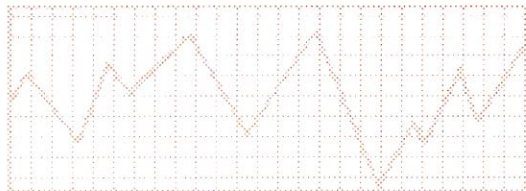




Cooperative  
Extension  
Service



# 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

**February 14, 1994**

## **WEATHER MARKET COMES EARLY**

**The inventory of corn at the end of the current marketing year** is projected to be at the lowest level in 18 years. Ending stocks of soybeans will be at the lowest level in 17 years. This is not new information; the market has been aware of such tightness in stocks for the past month. Small carryover stocks, however, underscore the importance of the size of the 1994 corn and soybean crops. Spring weather conditions will be important in determining both the magnitude of planted acreage and yield potential. The USDA will release its *Prospective Plantings* report on March 31.

Our expectations about planted acreage of corn and soybeans have changed somewhat over the past month. First, it is becoming evident that not all of the corn base acreage idled under the 1993 Acreage Reduction Program will be brought back into row crop production in 1994. In livestock producing areas, some of that acreage will remain in hay production under the flex provisions of the feed grain program. Some producers will leave a portion of the idled acres in conservation use and some of the acreage may be prevented from being planted, depending on how much precipitation is received this spring. Second, the higher cotton and rice prices currently being experienced will provide stiff competition for soybean acres in some growing areas. Third, some crop land that was flooded in 1993 will be prevented from being planted again in 1994. The magnitude of that acreage will depend on spring weather conditions.

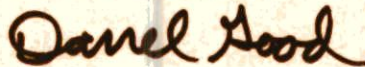
In 1993, 132.7 million acres were planted to corn and soybeans. If all of the set-aside acreage, the flooded acreage, the increased 0/92 acreage, and the reduced soft red winter wheat acreage were planted to corn and soybeans in 1994, the total would be near 143.5 million acres. Based on current reasoning, the total may be near 140 million acres. The distribution of acreage between corn and soybeans will be a function of relative prices and weather conditions.

In general, current new crop prices favor corn production over soybean production, but the relative advantage varies from region to region. Price ratios may change as the planting season approaches. If a late, wet spring develops, soybean acreage would likely increase at the expense of corn acreage. If an extremely wet spring develops, acreage of both corn and soybeans could be below the current expectation. At this juncture, the potential is for planting 80 million acres of corn, compared to 73.32 million last year, and 60 million acres of soybeans, up from 59.36 million last year.

If 80 million acres are planted to corn, about 72.5 million would be harvested for grain in a normal year. A trend yield of 120 to 125 bushels per acre projects to a crop of 8.7 to 9.1 billion bushels, allowing an increase in stocks of 600 to 900 million bushels by the end of the 1994-95 marketing year. If 60 million acres are planted to soybeans, about 58.8 million would be harvested in a normal year. A trend yield of 34 to 35 bushels would produce a crop of 2 to 2.06 billion bushels, allowing an increase in stocks of 25 to 75 million bushels by the end of the 1994-95 marketing year.

Under the "normal" crop year scenario just outlined, there may be more downside potential for new crop corn prices than for soybean prices. However, significant declines in prices, if they do occur, are not expected to materialize until the market is comfortable that the 1994 crops are off to a good start. In the meantime, prices will be very sensitive to spring weather forecasts. December corn futures are currently trading within 1.5 cents of the contract high and November soybean futures are within 12 cents of the high established last month.

It appears that the best pricing opportunities for the 1994 corn and soybean crops will once again occur during the uncertainty of the planting and growing season. The major concern now is for a wet spring that will delay planting, reduce acreage, and trim yield potential. The tight supply of 1993 crops means that the market will react early and often to weather problems (potential or actual). Marketing strategies should be designed to take advantage of these weather markets.



Issued by Darrel Good  
Extension Economist  
University of Illinois

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

FIRST CLASS