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Federal Reserve Bank of Chicago --

July 13, 1973

CORN AND SOYBEAN PRODUCERS expanded planted acres significantly over last year according to the Department of Agriculture's July Crop Report. Farmers planted 72.5 million acres of corn, up 8.5 percent from 1972 and the second largest acreage in over a decade. Soybean acreage rose 21 percent to 56.7 million acres, marking the thirteenth consecutive year of record soybean plantings. Total production of corn and soybeans was projected at 5.9 billion bushels and 1.6 billion bushels, respectively.

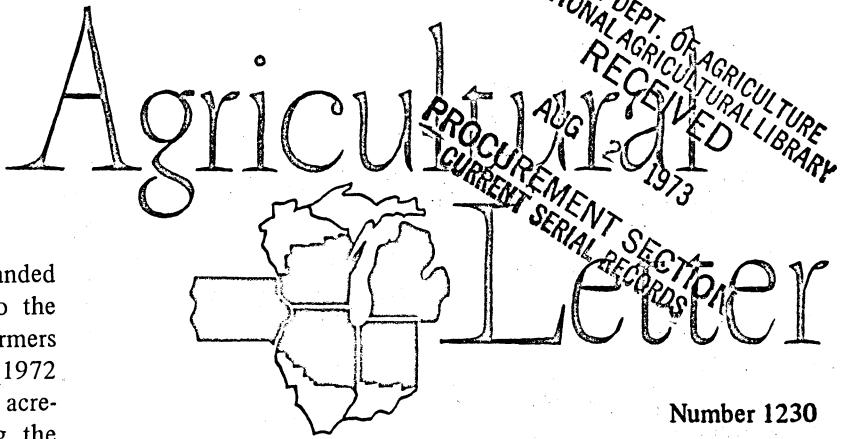
Harvested feed grain acreage—consisting of corn, sorghum, oats, and barley—is projected to increase 9 percent over 1972. Harvested acres of sorghum—an important substitute for corn in cattle feed rations—are expected to increase 12 percent. Wheat acreage for harvest is currently estimated at 53.6 million acres, up 13 percent. This is expected to boost total wheat production to 1.7 billion bushels, also up 13 percent from the 1972 crop.

Harvested Acres of Six Major Crops in the United States

	1972 actual (thousand acres)	1973 estimate	Change (percent)
Corn for grain	57,282	62,548	+ 9
Grain sorghum	13,546	15,203	+12
Oats	13,612	14,563	+ 7
Barley	9,707	10,544	+ 9
Soybeans	45,753	55,731	+22
Wheat	47,301	53,588	+13
Total	187,203	212,177	+13

The expansion in crop acreage reflects both a relaxation of government programs and higher price levels. The Department of Agriculture substantially revised the feed grain and wheat program set-aside requirements in an attempt to encourage additional production of feed grains, soybeans, and spring wheat. While more than 40 million acres were released from set-aside under the two programs, about 59 percent of these acres were planted. Nevertheless, the resulting increase in planted acreage is impressive in view of the adverse spring planting conditions that prevailed throughout most of the nation.

Recent reports indicate that growing conditions improved markedly after the crops were planted. While emerging stands of corn and soybeans are not as good as those of last year, in most cases they are near normal. Moisture supplies are adequate to surplus in most areas, and temperature conditions were favorable during June and July to date. Drier weather permitted farmers to sidedress in those areas where preplant fertilizer application was prevented due to excessive spring moisture. The most negative aspect of the current crop is the



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relative lateness of planting. However, record yields have been obtained on most occasions when corn plantings were significantly behind the established norm, so the relative degree of adversity remains questionable.

The Department of Agriculture uses trend line yield projections to calculate total production. The current trend lines portend a 94 bushels per acre corn yield and 28.5 bushel per acre yield for soybeans. This is nearly 3 bushels under the 1972 corn yield and 0.5 bushel over last year's soybean yield. While trend line yields of these two crops are still possible considering present crop conditions, better than normal weather conditions may be required to achieve the indicated level of production.

The projected increase in plantings and the resulting increase in production will serve to replenish domestic supplies that were rapidly depleted by increased exports during the last year. Soybean and sorghum stocks will be virtually exhausted by the time the new crop harvest begins, while wheat stocks will be at the lowest levels in several years.

The Department of Agriculture recently estimated corn utilization for the current crop year (October 1972-September 1973) at 5.8 billion bushels, leaving a 900 million bushel carry-over at the end of the year. Exports were projected to account for 1.0 billion bushels; the remaining 4.8 billion bushels would be consumed domestically. While exports appear likely to exceed this estimate, reduced domestic consumption reflecting curtailed livestock production may be about offsetting. Year-ending inventories coupled with projected production suggest a supply of around 6.8 billion bushels at the start of the 1973-74 crop year. If such supplies are realized, prices may show some weakening even in the face of strong export demand.

Since soybean stocks will be virtually depleted by the time the new crop harvest begins this fall, 1973-74 supplies will essentially equal harvested production. While prices will likely drop below current levels at harvesttime, continuing strong export demand will probably hold prices well above 1972 levels.

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