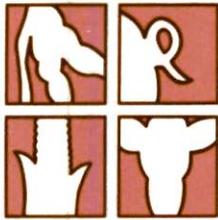




Cooperative
Extension Service
University of Illinois
at Urbana-Champaign



WEEKLY OUTLOOK

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

March 16, 1988

FOCUS ON PROSPECTIVE PLANTINGS REPORT

The USDA will release the results of its March 1 survey of farmers' planting intentions on March 31. Because of sharply declining stocks of soybeans, this report will be of major importance for the direction of 1988 crop soybean prices. Corn prices will also be influenced by the estimate of planted acreage, although the magnitude of stocks of that commodity remain very large.

Planted acreage of soybeans in the United States reached a high of 71.4 million acres in 1979, and was at 70.9 million acres as late as 1982. Acreage in 1987 totaled only 57.4 million, down by 14 million acres or nearly 20 percent from the peak. All of that decline came in the midsouth and southeastern regions of the United States. Acreage in the Midwest has remained relatively stable. Much of the decline in acreage has come as a result of less double-cropping of soybeans. Double-cropped acreage exceeded 11 million acres in 1982, but probably totaled about 4 million acres in 1987. The practice of double-cropping has become less popular because of unfavorable weather in the South and lower soybean prices.

Opinions differ as to how much of an increase in acreage will be required in 1988 to prevent a tight-supply situation. The magnitude of needed increase depends on the size of carryover stocks, expected average yields, and expected use of soybeans during the 1988-89 marketing year. Carryover stocks at the end of the 1987-88 marketing year are currently projected at 315 million bushels. Every 10-million-bushel change in that number is equivalent to an acreage change of 300,000 acres. The use of soybeans next year will depend partly on the price of soybean meal and oil. Higher prices will restrict use. Other unknowns include the size of competing oilseed crops outside of the United States and potential soybean or soybean meal purchases by the Soviet Union. U.S. average yields have been very stable, but at record high levels the past three years. The three-year average yield is 33.7 bushels per acre.

Allowing for a 4-percent increase in use and a 1.5-bushel reduction in average yields, soybean plantings will need to increase by 6 million acres to keep stocks above 250 million bushels by the end of the 1988-89 marketing year. If average yields remain near the level of the past three years and use does not increase, acreage would need to increase by less than 2 million acres. It appears that a 4-million-acre increase would be ample, even though the increased acreage would be of lower quality than the average.

Changes in corn acreage, compared to 1987, will depend primarily on participation in government acreage-reduction programs. Participation in the 20-percent set-aside program

will probably not exceed the 88 percent of a year ago. Participation in the paid diversion program will probably be significantly less than a year ago. That program idled about 6.9 million acres last year. Even if participation is as high as the 55 percent of a year ago, idled acreage would decline by 2.3 million because only 10 percent of the base is involved this year, compared to 15 percent last year. The 0/92 program is not expected to idle a significant amount of corn acreage. Corn acreage will probably increase by 3 to 4 million acres in 1988. With an average yield of 115 bushels per acre, the 1988 crop projects to about 7.2 billion bushels. If yields are near the 119-bushel average of the past three years, the crop projects to nearly 7.5 billion bushels.

Projections of corn use are made difficult by the unusually high level of feed and residual use during the past 18 months. It appears, however, that the corn surplus could be reduced by 500 to 600 million bushels during the 1988-89 marketing year. Stocks would still exceed use for 5 months.

The market is focusing on the *Prospective Plantings* report. The March 1 *Grain Stocks* report will also be released on March 31. Recent stocks reports have contained major surprises. This report will provide the information to determine the rate of feed and residual use of corn and to check the accuracy of the 1987 soybean crop estimate.



Issued by Darrel Good
Extension Specialist
Prices and Outlook

Cooperative Extension Service
United States Department of Agriculture
University of Illinois
At Urbana-Champaign
Urbana, Illinois 61801

FIRST CLASS