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Crop Price Outlook

by

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The U.S. and world crop production reports issued in October must be termed bearish with the one possible exception being wheat. The following analysis of these reports does not offer much hope for substantially higher prices based on the information now available.

Wheat. The October 1, 1979 U.S. estimate of production of all wheats is down 10 million bushels from the September 1 report, but is up 315 million bushels from the 1978 crop. Disappearance of wheat is up 210 million bushels, and carryover is down 149 million bushels, placing wheat in a more favorable price situation. A record yield of 34.1 bushels per acre is forecasted. Durum Wheat production estimated at 104 million bushels is down 22 percent from last year; Hard Red Spring Wheat at 355 million bushels, is down 6 percent; Hard Red Winter Wheat, at 1091 million bushels, is down about 2 percent; and Soft Red Wheat estimated at 319 million bushels is up about 58 percent.

All wheats should show some strength into the winter months. The 1980 crop futures will be dependent on weather conditions and the winter wheat plantings that will be released on December 21.

Corn. The October 1 estimates for corn production in the U.S. indicates another record crop of 7.39 billion bushels compared with the 1978 record of 7.08 billion bushels. Yield records are also estimated to be broken with a 106.4 bushel per acre yield in 1979, surpassing the 1978 yield of 101.2 bushels--the only other over-100 bushel per acre yield. Record exports of 2.5 billion, if reached, will enable us to use all of the 1979 corn production.

Carryover on corn should decrease by around 50 million bushels, but with the 1979 carryover estimated at 1.22 billion bushels it is still quite high. Therefore, the October 1 record crop forecast negates the substantial summertime rise expected earlier for corn prices. Modest gains are still expected, however, if demand continues as expected and if there are no more delays in the transportation of grains.

Barley and oats production is sharply reduced for 1979 while sorghum is increased. Sorghum production is increased by .69 million bushels on 626 thousand fewer acres because of an increase in yield from 55.1 to 63.0 bushels per acre. The figures are presented in the table below.

	Harvested Acres		Production		Yield		Carryover	
	1978	1979	1978	1979	1978	1979	1978	1979
	Millions		Mil. Bu.		Bu. Per Acre		Mil. Bu.	
Barley	9233	7645	447	364	48.4	48.9	228	177
Oats	11531	10037	601	531	52.2	53.1	289	201
Sorghum	13581	12955	748	817	55.1	63.0	187	202

Soybeans. The October 1 report raised the estimates of the crops of soybeans raised in both 1978 (on-farm storage had been underestimated) and 1979. The 1978 crop was raised by 28 million and the 1979 crop by 39 million. Indications are for a record production of 2.2 billion bushels and a record yield of 31.5 bushels per acre. The increase in carryover from 173 million in 1978 to 380 million in 1979 will definitely leave the season's average prices below that for the 1978 crop. Average prices of 1979 crop soybeans will be \$1 to \$1.25 per bushel less than 1978 assuming a Brazilian 1980 crop of around 15 million metric tons. World soybean production is up about 17 percent; total world oilseed production is up 12 percent over

the 1978 crop. Farm price for soybeans will have difficulty going over \$6.00 per bushel any time in the crop year unless U.S. and Brazil 1980 crop conditions deteriorate.

Oats prices should show additional strength throughout the winter. Barley should remain strong even though all loan barley is in the "call" status. Sorghum prices will follow corn, but it should close the 75 cent a bushel gap to 30 to 40 cents under.

Total feed grain (corn, barley, oats and sorghum) production is estimated to be up about 12 million metric ton.

Sunflowers. The official October 1 sunflower estimates confirmed the appraisals of several outlook specialists by increasing the expected harvested acres to 5463 million acres and the estimated production to 7.65 billion pounds compared with 2763 million acres and 3.85 billion pounds last year. This will probably keep sunflower seed at about 8½ to 9 cents a pound farmer price for the year. Also because of a probably first substantial carryover of sunflower seed, the usual April-May-June price rise will not be nearly as large

if it occurs at all. World production of sunflowers is up 2.40 million metric tons. A modest increase.

Flaxseed. The 1979 flaxseed crop appears to be nearly ideal in that it is sufficient for demand, but not excessive. Harvested acres increased from 860 thousand acres in 1978 to 1009 in 1979. The average yield estimate for 1979 is 13.1 bushels per acre compared with 12.7 last year. This results in production for 1979 of 13.3 million bushels compared with 10.9 in 1978. Flaxseed price should stay around \$6.00 farmer price until new fundamentals evolve.

World production of grains is expected to be the second largest crop ever, but is estimated to be far below the record 1978 crop. World production for 1979 is estimated at 1504 billion metric tons, compared with 1574 billion tons last year.

World wheat estimates have been decreased from 438.6 billion metric tons last year to 400.7 in 1979. Coarse grains decreased from 750.0 to 729.5 and rice from 385.4 to 373.6 billion metric tons. As was stated earlier, world oilseed production is increased.

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