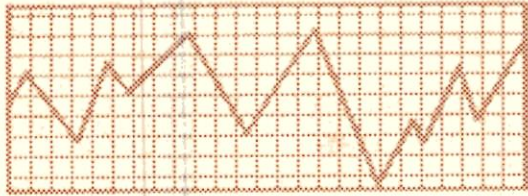




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# WEEKLY OUTLOOK

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**July 5, 1994**

## **USDA REPORT CONFIRMS LARGEST CORN AND BEAN ACREAGE OF DECADE**

The lowest ending stocks since the early 1970's, and the highest grain prices in five years provided the incentive for a huge increase in planted acreage of corn and soybeans. It is the first time since the mid-1980's that the acreage reduction requirements of all program crops was set at zero. Farmers responded to these economic incentives by sharply increasing planted acreage of corn and soybeans.

The USDA's *Acreage* report, released on June 30, estimated planted corn acreage at 78.8 million acres, up 7 percent from last year's acreage. Area harvested for grain is estimated at 71.8 million acres, up 8.8 million acres, or 14 percent. Excellent weather during planting time allowed producers to complete planting ahead of normal. Increases in harvested acreage of 13 to 15 percent are expected to be registered in Illinois, Indiana, and Iowa. The corn acreage was 600,000 acres below the average trade estimate released prior to the report.

June 1 corn stocks were pegged at 2.36 billion bushels, 36 percent below stocks of a year earlier. The report showed third quarter use to be very sluggish, especially exports. The March-May 1994 indicated disappearance was 1.64 billion bushels, 17 percent below the disappearance of 1.97 billion bushels during the same period a year earlier.

Soybean growers planted, or intend to plant, 61.8 million acres in 1994, up 4 percent from plantings in 1993. Spring planting got off to an early start and there generally was adequate moisture for double cropping. Planted acreage in Illinois, Iowa, and Minnesota increased 600,000 to 700,000 acres each. Indiana soybean acreage declined 200,000 acres, or 3.5 percent. Harvested acreage is projected to be over 4 million acres, or 7.5 percent, larger than last year. This is the largest soybean acreage since 1985.

Soybean stocks on June 1, 1994 totaled 555 million bushels, 19 percent below the stocks of June 1, 1993. Indicated disappearance during the March-May quarter of 454 million bushels is 13 percent below comparable disappearance in 1992-93.

Wheat acreage, at 70.5 million acres, is down 2 percent from last year. Harvested acreage is expected to total 62 million acres, down 1 percent. Winter wheat acreage, at 49.5 million acres, is down 4 percent. Planted acreage of Illinois wheat was down 500,000 acres from last year; the harvested acreage estimate declined an additional 150,000 acres. The winter wheat which winter-killed or was in poor condition was planted to soybeans.



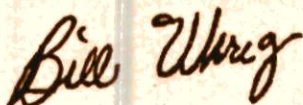
The corn crop condition is generally excellent in the Western Corn Belt states. Conditions in the Eastern states are quite variable. Eight percent of Indiana's corn crop and 19 percent of Ohio's corn crop was rated in poor to very poor condition at the end of June.

With average weather for the remainder of the growing season, we have the potential to produce a corn crop in excess of 8.7 billion bushels and a soybean crop of over 2 billion bushels. However, weather during July (especially during pollination) is critical for corn production and August weather can have a great impact on soybean production. The period of greatest moisture requirements is still ahead. The hot, dry weather predicted for the first 10 days of July is of immediate concern. Weather forecasts have been quite variable. The low stocks and trading by large commodity funds have caused extremely volatile futures markets. A large corn crop means corn near \$2 at harvest. A short crop could send prices sharply higher. A U.S. average yield of about 110 bushels per acre is the pivot point.

Weather systems are expected to provide the Corn Belt with good coverage of rainfall in early July. If this occurs, it will temper the impact of hot weather. Use any price rallies to sell remaining old crop corn and new crop corn that must be sold by harvest.

For soybeans, it's time to be thinking about plan B. A continuation of low prices into harvest suggests that storage may be a profitable strategy.

The trend in wheat prices is down. A wheat price over \$3 at harvest is very close to the average price expected for the marketing year. With holding costs, harvest sales look good. It would take bullish corn and soybean prices to give wheat much strength this summer.



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