



# WEEKLY OUTLOOK



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## **MARKET WAITS FOR PROSPECTIVE PLANTINGS REPORT**

Cash soybean prices have moved to the highest level since the first week of September 2001. The average cash price in central Illinois on March 15 was \$4.585, \$.60 above the harvest time low. The average cash price of corn in central Illinois was \$1.92 on March 15, \$.125 above the harvest low and \$.10 below the December high. The prices of both crops have been in a very narrow range so for this marketing year. The cash price of soybeans is \$.30 above the price on the same date last year, while the cash price of corn is \$.075 higher.

One of the factors that has kept corn prices in check in recent weeks is the expectation that U.S. corn acreage will increase significantly in 2002. Planted acreage in 2001 totaled 75.752 million acres, 3.8 million less than planted in 2000 and 4.4 million below the recent high established in 1998. The decline in acreage last year was fairly widespread, except for Indiana where plantings increased by 100,000. The largest absolute declines came in Iowa (600,000), Texas (500,000), South Dakota (500,000), Minnesota (400,000), and Nebraska (400,000). Declines were generally smaller in other eastern corn belt states, totaling 450,000 acres in Illinois, Ohio, and Wisconsin. At least part of the decline in corn acreage in northern growing areas resulted from prevented plantings due to excessive precipitation.

Private forecasts reflect expectations of an increase of 2 to 3 million acres in corn plantings in 2002, with most expectations closer to 3 million than to 2 million. The increase is expected to come as a result of an increase in total planted acreage and as a result of corn replacing other crops – cotton, rice, and perhaps soybeans.

Soybean acreage in the U.S. increased every year from 1993 through 2000, but declined by 260,000 in 2001. The increase in acreage since 1993 has come largely in the western corn belt. Acreage in 7 western states grew from 25.3 million in 1993 to 37.7 million in 2001. Those states accounted for 42 percent of the soybean acreage in 1993 and 51 percent in 2001. Acreage in the eastern corn belt grew from 20.4 to 24.65 million over the same time period, with the share of the U.S. total remaining very stable near 33 percent. Acreage in the rest of the country declined from 14.4 million to 11.8 million, with the largest declines occurring in the Delta states. The large increase in soybean acreage in recent years has come primarily at the expense of wheat acreage.

Expectations for intended acreage of soybeans in 2002 is mixed. Private forecasts reflect expectations of a 500,000 acre increase to a 500,000 acre reduction in soybean plantings. Expected stability in acreage in 2002 reflects stability in wheat acreage and declining competitiveness of soybeans in high corn-yielding areas.

In addition to acreage of individual crops, the other story to be revealed in the USDA's *Prospective Plantings* report will be the total crop land area expected to be planted in 2002. Cropland area declined by about 7 million acres in 2001. Total area should rebound in 2002 if the planting season is generally

favorable, but by how much?

The magnitude of planting intentions will be important for both corn and soybean prices, although the March report may not be the final word on planted acreage. Since 1996, actual planted acreage of soybeans has varied from March intentions by as much as 2.55 million acres (2001) to as little as 25,000 acres (1998). Planted acreage exceeded March intentions each year from 1996 through 1999 (as well as in the previous five years), but fell short of intentions in 2000 and 2001. Planted acreage of corn since 1996 has varied from March intentions by as much as 1.9 million (1997) and as little as 616,000 acres (1998). Planted acreage was less than March intentions in 5 of the past 6 years. Once the market absorbs the *Prospective Plantings* report, attention will begin to focus on planting conditions and early season weather prospects. As usual, there will likely be a wide range of forecasts about the nature of the 2002 growing season.

The very narrow trading range in cash corn and soybean prices during the first 6.5 months of the 2001-02 marketing year suggests that new highs or new lows in the cash market will occur over the next 5.5 months. For soybeans, the current expectation is that new highs will be established, since the low so far this year is consistent with the marketing year lows of the past 4 years. A high near \$5.00 in central Illinois would be consistent with the trading range experienced the past two crop years. Prices at that level will require continued large soybean purchases by China and the *Prospective Plantings* report to show no significant increase in acreage.

For corn, expectations are more mixed. The lowest cash price in central Illinois to date is well above the lows of the previous 4 years, but the high so far is also below the level of the previous 3 years. Prospective crop size, beginning with the planting intentions report, will determine the direction of prices. History, points to at least a window of opportunity for new highs in the cash market in the May through July time period.

Issued by Darrel Good  
Extension Economist  
University of Illinois