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# Agricultural Letter

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**CORN AND SOYBEAN** production prospects were reduced further by the dry conditions that extended through August. The U.S. Department of Agriculture now estimates that the 1976 corn harvest will total 5.89 billion bushels, based on September 1 conditions. The revised estimate is 295 million bushels below the August estimate, 660 million bushels short of the July estimate, and only 125 million bushels above last year's record. Soybean production is now estimated at 1.27 billion bushels, down 70 million bushels from the initial projection of last month and nearly 250 million bushels less than last year. In contrast to corn and soybeans, spring wheat prospects have improved, and it now appears the total 1976 wheat harvest may slightly exceed last year's record.

Reductions in the estimates of both harvested acreage and per acre yields contributed to the lower corn production prospects. Although planted corn acreage rose 8 percent last spring, the amount to be harvested for grain this fall is now estimated at 71.2 million acres, up 6 percent from a year ago but down 1 million acres from the August estimate. Per acre corn yields are currently pegged at 82.8 bushels, down from the 85.7 bushel average estimated last month and last year's average of 86.2 bushels per acre. Soybean yields are expected to average 25.8 bushels per acre, down from the August estimate of 27.2 and the year-earlier level of 28.4 bushels. Harvested soybean acreage is expected to be down 8 percent from a year ago, about in line with the previously indicated reduction in planted acreage.

The latest revisions have trimmed about all the "fat" from earlier indications of an easing in the 1976/77 supply/demand balance for corn and further tightened the prospective balance for soybeans. Indeed, prospects for an increase in total feed grain supplies for the 1976/77 marketing year evaporated with the latest reduction in the corn estimate and a simultaneous reduction of 10 percent in the sorghum production estimate. Moreover, the continuation of dry weather through mid-September, coupled with the realization that September production estimates often deviate rather substantially from final production estimates, heightens the concern that future estimates may reflect still further deteriorations in production. Over the past 13 years deviations—plus and minus—between the final corn estimate and the September estimate have averaged more than 4 percent. Deviations in the soybean estimate have averaged 3 percent. The September corn estimate has exceeded the final estimate in six of the past 13 years, while for soybeans over-estimation in September has occurred in nine of the last 13 years.

**Forecasted utilization rates** of corn and soybeans have been trimmed as a result of the reduced production prospects. To balance the reduced corn production estimate, the USDA has lowered both its projection of domestic feed utilization and ending 1976/77 carryover stocks by about 150 million bushels. The lower projection for feed utilization is less than 3 percent above the estimate for the current marketing year that ends this month and a strong indication that livestock feeding activity in the year ahead may not achieve earlier anticipated increases.

The corn export projection for the 1976/77 marketing year remains at 1.55 billion bushels, down from the 1.70 billion estimate for this year. Whether actual exports achieve this level is highly uncertain. Nevertheless, recent upward revisions in the prospective Soviet grain harvest hold promise that exports may not surpass the projected level.

The soybean supply/demand balance projects to be substantially tighter during the marketing year that started this month than in the past two years. The curtailed supplies will necessitate reduced utilization rates. Moreover, ending carryover stocks will likely approach minimum levels, perhaps less than one-half the stocks carried over from the 1975/76 marketing year.

**Corn prices** at Chicago have stabilized at around \$2.90 per bushel since late August—10 to 15 cents below year-earlier levels. Soybean prices, on the other hand, have fluctuated widely and currently average about \$6.70 per bushel, up more than \$1 from a year ago. Although fluctuations may well continue, the general trend in corn and soybean prices is expected to be downward through the harvest season. In light of the reduced production prospects, however, the declines are not likely to carry to earlier anticipated levels. The extent of the post-harvest season recovery will remain highly uncertain until final production estimates—and the implied impacts of the production estimates on utilization rates—are more clearly established. Nevertheless, a few factors—such as the current poor cattle feeding margins, abundant and competitively priced wheat supplies, and burdensome soybean oil supplies—will provide some upper restraints to the post-harvest recovery.

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