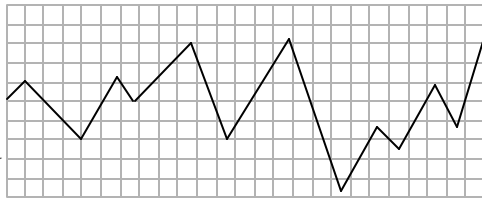
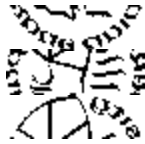




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ACREAGE UNCERTAINTY TO CONTINUE

Planted acreage of non-hay crops declined by 7.054 million acres in 2001. Including harvested acreage of hay, area declined by 3.397 million acres in 2001. Since the USDA only provides an estimate for harvested acreage of hay, not planted acreage, it is not clear by what amount total crop land acreage changed in 2001. That is, harvested acreage of hay can vary by more or less than the area planted to hay, depending on weather conditions.

Part of the decline in acreage in 2001 was attributed to prevented plantings in areas that experienced a very wet spring, primarily in the upper midwest and northern plains states. As a result, we expected total crop land acreage to rebound by 2 to 3 million acres in 2002. The USDA's March *Prospective Plantings* report provides the first indication of farmer planting intentions, but does not include estimates for all crops (some minor oilseeds, edible legumes, potatoes, etc. are not included). In 2001, for example, the report included 98.6 percent of all crop land actually planted. The report released on March 28, 2002 indicates that planted acreage of non-hay crops will increase by only 309,000 acres in 2002. Including harvested acreage of hay, crop land area is expected to increase by 541,000 acres. The reasons for the permanent decline in crop land acreage are not completely known, but likely include expanded acreage in conservation programs and idling of low yielding land due to low returns.

The *Prospective Plantings* report reveals intentions to increase planted area of corn by nearly 3.3 million acres, to reduce sorghum area by 1.237 million acres, to reduce wheat area by 613,000 acres, to reduce soybean area by 1.139 million acres, and to reduce cotton area by 1.017 million acres. Intentions for barley and oats are up by 111,000 acres, and 726,000 acres, respectively. Those 7 crops accounted for 95.3 percent of all of the non-hay crop land included in the March report.

The 3.3 million acre increase in intentions for corn area follows a decline of 3.8 million in 2001. An increase in acreage is expected in every major producing state except Colorado and Kansas. Acreage is expected to remain below the area planted two years ago in the western corn belt, but acreage is expected to be higher in the eastern corn belt.

If planted acreage of corn totals 79.047 million acres in 2002, as indicated in the March report, acreage harvested for grain should be near 72.15 million acres, assuming a favorable growing season. At that level of acreage, a trend yield in 2002 would produce a crop in excess of 10 billion bushels. A crop of that size would allow an increase in corn use during the 2002-03 marketing year of about 275 million bushels (3 percent) without reducing year ending stocks below 1.5 billion bushels.

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The market may expect actual corn acreage to fall short of March intentions because of a strong historical tendency for the final estimate to be below March intentions. In addition, some intended corn acreage may be planted to soybeans if the CCC loan rates remain unchanged for the 2002 crop. Spring weather conditions, as well as the level of corn prices, may also impact planted acreage in 2002.

The 1.139 million acreage reduction intended for soybeans follows a reduction of 161,000 acres in 2001. The largest changes in intended acreage for 2002 are in North Dakota (+450,000 acres) and South Dakota (-350,000 acres). Acreage is expected to be unchanged or lower in all other major soybean producing states. The two year decline of 1.3 million acres of soybeans is coming primarily in Arkansas (500,000 acres), Mississippi (450,000 acres), Missouri (400,000 acres), and South Dakota (250,000 acres). Planting intentions for 2002 reflect a two-year increase in Nebraska (250,000 acres) and North Dakota (500,000 acres).

If 72.966 million acres of soybeans are planted in 2002, as indicated in the March report, harvested acreage should be near 71.9 million acres. At that level of harvested acreage, a trend yield in 2002 would produce a crop of about 2.876 billion bushels. A crop of that size is about equal to the USDA's projection of use during the current crop year, so that any expansion in market size in 2002-03 would result in some decline in year ending stocks. The market may be expecting soybean acreage to exceed March intentions if the CCC loan rates remain unchanged for the 2002 crop.

The market will monitor spring weather, CCC loan rate announcements, and new crop corn prices to judge if final acreage might deviate from March intentions. The USDA will provide an update on planted acreage estimates at the end of June. In addition to revealing any changes in crop mix, that report will provide another look at total crop land acreage in 2002.

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