



ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

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CROP PLANNING

ALONG WITH PRICING 1976 CROPS, farmers are now making their 1977 production plans. Two major decisions regarding next year's crops have already been made: winter wheat is planted and fall fertilization for next year's corn acreage has been completed. Statistics are not available on the extent of fall fertilization, but winter wheat seedings were estimated by the USDA as of December 1.

According to the report released on December 22, winter wheat seedings totaled 55,845,000 acres--down 3.2 percent from a year earlier. Planted acreage has been reduced in every major producing state except Kansas, where the acreage increased from 12.9 to 13.2 million acres. Winter wheat seedings in Illinois declined from 1.9 to 1.67 million acres. In the five Corn Belt States of Ohio, Indiana, Illinois, Iowa, and Missouri, winter wheat acreage was reduced by 910,000 acres. Winter wheat production is estimated at 1.44 billion bushels--down 8.2 percent from a year ago.

The reductions in wheat acreage were anticipated. They are in response to low prices in the current marketing year. In light of the burdensome supplies of wheat in this country, the reduction is not significant.

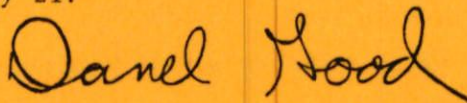
The major decision facing Corn Belt farmers now is what proportions of corn and soybeans to plant next spring. The decision has been partially made by the application of fall fertilizer. Such factors as anticipated corn rootworm infestations, weather, rotation plans, and relative prices will determine the proportion of corn and soybeans on the remaining acreage. Fears of corn-rootworm damage and dry weather favor planting extra soybeans. Current prices also favor soybean production. With corn yields of 120 bushels per acre and soybean yields of 40 bushels, a price of \$6.95 per bushel for soybeans makes them about \$35 an acre more profitable than corn at \$2.40 per bushel.

However, next year's crops cannot be sold at current spot prices. A more accurate comparison of profitability can be gained by examining 1977 futures prices. On January 6, soybean futures for November, 1977, closed at \$6.54. December, 1977, corn futures closed at \$2.69-3/4 per bushel. Localizing these prices to east-central Illinois (that is, assuming "normal" basis patterns and handling margins) produces cash prices of approximately \$6.24 for soybeans and \$2.44 for corn at harvest time, and \$6.64 and \$2.68 3/4 for soybeans and corn, respectively, in July of 1978. The

averages of the harvest-time and July prices are \$6.44 for soybeans and \$2.56-3/8 for corn. Farmers currently have the opportunity to price some anticipated 1977 production at these levels.

Using these average prices, land yielding 120 bushels of corn or 40 bushels of soybeans at a cost of \$45 per acre greater for corn would return \$5 more per acre if planted in corn. In terms of current pricing opportunities for 1977 production, corn and soybeans are a toss up with respect to profitability.

Many analysts think that 1977 soybean acreage may be increased by as much as 5 million acres and corn reduced by as much as 3 million acres, in response to current prices. The increased soybean acreage would come primarily from reductions in both corn and wheat. However, a switch of this magnitude appears unlikely. Relative corn and soybean acreage may remain about unchanged in 1977. The first indication of farmers' plans for next year will be revealed in the USDA's prospective planting report to be released on January 21.



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