



# ILLINOIS FARM AND FOOD OUTLOOK

## COLLEGE OF AGRICULTURE DEPARTMENT OF AGRICULTURAL ECONOMICS

Urbana, Illinois 61801

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### ANTICIPATING THE PLANTING INTENTIONS REPORT

AS OF JANUARY 1, U. S. FARMERS REPORTED THEY INTENDED TO PLANT 80.9 million acres of corn and 63.9 million acres of soybeans. These intentions represented a 2.1-percent decrease in corn acreage and an 8.2-percent increase in soybean acreage, compared to actual plantings in 1977. Illinois farmers had intentions of reducing corn acreage about 1.3 percent and raising soybean acreage by 6.4 percent.

Since January 1, both corn and soybean prices have increased substantially. In addition, the Carter Administration has confirmed the 10-percent set-aside program for feed grains, announced a 10 percent paid-diversion program for feed grains and raised the loan rate on soybeans from \$3.50 to \$4.50 per bushel. Farmers' planting intentions were surveyed again on April 1. The results are to be released on April 13. The central question is how much have farmers' intentions changed over the past three months.

RELATIVE PROFITABILITY. Last December 30, the December, 1978, corn futures closed at \$2.27-3/4 per bushel. November soybeans closed at \$5.92 per bushel. Using average yields, costs, and basis patterns for central Illinois, NEW crop prices made soybeans about \$7 per acre more profitable than corn. On March 31, December corn closed at \$2.59-1/2 per bushel and November soybeans closed at \$6.15-1/2 per bushel. Again, using central Illinois conditions, corn was about \$26 per acre more profitable than soybeans when the April 1 survey was taken. If farmers watch current cash prices rather than bids for harvest delivery, soybeans would have appeared to be about \$13 per acre more profitable than corn on March 31, compared to \$19 on December 30. The relative profitability of corn has increased since the January 1 intentions report, and based on new crop prices may have an absolute advantage in some areas.

EFFECTS OF DIVERSION PROGRAM. The new diversion provisions of the farm program are apparently attractive enough that some land will be idled in 1978. Participating farmers probably will idle a full 20 percent of their planted acreage in order to be eligible for diversion payments. Two questions arise: How much land will be idled? Will Corn Belt farmers reduce their corn or soybean acreage, or both?

The total amount of land idled under the current farm program is likely to be less than government estimates. Because only two days separated the announced changes in the farm program and the planting intentions survey, farmers' reactions are not reflected fully in the April 13 report. Recent changes in the relative profitability of corn and soybeans would imply that some of the diverted acreage may come from soybeans rather than corn.

CONCLUSIONS. The circumstances surrounding the 1978 planting decisions are unlike those for any year in recent history. Changes in intentions between January 1 and the spring for recent years are not good indicators of what may happen this year.

The current prices for new-crop corn and soybeans indicate that the market anticipates a change in intentions. With December corn near the \$2.60 mark, a substantial reduction in corn acreage is expected, perhaps to 76 million acres. A November soybean price of about \$6.20 per bushel probably reflects the anticipation of further increase in soybean acreage.

On April 7, Conrad Leslie (a private forecaster) placed the April 1 intentions at 77.2 million acres for corn and 64 million acres for soybeans. There is no way to estimate the change with confidence, but my guess is that the USDA report will show intentions of 79 million acres of corn and 63 million acres of beans. Because of continued wet weather and uncertainty about reactions to the farm program, the market is likely to discount the report rather heavily.

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