Cooperative Extension Service

WEEKLY OUTLOOK

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LESS CORN AND SOYBEAN ACREAGE EXPECTED IN 1995

The USDA reports released on March 31 provide an important benchmark on 1994 crop use and the first indication of 1995 production. Stocks of corn on March 1 totaled 5.591 billion bushels, 1.6 billion bushels more than were in inventory on March 1, 1994. The indicated disappearance for December 1994-February 1995 is 2.49 billion bushels, 28 percent more than the disappearance of 1.95 billion bushels during the same period a year earlier. The disappearance figure indicated that corn for feed use and exports are running sharply ahead of last year's use.

Producers reported intentions to plant 75.3 million acres of corn in 1995. This is a decrease of 4.8 percent, or 3.8 million acres, from the 1994 plantings and about 700,000 acres below trade expectations. With favorable growing conditions, the acreage figure points to a corn crop of around 8.7 billion bushels in 1995, the fourth largest corn crop on record. A crop of that size would allow for continued large use during the 1995-96 marketing year, but ending stocks would be modestly lower than projected for the current year.

Corn and grain sorghum acreage combined is 5 percent less than was planted last year. With the 7.5 percent Acreage Reduction Program, participation in the feed grain program is likely to be slightly lower this year. The planting data was collected in early March and some producers may change their plans. Weather during the planting season can also influence corn and soybean acreage.

Modest price increases for corn are expected into early June. Corn sales with July 1995 futures above $2.60 and December 1995 futures around $2.70-$2.75 are recommended. Early indications point to a 1995-96 U.S. average price of around $2.35, $.15 higher than the price expected for the 1994-95 marketing year. However, unfavorable weather or a sharp decline in demand could change these projections dramatically. Forward pricing a large portion of your expected production and protecting production shortfalls with crop insurance and price increases with call options appears prudent.

March 1 soybean stocks, at 1.37 billion bushels, are 34 percent larger than stocks of a year earlier. The soybean crush continues at a record pace, driven by the demand for soybean oil exports. The crushing margins are large by historical measures. Soybean prices have held up well, despite the expectation of ending stocks of over 500 million bushels and a record soybean harvest in South America.

The planting intentions indicated producers will plant 61.4 million acres of soybeans in 1995, down 490,000 from the acreage of a year ago. The largest declines are intended in the southern states of Arkansas, Georgia, and Louisiana. This is the second largest soybean acreage of the past decade. With this acreage, we can expect a 1995 crop of around 2.3 billion bushels, down 10 percent from last year, and the second largest on record. Without production problems somewhere around the world, U.S. soybean prices could average lower in 1995-96 than the $5.40 price expected this year. However, soybean prices are expected to remain firm, with modest upside potential, until 1995 crop prospects are more certain. Making cash sales at $6.00 and protecting the sales with call options is recommended. Cotton acreage is expected to increase 2.5 million acres, up 18 percent from 1994 acreage. With most of the increase in the southern states, a late planting season could shift some of this acreage to soybeans.

Planted acreage of winter wheat is nearly identical to that of last year. Wheat acreage in Illinois rebounded 350,000 acres (30 percent). Total wheat acreage is up 508,000 acres (1 percent) due to an increase in Durum wheat. Wheat stocks as of March 1 were just under 1 billion bushels, down 6 percent from year earlier levels. The condition of the wheat crop is very good at this time. Wheat prices are very dependent upon continued government subsidy through the Export Enhancement Program. Forward pricing part of the production expected in 1995 appears prudent.

Many things can and will influence crop production and prices during the year ahead. A combination of strong export demand, low ending stocks of corn and wheat, and uncertainty about 1995 production is expected to provide some excellent pricing opportunities yet this spring. If demand slackens later due to good crops around the world, or the U.S. has another large crop, prices could drop substantially.

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