



# WEEKLY OUTLOOK

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## **CORN AND SOYBEAN PRODUCTION PROSPECTS**

The late planting season has changed the outlook for corn and soybean production in 1996. Last month, the USDA's World Agricultural Outlook Board judged that corn plantings would reach 81 million acres, resulting in 74.4 million acres harvested for grain. A trend yield (based on actual yields from 1960 through 1995) of 126 bushels would produce a crop of 9.375 billion bushels. Based on late planting and adverse growing conditions, both the acreage and yield estimates will likely have to be reduced.

Estimates of the magnitude of switching of intended corn acreage to soybeans tend to take on a life of their own. Estimates by a single source get repeated and become accepted as fact. Discussions with farmers and seed dealers reveal that a significant switch will occur after the widespread rainfall in the eastern corn belt of this past weekend. It also appears that some acreage intended for corn will remain unplanted this year. These acres include river bottoms and land that remains too wet to plant corn but has had a herbicide program that prevents soybean planting. Sorghum may be a possibility on some of those acres.

If 81 million acres was a correct estimate of producers' corn planting intentions, actual plantings may only reach 79 million. Last year, corn plantings fell below March intentions by 4 million acres, but soybean acreage exceeded March intentions by only 1.1 million. If 79 million acres are planted, acreage harvested for grain would be near 72.8 million acres, with a favorable completion of the growing season.

What about yield prospects? One basis of expectation is the yield performance in other years of late planting. The five latest years in recent history were 1983, 1984, 1990, 1993, and 1995. The average yield in those years ranged from 81.1 bushels (1983) to 118.5 bushels (1990). The average yield for the five years was 104.1 bushels per acre. That performance does not provide much optimism for 1996. The crops in four of the five late planted years identified here were plagued by weather problems in at least some of the major production regions throughout the growing season. Conditions were worst in 1983. The 1990 growing season turned out to be relatively favorable, but planting was not as late that year.

If 2 million acres intended for corn do not get planted, and the 1996 yield is between 115 and 120 bushels, the 1996 crop would be between 8.4 and 8.7 billion bushels. The corn market is just beginning to reflect a crop of that size. Further strength is likely, with December futures expected to at least challenge the contract high near \$3.70. Further crop problems would push prices another \$.25 to \$.30 higher.

Based on planting intentions of 62.5 million acres, harvested acreage of 61.5 million, and a trend yield (based on aggregated 1974 through 1995 U.S. regional yields) of 37 bushels per acre, the USDA's World Agricultural Outlook Board estimated 1996 soybean production potential at 2.275 billion bushels. It now appears that planted acreage of soybeans will exceed intentions reported in March. Plantings may reach 64 million, with harvested acreage at 63 million. Soybean yields in the five late planted years since 1983 ranged from an average of 26.2 bushels (1983) to 34.9 bushels (1995). The average of the five years was 31.2 bushels. The average yield in 1990, 34.1 bushels, equaled the previous record established in 1985. Given the spectacular performance of soybean yields in 1992 (37.6 bushels) and in 1994 (41.4 bushels) it is difficult to judge 1996 yield potential. At this time, we are reluctant to reduce the projection below last year's performance of about 35 bushels.

A yield of 35 bushels on 63 million acres would produce a crop of about 2.2 billion bushels, about 70 million bushels below the early USDA projection. Every bushel reduction in the average yield would reduce the crop size by about 60 million bushels. The soybean market is beginning to reflect smaller crop prospects. In the near term, it will be difficult for November futures to exceed the current contract high of \$8.10. A continuation of late planting and reduced yield potential will be required for prices to move to new highs. For now, the trend is higher, following the recent sharp decline, and there appears to be no hurry to advance new crop sales.



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