ILLINOIS FARM AND FOOD OUTLOOK
COLLEGE OF AGRICULTURE
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CORN AND SOYBEAN STRATEGIES FOR 1979

FARMERS ARE MAKING THEIR FINAL PLANS for corn and soybean acreages in 1979 and are deciding whether or not to participate in this year's feed-grain program. Information on national crop-planting intentions, current and expected prices, as well as yield and cost experiences will be useful in making these decisions.

Expected prices favor more soybean plantings and less participation in the feed-grain program than last year. On February 15, soybean futures for November, 1979 closed at $6.97 per bushel. December, 1979 corn closed at $2.60. Localizing these prices to east-central Illinois, assuming "normal" basis patterns and handling margins, gives cash prices of approximately $6.50 for soybeans and $2.20 for corn at harvest time and $7.10 and $2.60, respectively, for delivery in July, 1980. Farmers now have the opportunity to price some anticipated 1979 production at these levels.

Using the futures prices above, soybeans would return $29 more per acre for soybean than for corn. The assumed yields are 120 bushels of corn and 40 bushels of soybeans per acre with variable production costs of $45 per acre more for corn than for soybeans.

Program participation appears to be less attractive this year than last. The expected prices for corn exceed the $2.20 target price, so deficiency payments are not likely. Land-diversion payments for additional acres that are idled have been reduced. Idling acres may be attractive for producers with land of marginal productivity. For producers with high-risk yield situations, the disaster protection part of the program may be beneficial. Substantial target-price deficiency payments for wheat and the cross-compliance requirement give farmers who grow corn and wheat an incentive to participate in the program.

Sharp changes from the January planting intentions are unlikely this year. The profitable soybean/corn price relationship was established before the intentions were surveyed. Most farmers are aware of the current profit opportunities for soybeans and of the provisions in the feed-grain program.

According to the January intentions report, soybean acreage will be up 3.5 percent and corn acreage up 1.2 percent. For the crops covered in the January report plus wheat, the intended acreages total nearly 6 million, or 2.5 percent, more than a year earlier. Those 6 million acres represent a third of the land used for set-aside, diversion, hay, and grazing in 1978. Thus, additional increases in total crop acreages are unlikely.

More acres are probably already committed to corn this year than last. Thirty percent more fertilizer was applied during July-November, 1978 than a year earlier when crops were harvested late.

Further expansion of soybean acreage is limited by production risks and potentially lower yields. Plant pathologists cite the advance of cyst nematodes and other pathological microorganisms into the Corn Belt. Continuing to grow soybeans in the same field carries an uncertain risk of long-run yield reductions or higher production costs. Production uncertainties also discourage new soybean growers.

With more acres likely to be in feed grains and soybeans this year, pricing concerns will be focused on other supply indicators, including: the planting date, available moisture, and temperature as well as conditions affecting world supplies of feed grains and soybeans.

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