



WEEKLY OUTLOOK

A joint publication of the Department of Agricultural Economics, College of Agriculture, Purdue University, West Lafayette, Indiana, and the Department of Agricultural and Consumer Economics, College of Agricultural, Consumer and Environmental Sciences, University of Illinois at Urbana-Champaign.

JANUARY 29, 1996

ACREAGE AND PRODUCTION PROSPECTS

The corn and soybean markets continue to be dominated by old crop fundamentals — South American weather, export sales, and livestock numbers. With prospects of historically tight stocks of wheat and feed grains, continued large export sales, and no evidence of domestic livestock liquidation, markets will continue to focus on old crop factors for the next two months. As planting time arrives in the midwest, focus will begin to shift to 1996 production prospects. The focus will initially center on prospects for planted acreage.

The recent announcement of an "early out" for some acreage in the Conservation Reserve Program (CRP) and the absence of new farm legislation complicates the job of anticipating total planted acreage in 1996. Anticipating acreage of individual crops is also made difficult by lack of legislation, by reports of loss of some of the wheat crop in the southern plains, and by the uncertainty of spring weather conditions.

In 1995, about 17 million acres of crop land were idled under annual government programs. Most of that acreage was in the 0/85 program, as only corn had an annual acreage reduction requirement in 1995. Acres of all crops in 1995 (excluding hay and crops planted on set-aside acres) totaled about 251 million acres. The USDA suggests that from 1 to 3 million acres might be planted to crops in 1996 as a result of an early out of CRP. Planted acreage of all crops for harvest, then, could apparently increase by a maximum of 20 million acres in 1996. High prices will encourage as much planting as possible of the acreage idled in 1995. However, it is unlikely that the full 17 million acres will be planted to crops. In addition, acreage coming out of the CRP may be at the low end of the projected range. Planted acreage of all crops may increase by about 15 million acres in 1996.

The increase is expected to be in feed grains and wheat, for the most part, with some decline in soybeans and cotton likely. Winter wheat seedings were increased by 3.23 million acres, and high wheat prices suggest an increase in spring wheat acreage as well. Seedings of all wheat could be up by 5 million acres. Corn acreage is expected to increase by about 9.5 million, with acreage of other feed grains up about 2 million. Combined acreage of soybeans and cotton may be down about 1.5 million.

A 9.5 million acreage increase in corn plantings would put corn at 80.7 million acres in 1996. Acreage harvested for grain might be near 74.2 million acres. A trend yield of 128 bushels per acre would suggest a 1996 corn harvest near 9.5 billion bushels. A crop of that size would likely allow some

modest rebuilding of corn stocks. With consumption of 9 billion bushels, stocks at the end of the 1996-97 marketing year would be only about 1 billion bushels, however.

If soybean plantings decline to 62 million acres, harvested acreage will be near 61 million. A trend yield of 38 bushels per acre would result in a crop of about 2.3 billion bushels. Total supplies would be near 2.5 billion bushels, very close to the supplies for the current marketing year. That scenario would suggest that soybean stocks will not increase during the 1996-97 marketing year.

A 5 million acre increase in wheat and an average yield of 38 bushels per acres would result in a 1996 crop of about 2.5 billion bushels. A crop of that size would allow for only a minimal increase in stocks at the end of the 1996-97 marketing year.

These acreage and production calculations are highly tentative. The bottom line, however, is that substantial acreage increases and trend yields will allow very little rebuilding of stocks during the 1996-97 marketing year. With current inventories at extremely low levels, the 1996 growing season becomes extremely important. Yields below the trend would aggravate an already tight situation, while yields similar to 1994 would allow more breathing room.

Pricing of the 1996 corn and soybean crops should proceed with caution. December corn futures near \$3.00 and November soybean futures near \$7.00 are attractive from a historical perspective. They appear less attractive in light of the current supply and demand balance. Using options on futures contracts to establish a minimum price, but leaving some of the upside potential open seems to be a prudent strategy for 1996 crops.



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