to rise 8.5 percent in the 1989/90 marketing year following a sharp drop during the year just completed. But at the 575 million bushels projected, U.S. soybean exports in 1989/90 would still fall short of the annual levels that prevailed during the 11 years that ended with 1987/88. As the potential for U.S. exports continues to be undermined by rapidly expanding production in Southern Hemisphere countries, total usage of U.S. soybeans in 1989/90 may recover to only about 1.77 million bushels. As such, U.S. carryover stocks of soybeans are projected to rise from the 155 million bushels estimated for the year just completed to 275 million bushels next August. As a percentage of usage, the projected stocks would represent a slightly larger than normal carryover for soybeans.

Gary L. Benjamin

AGRICULTURAL LETTER (ISSN 0002-1512) is published bi-weekly by the Research Department of the Federal Reserve Bank of Chicago. It is prepared by Gary L. Benjamin, economic adviser and vice-president, Peter J. Heffernan, economist, and members of the Bank's Research Department, and is distributed free of charge by the Bank's Public Information Center. The information used in the preparation of this publication is obtained from sources considered reliable, but its use does not constitute an endorsement of its accuracy or intent by the Federal Reserve Bank of Chicago.

To subscribe, please write or telephone:
Public Information Center
Federal Reserve Bank of Chicago
P.O. Box 834
Chicago, IL 60690
Tel.no. (312) 322-5111

Selected Agricultural Economic Indicators

			Percent change from		
	Latest period	Value	Prior period	Year ago	Two years ago
Prices received by farmers (1977=100)					
Crops (1977=100)	August	144	-1.4	0	13
Corn (\$per bu.)	August	128	-4.5	-6	25
Oats (\$per bu.)	August	2.29	-7.3	-14	56
Soybeans (\$per bu.)	August	1.38	-9.8	-46	-1
Wheat (\$per bu.)	August	5.93	-13.2	-29	18
	August	3.83	1.3	6	62
Livestock and products (1977=100)					
Barrows and gilts (\$per cwt.)	August	160	1.9	5	7
Steers and heifers (\$per cwt.)	August	47.40	0.0	3	-21
Milk (\$per cwt.)	August	73.50	2.5	5	12
Eggs (¢per doz.)	August	12.90	2.4	9	6
	August	71.0	10.9	22	43
Prices paid by farmers (1977=100)					
Production items	July	178	0.6†	3	9
Feed	July	165	0.0†	4	11
Feeder livestock	July	133	-5.0†	-8	27
Fuels and energy	July	193	4.3†	7	6
	July	188	1.6†	11	14
Producer Prices (1982=100)					
Agricultural machinery and equipment	August	113	-0.6	4	7
Fertilizer materials	August	118	0.3	4	7
Agricultural chemicals	August	95	-3.0	-4	5
	August	115	-0.3	8	12
Consumer prices (1982-84=100)					
Food	August	125	0.2	5	9
	August	126	0.2	5	11
Production or stocks					
Corn stocks (mil. bu.)	June 1	3,419	N.A.	-41	-46
Soybean stocks (mil. bu.)	June 1	655	N.A.	41	-22
Beef production (bil. lbs.)	July	1.89	-6.6	-5	-6
Pork production (bil. lbs.)	July	1.11	-12.6	-2	2
Milk production (bil. lbs.)††	August	10.1	-1.8	-2	0

N.A. Not applicable.

† Prior period is three months earlier.

†† 21 selected states.



AGRICULTURAL LETTER

FEDERAL RESERVE BANK OF CHICAGO
Public Information Center
P.O. Box 834
Chicago, Illinois 60690

(312) 322-5111



AG001
LOUISE LETNES LIBRARIAN
DEPT OF AGRIC & APPLIED ECON
231 CLASSROOM OFFICE BUILDING
1994 BUFORD AVENUE
ST PAUL MN 55108-1012