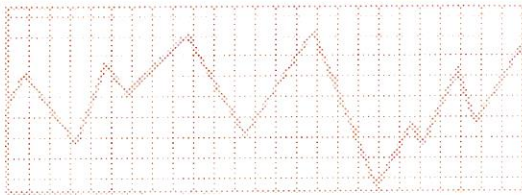




Cooperative
Extension
Service



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

MARCH 1, 1993

CROP PROSPECTS TO BECOME MORE IMPORTANT FOR CORN AND SOYBEAN PRICES

Corn and soybean prices reached seasonal lows in October 1992, a pattern typical in large crop years. For the past several months prices have reflected demand prospects. Cash corn prices have traded in an extremely narrow range as record domestic consumption and a sharp increase in exports during the first half of the year have been offset by the inability of the former Soviet Union to repay export credits. Soybean prices recovered significantly from the harvest lows and are currently near the highs of the year. Soybean prices strengthened last week in spite of prospects of a record South American harvest. A continuation of a rapid rate of exports and domestic consumption have led to expectations of a smaller year-end inventory than currently projected by the USDA.

Over the next several weeks, the market will make the transition from old crop to new crop considerations. Specifically, the focus will be on the prospective size of the 1993 corn and soybean crops. The USDA will release a *Prospective Plantings* report on March 31. That report will provide the base for projecting the size of the 1993 crops.

For the past three years, the March intentions for planting soybeans has not been especially close to actual plantings. In 1990, actual planted acreage was 1.62 million acres less than indicated in March. In 1991, actual acreage exceeded intentions by 2.06 million acres and in 1992 actual acreage was 1.91 million larger than intentions.

The March intentions for corn acreage has been much closer to actual planted acreage in each of the past three years. In 1990, planted acreage was 633 thousand less than March intentions. Planted acreage was only 173 thousand less than intentions in 1991 and exceeded intentions by 318 thousand acres in 1992.

Current prices for 1993 corn and soybean crops do not encourage a significant shift in acreage between the two crops. The price of November soybean futures is 2.48 times the price of December corn futures. That price ratio does not favor planting soybeans on corn flex acres in 1993. However, there may be some interest in increasing soybean acreage to reduce the investment in production expenses and/or to adjust crop rotations. In addition, fewer acres planted to winter wheat in a few states may result in increased soybean acreage.

Corn acres are generally expected to decline in 1993 due to a larger requirement for conserving use acres for participants in the Acreage Reduction Program (ARP). Participants will have to

idle 10 percent of the base acreage, up from 5 percent in 1992. In addition, the low corn prices and large deficiency payments associated with the 1992 crop may result in a higher rate of participation in the ARP in 1993. Only 75.4 percent of the corn base acreage was enrolled in 1992, down from 87.1 percent in 1988.

Our expectation at this time is that soybean acreage will be near 59.6 million acres in 1993, about 0.5 percent more than planted last year. Corn acreage is expected to be near 76 million, down about 4 percent from plantings in 1992. Less seed corn acreage in 1993, however, suggests that acreage of field corn will decline by a smaller percent than total acreage.

Based on historical relationships between planted and harvested acreage, soybean acreage for harvest in 1993 might be near 58.6 million. Corn acres harvested for grain might be near 69 million. Very little can be said about yield prospects in 1993. Most analysts expect average yields to be less than the record 1992 yields. A favorable growing season and an average corn yield near 120 bushels would produce a crop of about 8.28 billion bushels, 1.2 billion less than the 1992 harvest. An average soybean yield near 34 bushels per acre would produce a crop of about 2 billion bushels.

Even though current supplies of corn and soybeans are abundant, the surpluses are not expected to increase, and will likely decline, during the year ahead, even with favorable growing conditions. Based on the above expectations, the stocks of corn at the end of the 1993-94 marketing year might decline slightly from the level of stocks at the end of the current year. Soybean stocks might decline by 25 to 30 percent. This suggests that the market will likely respond in a typical fashion to any weather or crop concerns during the upcoming growing season. Plan now to take advantage of those rallies.

Darrel Good

Issued by Darrel Good
Extension Specialist
University of Illinois

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

FIRST CLASS