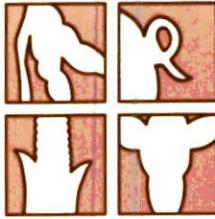




Cooperative
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WEEKLY OUTLOOK

Department of Agricultural Economics
College of Agriculture
University of Illinois at Urbana-Champaign

March 12, 1986

PROSPECTIVE PLANTINGS REPORT TO BE RELEASED NEXT WEEK

THE USDA'S *PROSPECTIVE PLANTINGS* REPORT was originally scheduled for release on February 18. Because the final 1986 farm program provisions were delayed, the survey was delayed by one month. The results of that survey are now to be released on March 18.

There is a general consensus that the report will reveal farmers' intentions to plant less corn than was planted in 1985. Reduced acreage will reflect the high rate of participation in the acreage reduction and diversion programs. Participating farmers must idle 20 percent of their base acreage, rather than the 10 percent required last year. Participation should exceed last year's enrollment of 70 percent of the base acreage, possibly including up to 85 percent of the base acreage. Corn acreage may be reduced further by the "underplanting" provision of the farm program discussed here last week.

Opinion about the extent of reduction in corn acreage varies considerably. History suggests that it is difficult to predict year-to-year change in corn acreage from the amount of set-aside and diverted acreage. In 1983, for example, set-aside and diverted acreage increased by 31.1 million acres from the level of 1982. Planted acreage was reduced by only 21.7 million acres, however. In 1985, set-aside acreage was increased by 1.8 million acres from the level of 1984, but planted acreage *increased* by 2.8 million. That increase is partially explained by the magnitude of prevented plantings in 1984.

For 1986, the larger set-aside requirement and higher rate of participation should result in a 10 percent reduction in planted acreage. The March 18 report is expected to show intentions to plant about 75 million acres of corn. Over the past 2 years, an average of 8.4 million acres of corn was harvested for silage or not harvested at all. Thus, 75 million acres planted to corn can be projected to 66.6 million acres harvested for grain. A trend yield of 112 bushels per acre would produce a crop of 7.46 billion bushels of corn. With such a crop, corn use would have to increase by nearly 10 percent next year to prevent a further build-up in inventories.

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There is less agreement about prospective soybean acreage in 1986. Soybean acreage declined by 4.6 million acres in 1985. Current prices for the 1986 crop point to potentially low returns to soybeans in the year ahead, suggesting a further decline in acreage. Reduced acreage of soybeans implies that the acreage of other crops would have to increase. The number of alternative crops that offer a higher return is small, however. Soybean acreage, then, may remain higher than expected because of the lack of alternatives.

We expect Tuesday's report to indicate soybean planting intentions of about 64 million acres, up 1 million from 1985. Harvested acreage would project to about 62.4 million acres. The average U.S. soybean yield since 1979 (excluding the drought years of 1980 and 1983) is 31.1 bushels per acre. An average yield projects to a crop of 1.94 billion bushels. A crop of that size would not result in any significant decline in soybean inventories during the 1986-87 crop year.

Corn and soybean prices will react to any unexpected figures in Tuesday's *Prospective Plantings* report. Any price rallies will probably represent a good opportunity to price additional quantities of both the old and new crop.

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