Cooperative Extension Service

Purdue University

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 21, 1997

CORN AND SOYBEAN ACREAGE MORE DIFFICULT TO PROJECT

Due to the low level of corn and soybean carryover stocks currently projected by the USDA, there is considerable interest in producers' planting intentions for 1997. Historically, projecting acreage was a relatively easy task, particularly for corn. Once the set-aside requirements of the farm bill were announced, it was generally a matter of doing the arithmetic. Soybean acres were more difficult to anticipate, particularly for the southeastern producing regions. In addition, double cropping of soybeans varied from year to year.

Anticipating acreage in 1997 is much more difficult. With the 1996 farm bill, producers have considerable flexibility in acres devoted to corn and soybeans. Agronomic factors continue to be important in those cropping decisions, but acreage will also respond to market prices.

In addition to the change in farm policy a few other factors complicate the picture for probable acreage of corn and soybeans. First, planted acreage in 1996 was influenced by the extemely wet spring. Planting delays resulted in some acreage intended for corn to be planted to soybeans, particularly in the eastern corn belt. Actual corn plantings totaled 79.487 million acres, 868,000 less than indicated in the USDA's June 1996 *Acreage* report. Soybean acreage totaled 64.205 million, 310,000 more than indicated in June, and 1.727 million more than revealed in the March 1996 *Prospective Plantings* report. Second, producers in the mid-south and southeast increased corn acreage by about 1.5 million and soybean acreage by nearly 600,000 acres in 1996. Much of that increase was at the expense of cotton acreage. With multiple alternatives, it is not clear what kind of changes will occur this year. Third, winter wheat seedings are down sharply from one year ago. The USDA reported seedings at 48.222 million acres, 3.76 million less than planted last year. Assuming that estimate is fairly accurate, what crops will be planted on those acres not used for wheat? Winter wheat seedings are down 500,000 acres in Illinois, Missouri, and Montana; 450,000 acres in Arizona; 400,000 acres in Kansas; and 350,000 acres in South Dakota. Fourth, spring wheat producers expanded seedings by nearly 3 million acres last year in response to high prices and failed winter wheat acres. Will some of that acreage be shifted to other crops this year? Finally, changes in the rules of the Conservation Reserve Program may result in some acreage coming back into crop production in 1997. How much acreage? and where? are still very unclear.

With normal price relationships, an increase in corn acreage and stable soybean acreage would be expected in 1997. The increased corn acreage would come from unplanted soft red winter wheat acreage and the shift back to corn in the eastern corn belt. The current new crop corn/soybean price ratio does not favor one crop over the other. Our analysis is very much in line with the estimates released by Sparks Company. If planting decisions were made today, we would expect about 81.5 million acres of corn and 64.5 million acres of soybeans.

The question then becomes "how many acres of corn and soybeans are needed in 1997". If 81.5 million acres of corn are planted, about 75.2 million would likely be harvested for grain. A trend yield near 130 bushels per acre would produce a crop of close to 9.8 billion bushels. That is about 1 billion more than the projected level of use for the current marketing year. Unless there was a shortfall in production somewhere in the world, a crop of that size would likely result in lower prices in order to increase consumption. The build-up of stocks would be limited by the private sector's willingness to carry inventory from one year to the next.

If 64.5 million acres of soybeans are planted, harvested acreage would be near 63.65 million. A trend yield of about 39 bushels would produce a crop of 2.48 billion bushels, only about 65 million bushels above the level of consumption projected for the current marketing year.

Based on this very primitive analysis, new crop soybean prices may have to increase relative to corn prices in an attempt to attract a few more soybean acres. The market, however, may not have to make that decision until the outcome of the South American crop is more certain and U.S. planting intentions are revealed on March 31.

Darrel Good

Issued by Darrel Good
Extension Economist
University of Illinois

CES Newsletter Service
University of Illinois
at Urbana-Champaign
69 Mumford Hall
1301 West Gregory Drive
Urbana IL 61801

Presorted First Class Mail
Postage and Fee Paid
Urbana, IL
Permit No. 25