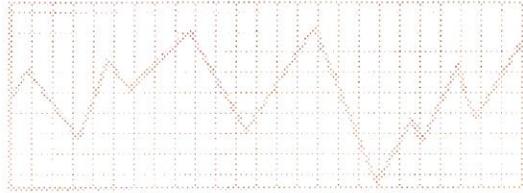




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WEEKLY OUTLOOK

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USDA Report Shows Less Corn and More Soybean Planted Acreage

The USDA's June planted acreage survey took on special meaning this year due to delayed planting of corn and spring wheat. The reported corn acreage of 72 million is 3.3 million acres below the March 1 intentions and 1.2 million acres below the average pre-report trade estimate. The soybean acreage of 63.1 million is 1.66 million acres larger than the March estimate and 645,000 acres larger than expected by the trade. The spring wheat acreage of 16.8 million acres is 1.6 million acres below the March estimate and 729,000 lower than the average trade estimate.

The corn acreage is 9 percent below the 1994 planted acreage, soybeans 2 percent higher, and all wheat acreage is down 1.5 percent. A 15 percent increase in durum wheat acreage and a small increase in winter wheat acreage could not offset the 8.5 percent decline in other spring wheat.

Six states accounted for over 90 percent, or 3 million acres, of the reduction in corn acreage from the March intentions. Illinois corn acreage was down 700,000, Indiana down 500,000, Missouri down 650,000, North Dakota down 100,000, and South Dakota down 800,000 acres. The same states showed increased soybean acreage of 2.1 million acres, or 300,000 acres each. Kansas and North Carolina each showed reductions of 200,000 acres of soybeans compared to March planting intentions.

The planted acreage of corn, soybeans and wheat is 3.5 million acres below the March planting intentions. South Dakota producers appear to have suffered the biggest losses, with 1 million acres less spring wheat, and 800,000 fewer corn acres, offset by only 300,000 more soybean acres. Acreage planted to sunflowers (an alternative crop for South Dakota) was only 95,000 acres above March intentions. Kansas producers were able to switch 200,000 acres of intended soybean acreage to grain sorghum. Government programs for corn and wheat, such as 0-92, likely account for much of the acreage that was not planted.

The survey provided the first estimate of the harvested acreage for the 1995 crops. Corn harvested for grain is projected to be 65 million acres, down 11 percent, or nearly 8 million acres, from last year's level. The U.S. average corn yield would have to be 121.5 bushels per acre to produce a corn crop of 7.9 billion bushels. This is the amount required to prevent further rationing of expected use for the marketing year ahead. Only the record yields of 1992 and 1994 were above that level. The acreage expected to be harvested for soybeans is 62.2 million acres, up 2 percent, or 1 million acres, from last year. The U.S. average soybean yield would have to drop below 33 bushels per acre before rationing of projected use would be required. U.S. average

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soybean yields have been above that level 7 out of the past 21 years. Corn and soybean prices will remain very volatile until crop yields and production prospects are more certain.

Favorable weather during the next 6 to 8 weeks is very crucial for achieving top corn and soybean yields. Because of late planting, a high percentage of corn pollination will take place after mid-July, extending the period of weather vulnerability 2 to 3 weeks. Soybeans are more drought resistant than corn, but require favorable August weather for top yields. While a 1988 type drought is not expected, a period of hot, or hot and dry, weather would send commodity prices sharply higher. Be prepared to price a large portion of the remainder of your expected corn and soybean production during the next 6 to 8 weeks. In short-crop years (when usage is curtailed by higher prices), corn and soybean prices typically peak before harvest. Let basis and spreads at harvest determine your storage decision.

If the weather turns favorable by late July and you have not completed pricing the 1995 crops, become more aggressive in making sales. If sharply higher summer corn and soybean prices occur, plan on pricing a large portion of your 1996 expected production. The next USDA supply and demand report will be released on July 12. The first production estimate based on survey results will be released on August 11.

Unfavorable winter weather, and the wet spring (which fostered diseases) have cut wheat yield prospects. Tight world wheat supplies and strong demand is expected to reduce ending stocks of wheat by July 1996 to the lowest level in 20 years. Wheat prices are expected to work higher into winter. Storage of wheat should be profitable.



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