



WEEKLY OUTLOOK

A joint publication of the Departments of Agricultural Economics, Colleges of Agriculture of Purdue University, West Lafayette, Indiana, and the University of Illinois at Urbana-Champaign

May 6, 1991

PLANTING DELAYS GENERATE LITTLE PRICE REACTION

The USDA's weekly crop progress report showed that as of May 5, 32 percent of the corn crop has been planted in the 17 major corn producing states. That figure compares to 47 percent planted on that date last year and a 48 percent average for that date. Delays are most severe in Iowa, where only 15 percent of the crop had been planted. Progress has also been very slow in Michigan, Minnesota, Nebraska, and Ohio. This is the third consecutive year that planting has been delayed by excessive moisture in Ohio and parts of Indiana.

The market is not especially concerned about late corn planting at this relatively early date. The experience of the past 2 years suggests that producers will not readily switch acreage from corn to soybeans unless planting delays are very severe or price ratios change dramatically. In the western corn belt, producers will likely stay with corn if it can be planted in May. Eastern producers will stay with corn through mid-June. The ratio of soybean to corn prices is essentially the same today as it was on March 1.

The more important question is whether or not late planting will adversely affect average corn and soybean yields in 1991. The answer depends mostly on weather conditions later in the year. Ample subsoil moisture means that average to above average yields are likely unless July weather is unfavorable.

The other major question is whether or not the extremely wet weather in the Delta states will result in less cotton acreage and more soybean acreage than intended. Producers in the three states of Arkansas, Louisiana, and Mississippi reported intentions to plant 3.22 million acres of cotton in 1991, and increase of 415,000 acres from plantings of a year ago. Producers in those states would have to switch 18 percent of the intended cotton acreage back to soybeans to increase U.S. soybean acreage by 1 percent.

At this point, we would not expect planted acreage of corn and soybeans to deviate significantly from March intentions. The release of program participation figures will provide a check point for estimating corn acreage. Unless, hot dry conditions materialize in July or early August, prospects are still for a 1991 corn crop of 8.2 billion bushels and a soybean crop of 1.9 billion bushels.

Unless crops are threatened, further price declines will be prevented only by some improvement in export demand. For corn, the decision to extend credit to the USSR will be important in the near term. Longer term, the size of the world grain crops in 1991 will be important. Smaller wheat crops

in Canada, Australia, and China and a smaller corn crop in China would support U.S. corn exports during the 1991-92 marketing year. For corn exports to rebound to the level of a year ago, however, will require that the USSR find a way to pay for grain.

Soybean exports will depend partly on just how small the 1991 South American harvest really is. If the Brazilian crop is under 15 million tons, U.S. exports will recovery modestly beginning this summer. Soybean meal, however, will have to continue to compete with abundant supplies of other protein meals. The inability of the USSR to buy larger quantities of meal must also be overcome to sustain a recovery in exports. The U.S. Census Bureau's new quarterly report on soybean crush showed a large inventory of meal at the end of March. At 528 thousand tons, stocks were 70 percent larger than a year ago and only slightly below the record level of June 1985.

On May 9, the USDA will release revised U.S. and world supply and demand estimates. The first estimate for the 1991 winter wheat crop and preliminary supply and demand projections for the 1991-92 marketing year for corn, soybeans and wheat will also be released.

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