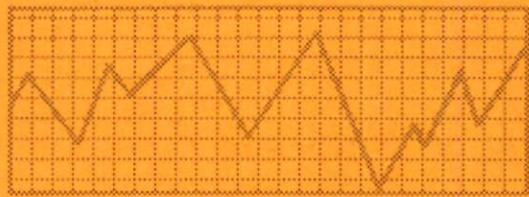




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WEEKLY OUTLOOK

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HOW MUCH CORN CAN WE EXPECT IN 1990?

USDA reports released in early January and early February were generally termed friendly for the corn market. These reports showed shorter supplies and a higher rate of use than previous projections. Corn prices, however, have not moved higher in the wake of these reports. One reason cited for the lethargic price reaction is the expectation that the 1990 corn crop will be significantly larger than the 1989 crop. Both acreage and yield are expected to increase.

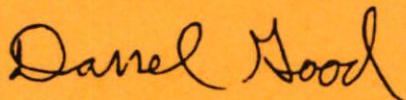
Planted acreage of corn in 1989 totaled 72.32 million acres, 4.7 million more acres than planted in 1988. Plantings, however, were 933,000 acres less than intentions reported in March 1989 and 470,000 acres less than estimated in July. Excessive moisture in some producing regions, particularly in the eastern Corn Belt, prevented some acreage from being planted to corn. Acreage in some states, most notably Iowa and Nebraska, exceeded March intentions.

For 1990, the USDA's acreage reduction program remains at 10 percent for corn. Increased acreage will apparently not come from a change in government programs, although rumors of a possible change circulated after the release of the USDA's February *Supply and Demand* report. As a starting point in projecting 1990 corn plantings, we use the highs of actual or intended acreage for each state in 1989. That total is 74.2 million acres. Even more acreage might be expected as a result of a lower level of participation in the acreage reduction program and fewer acres of oats and soybeans planted on corn base acreage. Estimates of the amount of oats and soybeans planted on corn acreage in 1989 are not available, but the figures were apparently well below intentions. Increased seedings of soft red winter wheat might limit the increase in corn plantings, as some producers had base acreage switched from corn to wheat.

It seems likely that corn acreage in 1990 will be between 74 and 75 million acres. An estimate near the high end of the range, around 74.8 million, should be expected in the March 31 *Prospective Plantings* report. The magnitude of corn acreage not harvested for grain has trended lower since the late 1970s. The demand for silage has decreased with declining cattle numbers and the increased haying and grazing of set-aside acreage in recent years. The percentage of acreage not harvested for grain has remained near 10 percent for the last six years (except for the drought year of 1988). Harvested acreage for grain in 1990 is expected to total 67.3 million acres, an increase of 2.54 million from harvested acreage in 1989.

The average corn yield in 1989 was 116.2 bushels per acres, 37 percent above the drought-reduced yield of 1988. This is comparable to the 32 percent increase in 1984 following the drought of 1983. Average yields continued to increase in the second year following the droughts of 1980 and 1983. A continuation of that pattern (that is, assuming a return to more normal growing conditions in 1990) means the U.S. average yield might be near 120 bushels per acre. Without significant weather problems, the 1990 corn crop may be between 8 and 8.1 billion bushels.

If the current projected annual rate of corn use (7.98 billion bushels) continues into the 1990-91 marketing year, most of the 1990 crop will be used. Stocks at the end of that year would be at a reasonable level. Even with a large increase in production, it is difficult to see a substantial decline in corn prices. With a trouble-free growing season, prices might decline into the harvest period and then demonstrate a more typical post-harvest recovery. The average price during the 1990-91 marketing year might be very near the average for the current year. The real question at this time is, Will the growing season be trouble-free? Any threat to a large crop would send prices higher.



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