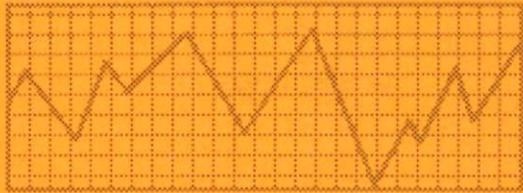




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WEEKLY OUTLOOK

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WILL INCREASES IN CORN AND SOYBEAN ACREAGE BE CONFIRMED?

The USDA will release its *Prospective Plantings* report on March 28. The report will reflect producers' intentions as of about one month ago. The survey for this report was more comprehensive than for the special survey in January. State estimates of planting intentions will be provided. For corn and soybeans, this report will reveal how producers have responded to the farm program and to the price of competing crops, particularly cotton prices.

From 1981 through 1985, planted acreage of corn in the United States ranged from 80.5 to 84.1 million acres, with the exception of 1983. Acreage reduction programs reduced corn plantings to 60.2 million acres that year. From 1985 to 1987, corn acreage declined from 83.4 to 66.2 million acres. By 1990, acreage recovered to 74.2 million acres. The fluctuation in corn acreage has been the result of changing parameters of the acreage reduction programs.

The survey of planting intentions in the last half of January 1991 revealed intentions to plant 77.5 million acres of corn this year, an increase of 3.3 million acres. Corn prices increased about 12 cents per bushel from the third week of January to the first week of March. The ratio of soybean prices to corn prices changed very little during that time. The higher corn prices during the survey period may have influenced producers' thinking about participation in the acreage reduction program. High corn prices in relation to soybean prices and intentions by some producers to drop out of the acreage reduction program should result in March corn planting intentions near the January figure of 77.5 million acres.

A confirmation of corn plantings above 77 million acres in conjunction with very favorable moisture conditions at the current time would continue to pressure the corn market. Prices are not expected to break sharply, however, until the crop passes the critical growing stages this summer. The price of corn will also be influenced by the magnitude of planted acreage of other feed grains and by the development of the wheat crop. A confirmation of a 3.7 million acre increase in acreage of sorghum, oats and barley would provide additional pressure to the market.

Prospects of an 8.2 to 8.3 billion bushel corn harvest in 1991 could push December corn futures down to the \$2.15 to \$2.20 level by harvest time. The biggest question is what happens to price between now and then? Without a period of weather concerns, prices

could gradually erode to that lower level. A period of adverse weather early in the season would provide a small rally, but a weather problem in July would be required to push December futures above the \$2.75 level.

Planted acreage of soybeans in the United States declined from 70.9 million in 1982 to 58.2 million in 1987. Acreage recovered to 60.8 million in 1989 and declined to 57.8 million in 1990. The January survey this year showed intentions to plant 58.5 million acres. Soybean prices increased about 20 cents per bushel from the time the January survey was conducted to the time the March survey was conducted. However, prices remained about stable in relation to corn prices and lost ground to cotton prices. Based on those relationships, the March planting intentions figure is expected to be close to the January figure. Favorable weather conditions and planted acreage near 58.5 million would produce a 1991 crop near 1.95 billion bushels. Even with a 125 million bushel reduction in the size of the South American harvest, the use of U.S. soybeans may not increase enough to prevent a further increase in stock levels by September 1, 1992.

An increase in soybean prices between now and harvest will likely require a period of adverse weather. Unless crops are seriously threatened, November soybean futures will have difficulty moving above the \$6.40 to \$6.60 level. If a crop near 1.95 billion bushels actually materializes, the price of the November contract could decline to the \$5.40 to \$5.50 area by harvest.

Correction: If feed use of corn is on target to meet the USDA projection, the March inventory of corn should be near 4.82 billion bushels, not 2.125 billion as reported last week.

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