Cooperative
Extension Service
University of Illinois
at Urbana-Champaign

WEEKLY OUTLOOK

Department of Agricultural Economics
College of Agriculture
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October 14, 1985

PRODUCTION ESTIMATES INCREASED AGAIN

AS EXPECTED, THE USDA's OCTOBER CROP PRODUCTION REPORT contained larger estimates for both corn and soybeans, but the estimates were at the high end of expectations and above the figures of some private forecasters.

Production potential for corn is now estimated at 8.603 billion bushels, 134 million above the September estimate and almost 950 million bushels above the 1984 crop. The U.S. average yield potential is estimated at a record 115.1 bushels per acre. The corn crop in Illinois is expected to total almost 1.5 billion bushels, reflecting a record-tying yield of 131 bushels.

The production potential of U.S. soybeans is estimated at 2.108 billion bushels, 45 million bushels above the September figure and almost 250 million bushels above the 1984 crop. The U.S. average yield is estimated at a record-breaking 33.9 bushels per acre. Illinois saw an average yield of 42 bushels per acre, 4 bushels above the September estimate and 3 bushels above the 1979 record.

In a separate report, the USDA estimated September 1 inventories of soybeans at 318 million bushels, a figure very close to the one expected. The total supply of soybeans for the 1985-86 marketing year, then, is currently estimated at 2.426 billion bushels, which is just short of the record supplies of 1979 and 1982.

The October *Supply and Demand* report projected that soybean use during the 1985-86 marketing year will total about 1.826 billion bushels. This forecast represents an increase of 107 million bushels over the level of use last year. Soybean stocks are expected to increase to 600 million bushels by the end of the marketing year. The previous high for carryover stocks was 358 million bushels at the end of the 1979-80 marketing year.

The total corn supply for the 1985-86 marketing year (production and carryover stocks) is estimated at 9.92 billion bushels. The record supply was 10.4 billion bushels three years ago. The total use of corn for the 1985-86 marketing year is expected to be relatively unchanged from last year at 7.07 billion bushels. Domestic use may be larger, but exports are expected to decline. Corn stocks at the end of the marketing year are now forecast at 2.85 billion bushels.

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The forecast for wheat exports during the current marketing year was lowered by 100 million bushels to only 1.05 billion. That forecast represents the lowest level of U.S. wheat exports in nine years. The use of wheat for all purposes is forecast at only 2.11 billion bushels. Wheat inventories at the end of the 1985-86 marketing year (May 31, 1986) are now forecast at 1.738 billion bushels.

Based on the current estimates of supply and demand, ending stocks of soybeans will represent 33 percent of the total use of soybeans during the year ahead. Carryover stocks of corn will account for 40 percent and wheat 82 percent of total use. The size of the surplus suggests that corn, wheat, and soybean prices will continue to be dominated by the loan prices of the Commodity Credit Corporation. Corn and soybean prices are expected to remain low enough through harvest that large quantities of those crops will be placed under loan. Large loan entries in turn would force market prices higher later on so that producers could redeem some of those loans. With an 8 percent interest rate, the loan redemption price after storage for nine months is $2.70 for corn and only $5.32 for soybeans.

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