



# WEEKLY OUTLOOK

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## PLANTING ESTIMATES SURPRISE THE MARKET

NEW ACREAGE, PRODUCTION, AND DEMAND ESTIMATES released by USDA last week had a marked effect on grain and soybean prices. A survey of farmers revealed that they intend to plant 58.8 million acres of corn this spring. While intended acreage is 28 percent less than last year's plantings, it is 2 to 3 million acres higher than the average trade guess. Soybean plantings are projected at 65.8 million acres, about 9 percent less than a year ago but near the midpoint of trade guesses.

Planted acreage of all major crops is expected to be about 61.4 million acres less than a year ago and about 63.1 million less than the record acreage of 1981. The USDA analysis of the PIK program indicated that farmers intended to idle 84 million acres. Planted acreage is 21 to 22 million acres above the estimate based on calculations from program participation. Even assuming that the producers who signed up for only the Acreage Reduction Program (ARP) do not intend to comply with it, planted acreage is 9 million above calculated acreage. This excess, often referred to as slippage, is a normal occurrence with set-aside programs. Markets do a poor job of anticipating the extent of the slippage factor.

The planted acreage estimates, along with revised export projections, significantly change the supply and demand estimates for 1983-84. The USDA estimates corn exports for the current marketing year at 1.95 billion bushels, 50 million less than last month's estimate. Carry-over stocks are estimated at 3.434 billion bushels. Based on planting intentions and expectations of a yield near that of last year's high, the 1983 corn crop is tentatively projected at 6.05 billion bushels. Corn use during the 1983-84 marketing year is projected at 7.37 billion bushels, leaving carry-over stocks of 2.115 billion bushels.

While the 1983 corn production estimate is optimistic, exports for both this year and next may still be overestimated. The inventory of corn at the end of the 1983-84 marketing year will exceed 2 billion bushels. Without significant weather problems, corn will remain in surplus and prices will be dominated by government programs. The season's average corn price for next year is expected to be in the \$2.70 to \$2.75 range. Old-crop prices will be limited by the reserve trigger price. Increased farmer selling after planting will likely weaken the basis.

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Soybean export estimates for the current crop year were lowered by 20 million bushels to 930 million. Reduced exports are the result of a large South American soybean crop. The Brazilian crop is estimated at 15.5 million metric tons as compared with last month's estimate of 14.9 million tons and last year's crop of 12.8 million tons.

The USDA projections for ending inventories of soybeans are 395 million bushels and a 1983 crop of 2.075 billion bushels. If these estimates materialize, next year's supplies will be only 3 percent smaller than this year's. Carry-over stocks are projected to remain above 300 million bushels next year. Soybean prices next year are not expected to average above \$6.50. Weather will be the key price factor between now and harvest.

The USDA estimates the 1983 winter wheat crop at 1.89 billion bushels, 215 million bushels less than a year ago but about 100 million more than expected. Because of the large carry-over of old-crop wheat, total wheat supplies for the year ahead will be about equal to this year's. The USDA projects no decline in the wheat surplus. Wheat prices will be dominated by government programs. Prices are currently below the loan level and may remain weak through harvest. Post-harvest recovery to levels exceeding the loan level are likely, particularly if another PIK program is offered for the 1984 crop.

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