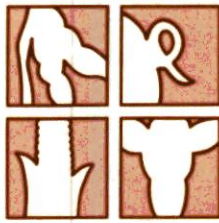




Cooperative
Extension Service
University of Illinois
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WEEKLY OUTLOOK

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

March 25, 1987

PROSPECTIVE PLANTINGS REPORT

The *USDA Prospective Plantings Report* is scheduled for release on March 31. Most observers expect this report to reveal intentions for producers to reduce plantings of both corn and soybeans in 1987.

Planted acreage of corn was slightly above 84 million acres in 1980 and 1981, declined to 81.9 million in 1982, and to 60.2 million in 1983 on the basis of the massive acreage reduction program. Corn plantings rebounded to 80.5 million acres in 1984 and 83.3 million in 1985. Widespread participation in the 20 percent acreage reduction program in 1986 resulted in an 8 percent cut, to 76.6 million acres. Except for 1983, planted acreage last year was at the lowest level since 1973. Acreage harvested for grain of 69.2 million was the smallest since 1975.

As mentioned last week, government acreage reduction programs should result in another substantial cut in corn acreage in 1987. Our analysis suggested a reduction of 8.5 million acres, resulting in plantings of 68.1 million acres. Sparks Commodities has released an estimate of 68.7 million acres.

If planted acreage falls in the range of 68 to 69 million acres, acreage harvested for grain will be between 60.5 and 62 million acres. Until the planting and growing season progresses further, we should expect a 1987 crop of around 7 billion bushels.

A confirmation of a significant reduction in corn acreage would probably mean that corn prices have seen their lows. The likelihood that lows have been established would increase if additional Soviet buying is confirmed. Just when many analysts had completely written off sales to the Soviet Union this year, the Soviet Union started buying again. Through March 20, about 2.4 million tons (94 million bushels) had been confirmed as sold to the Soviets. An additional 0.5 million tons sold to unknown destinations may also be Soviet purchases. Some believe that sales to the Soviet Union could reach 6.0 million tons (236 million bushels).

Soybean plantings in the United States peaked at 71.4 million acres in 1979, 42 percent more than planted in 1976. From 1980 through 1985, acreage ranged from 63.1 to 70.9 million acres, while trending lower. Planted acreage totaled 61.8 million in 1986.

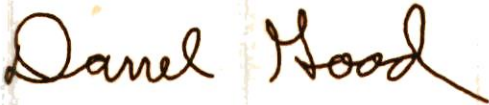
The rapid increase in soybean acreage from 1976 to 1979 was distributed over the four major production areas: western corn belt, eastern corn belt, the mid-south, and the southeast. The decline

in acreage from 1979 to 1986 was concentrated primarily in the mid-south region. Plantings nationwide declined by 9.6 million acres while plantings in the mid-south dropped by 7.1 million. Acreage actually increased by 2.2 million acres in the western corn belt.

The trend of declining acreage in the mid-south is expected to continue in 1987. In addition, the 19.5 million acres entered in the Conservation Reserve Program may further reduce soybean plantings in 1987. Our early estimates placed 1987 plantings at about 60 million acres. Others expect a much larger decline. Sparks Commodities released an estimate of 57.5 million acres.

Planted acreage of 57.5 million would result in harvested acreage of about 56 million acres under normal conditions, pointing to a crop of about 1.8 billion bushels. A crop of that size would result in some reduction in the soybean carryover during the 1987-1988 crop year, providing the basis for steady to improving prices.

In addition to potential crop size, the other major uncertainty surrounding the 1987 soybean crop is the Commodity Credit Corporation (CCC) loan program. A number of groups are suggesting the need for a lower loan rate or the implementation of a marketing loan. Such a change would probably result in at least a short-term decline in new-crop prices. The magnitude of planting intentions revealed in next week's report may determine whether or not a change in the loan program is required for the 1987 crop.



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