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CROP PRODUCTION ESTIMATES were lowered again by the U.S. Department of Agriculture in the latest evaluation of the 1974 harvest. Total feed grain production is now estimated at 165 million tons, down 2 percent from the October estimates and nearly 20 percent short of last year's harvest. The oilseed crop estimate was also lowered 2 percent from a month ago, dropping the year-to-year decline to 18 percent. The latest revisions push the all-crop production index down to a four-year low, some 8 percent short of the 1973 record.

Corn production is currently estimated at 4.6 billion bushels, 2 percent short of the October estimate and 18 percent below the 1973 harvest. Among district states, year-to-year declines of 21 and 23 percent are estimated for Iowa and Indiana, respectively. In Michigan and Illinois, corn production is expected to be down 18 and 16 percent, while in Wisconsin the decline is likely to be 10 percent. Nationwide, yields are expected to average 72.5 bushels per acre, nearly 19 bushels per acre less than a year ago.

Soybean production is currently pegged at 1.24 billion bushels, down 1 percent from last month's estimate and nearly 21 percent below the 1973 record. Declines of around one-fourth are expected in all district states except Wisconsin, where a reduction of 10 percent is anticipated. Overall, yields are estimated at 23.7 bushels per acre, down from 27.8 last year and the lowest since 1964.

Market rationing of tight supplies will be the major factor affecting corn and soybean prices the next few months. For soybeans, the large build-up in carryover stocks this past year will offset a large portion of the reduced 1974 harvest. Nevertheless, total utilization of soybeans will have to be reduced by about 7 percent from the 1973/74 level during the current marketing year.

The rationing needed for corn is even more acute since total supplies will be down nearly 20 percent. In order to maintain minimal carryover stocks a year from now, total utilization of corn will have to be reduced by 18 percent during the 1974/75 marketing year. The U.S. Department of Agriculture is currently projecting a comparatively greater reduction in corn exports than in domestic utilization. The latest USDA forecast pegs corn exports at around 900 million bushels for the current marketing year, down about 28 percent. In light of the 40 percent year-to-year decline in exports during the past four months, there is some plausibility in the magnitude of the projected decline. Nevertheless, new export commitments to known destinations have continued to rise in recent weeks and by late October totaled nearly 1 billion bushels.

Domestic utilization of corn is projected to fall to 3.9 billion bushels during the current marketing year, down 15 percent from the 1973/74 level. However, since corn utilized for processing and seed is not likely to decline, domestic utilization of corn for feed may decline by 17 percent, according to the current USDA estimates.

There are several indications that domestic feed consumption has already been curtailed by a substantial margin. For example, domestic utilization of all corn fell 14.5 percent short of the year-earlier level during the third quarter, down sharply from the 2 percent year-to-year decline in the second quarter. In addition, the October 1 inventory of cattle on feed was down 24 percent from the year-earlier level and reports indicate grain comprises a smaller proportion of the rations fed to these cattle. Furthermore, producers' intentions point to a 10 percent decline in sow farrowings during the six months ending in February 1975. An even larger decline may occur in light of the sharply higher level of sow slaughter over the past few months. These reductions in livestock numbers, plus large cutbacks in poultry production, suggest the reduction in domestic utilization of corn for feed may well be within the forecasted range.

Crop prices during the next few months will likely react to the rate at which utilization is curtailed. The degree of supply tightness that will be experienced in the months ahead is a fairly rare occurrence for the United States. Nevertheless, based on the few historical comparisons that somewhat parallel the current situation, a peak in crop prices early in the marketing year could be a reasonable expectation. This would be particularly true if early planting intention reports provide optimism for record harvests in 1975.

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