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Agricultural Letter

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RECENT CROP REPORTS provide an improved perspective on available supplies and potential usage in the United States during 1976.

- *1975 Annual Summary of Crop Production*—1974 corn production estimates revised slightly upward, and 1975 estimates revised downward by 37 million bushels.
- *Grain Stocks Report*—year-end 1975 corn stocks slightly higher than expected.
- *Supply and Demand Estimates*—1976 utilization rates for corn and soybeans revised upward and year-end carryovers revised downward.
- *Prospective Plantings*—corn and cotton acreage to expand and soybean acreage to contract significantly in 1976.

The Summary of Crop Production indicates the 1975 corn crop is 5.77 billion bushels—24 percent larger than the 1974 crop and a new record. The estimate of 1975 corn acreage was revised slightly upward, but this change was more than offset by a one-bushel-per-acre drop in estimated yield.

While soybean production estimates for 1975 were basically unchanged from earlier estimates, the 1974 production estimate was lowered 18 million bushels. Soybean yields were up five bushels per acre from the depressed 1974 level. Soybean production totaled 1.57 billion bushels in 1975, up 25 percent from the previous year and about equal to the 1973 record.

The Grain Stocks Report put corn stocks at 4.43 billion bushels as of January 1, 1976. This was slightly higher than some observers had anticipated. Corn utilization in the fourth quarter of 1975 totaled 1.7 billion bushels, up 11 percent from a year earlier. All of this increase was associated with exports—two-thirds larger than in fourth-quarter 1974. Utilization of corn for feed almost equaled year-earlier rates in the fourth quarter, somewhat surprising in view of the sharply reduced number of hogs on farms at that time. However, the 1975 corn harvest started unusually early, and it is possible that some of the corn harvested prior to October 1—the start of the 1975/76 crop year—was utilized in the 1974/75 crop year.

Soybean stocks on hand January 1, 1976 totaled 1.25 billion bushels, 26 percent more than one year earlier and a new record. The September-December disappearance rate of soybeans was up 16 percent from the year-earlier period.

A January 1976 survey of 700 Seventh District agricultural bankers tends to confirm the *Grain Stocks Report* of large inventories. Approximately four-fifths of the bankers were of the opinion that local

farmers were holding an unusually large proportion of the new crops—with many bankers suggesting they were waiting for corn and soybean prices to improve. Many bankers also suggested farmers were withholding sales for tax reasons.

The information contained in the recent crop reports led the USDA to revise its estimates of 1975/76 crop utilization. The most significant changes were upward revisions in estimates of corn and soybean domestic utilization. Domestic usage of both crops is now projected to increase between 11 percent and 18 percent. Higher-than-anticipated soybean crushings in the first four months of the crop year tend to support an estimate of increased domestic consumption; but reasons for projecting an increase in domestic corn utilization are not clear. As a result of the higher utilization, estimates of carryover stocks have been reduced but remain at least one and one-half times as large, as at the end of the last crop year.

Prospective Plantings suggests several trends. Corn acreage might surpass 80 million acres in 1976—for the first time in 16 years. The 1976 corn crop could exceed 6 billion bushels—a new record—assuming relatively normal weather conditions. Feed grain plantings, led by a 4 percent increase in corn acreage, would increase 2 percent if U.S. farmers pursue stated intentions. Soybean acreage might be pared 7 percent, reflecting the current adverse corn/soybean and cotton/soybean price ratios. Soybean production will probably drop to around 1.4 billion bushels.

The recent reports failed to identify any new trends in corn or soybean prices. Crop prices dropped sharply the day after the *Grain Stocks Report* was published; but prices recovered somewhat on the strength of the higher domestic utilization estimates revealed in the *Supply and Demand Estimates*. Delayed sales by farmers may keep crop prices near current levels for the next few months. However, if crop acreage approaches indicated levels and weather allows relatively normal spring planting, it seems likely that crop prices may come under additional downward pressures by midyear.

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