



WEEKLY OUTLOOK

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LESS CORN, MORE WHEAT

BASED ON CROP CONDITIONS ON JULY 1, the USDA expects the 1980 corn crop to total nearly 7.3 billion bushels, compared to last year's output of 7.76 billion bushels. Although U.S. Farmers planted about 3.5 million more acres of corn this year than last, the average yields are expected to be substantially smaller.

The July estimate places the 1980 average yield at 99.3 bushels per acre, down 10.1 bushels from the 1979 average. The five-year average yield is 95 bushels per acre.

Iowa is expected to remain the largest corn-producing state, with a total of nearly 1.5 billion bushels. Production in Illinois is projected at 1.3 billion bushels, reflecting an average yield of 118 bushels per acre. Average yields are expected to be smaller in all of the major corn-producing states. The greatest reductions are forecast for Missouri, South Carolina, and South Dakota. Because of expanded acreage, the corn crop in Indiana, Kentucky, and Ohio is estimated to be larger than last year.

The 1980 wheat crop is forecast at 2.3 billion bushels, up from last year's record figure of 2.1 billion bushels. Although the average yield is expected to be smaller than a year ago, wheat seedings were increased by nearly 10 million acres.

The winter wheat crop is exceptionally large, at 1.85 billion bushels. This exceeds the previous high in 1975 by about 200 million bushels. Because of extremely dry weather, the spring wheat crop will be substantially smaller than a year ago. The July estimate for all spring wheat, including durum, totaled 468.9 million bushels—down 14 percent from last year.

The largest increases in wheat production are occurring in the soft wheat areas. The Illinois crop is 40 percent larger than last year. Production is up 19 percent in Indiana, and 26 percent in Missouri. Production in the major hard wheat states of Kansas, Oklahoma, Nebraska, and Texas is expected to be about equal to last year's output.

IMPLICATIONS. Wheat supplies should be ample to meet expected consumption during the year ahead. The winter wheat harvest is progressing rapidly. Spring wheat yields are still highly uncertain, and some shortages may occur.

World wheat production in 1980-81 is projected at 444.3 million metric tons, up from 419.3 million in 1979-80. Substantial increases are expected in Europe, Russia, and the United States. Based on the USDA's June estimate of 1980-81 wheat consumption and the July production estimate, U.S. Wheat inventories may increase somewhat during the year ahead. Under these circumstances, wheat prices would not be expected to go up.

If a corn crop of 7.3 billion bushels materializes, carryover stocks of corn would decline to about 1.45 billion bushels by the end of the 1980-81 marketing year. This would be an ample supply, suggesting that the market would require only small amounts of the corn now in the reserve program.

A continuation of hot and dry weather in the Corn Belt, however, may well preclude a crop as large as 7.3 billion bushels. Recent advances in corn prices reflect this concern. Until an improvement in growing conditions occurs, corn prices are likely to continue their upward trend. Soybean prices will follow a similar pattern. Historically, weather-based price rallies peak before harvest. It appears, however, that the peak has not yet been reached.

The USDA's August estimates on crop production will reveal the affects of the weather on the corn and soybeans.

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