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ECONOMICS COMMENTATOR



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GRAIN OUTLOOK - 1994

by
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The USDA Prospective Planting report released on March 31, 1994 contained several surprises for the grain trade. Corn planting intentions were at the low end of pre-report expectations, and soybean planting intentions were above the upper end of the pre-report expectations.

According to farmers' intentions, 78.6 million corn acres will be planted (Table 1). This is a 7% increase over 1993, but 1.2 million below analysts' expectations. The increase is due primarily to the farm program zero set-aside requirement and the favorable price of corn compared to soybeans. Farmers indicate barley plantings in 1994 will be 4% lower than in 1993. Oat and sorghum planting intentions are down 13% and 5%, respectively. Feed grain actual plantings are usually within 2-3% of intentions, so any change in plantings will have negligible impacts on feed grain prices.

Table 1. March 1994 Prospective Plantings
(million acres)

	USDA	Expected	% of 1993
Corn	78.6	79.8	107
Sorghum	10.0	11.5	95
Oats	6.9	7.8	87
Barley	7.6	7.5	96
W Wheat	50.8	50.6	98
S Wheat	18.1	18.8	118
Durum	2.6	2.8	99
Soybeans	61.1	60.0	103
Sunflowers	3.2	3.4	11

Oilseed acres will be up 3% compared to 1993, if farmers enjoy a normal planting season this spring. Soybean acres intended to be planted total 61.6 million compared to 59.4 in 1993. Perhaps this increase comes from small grain flex and from acres that didn't get planted in 1993. Oilseed acres actually planted are usually within 4% of prospective plantings and could still have a \$.50/bu or more

impact on the price of soybeans (Table 2). Early planting season weather for 1994 is forecast to be good and would lead to more corn and less soybeans. If the weather forecast is wrong, the opposite could be true. Response to the report alone suggests a substitution of corn for soybeans as planting progresses.

Table 2. Actual Plantings As A Percent of March
Prospective Planting

	1986-93	1991-93	Long Term
Corn	95.8-101.2	95.8-100.4	98.4
Soybeans	97.3-103.7	100.2-103.7	100.3
S Wheat	95.9-112.9	95.9-108.5	102.4

Spring wheat planting intentions in 1994 are 18% over 1993. A decrease in winter wheat is offsetting and total wheat acres will be down 1% in 1994. Durum acreage intentions are down 1% from 1993 at 2.6 million. History suggests spring wheat acreage will increase from the intentions. The increase most likely will not exceed 0.5 million acres with little impact on wheat price. More important is the percentage of planted acres harvested.

Based on historical farmer plantings, actual corn acreage would decrease from intentions to 77.3 million (Table 3). Soybean and wheat acreages would most likely increase to 61.3 and 71.9 million, respectively. Current weather suggests that corn and soybean acres planted will move in the opposite direction of historical averages.

Table 3. U.S Planted Crop Acreage Potential - 1994
(million acres)

	March	1986-93	Most
	USDA	Range	Likely
Corn	78.6	66.2-79.3	77.3
Soybeans	61.1	57.8-60.8	61.3
S Wheat	18.1	13.4-18.7	18.5
All Wheat	71.5	65.5-77.3	71.9

Historically, 10% of corn acreage is harvested for silage or abandoned (Table 4). Soybean acres are usually harvested with 98% normally combined. The number of planted wheat acres harvested is more variable than corn or soybeans acres, but has averaged 84.3% during the implementa-



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tion of the last two farm programs (1986-1995). Wheat may be grazed, baled or abandoned depending on expected yields.

Along with harvested acre forecasts, marketers need yield expectations to forecast production. From 1986 through 1993, crop yields have varied greatly due to changing weather conditions. U.S. corn yield ranged from 84.6 bu/A in drought stricken 1988 to a record 131.4 bu/A in 1992 and averaged 113.8 bu/A (Table 5). Soybean and wheat yields were not as variable and averaged 33.3 and 36.4 bu/A, respectively. Trend yield for corn is 122 bu/A and for both wheat and soybeans it is near 36 bu/A. With zero set aside and marginal acres being planted, 1994 yields are expected to be below trend.

Using the historical data presented in Tables 1-5, projected production for 1994 is 8.14, 2.07, and 2.2 billion bu for corn, soybeans, and wheat, respectively (Table 6). The range of production from 1991 through 1993 is noteworthy. U.S. corn production was only 6.3 billion bu in 1993, but a record 9.5 billion bu in 1992. Soybean and wheat production also has varied by 500 million bu during this 3 year time span.

Using the most likely production numbers presented in Table 6, national average price forecasts for 1994 are \$2.25-2.55 for corn, \$3.00-3.30 for wheat, and \$5.80-6.40 for soybeans. Each of these price ranges will change if growing season weather changes production expectations from the most likely to one of the extremes of the 1991-93 range. Price will be very sensitive to weather

conditions in 1994 because stocks of all grain commodities are very low.

Table 4. Harvested Acres, Percent of Planted Acres

	Average	1994
	1986-93*	Projected
Corn	90.0	90.0
Soybeans	98.0	98.0
Wheat	84.3	85.0

*Low and High Removed

Table 5. U.S. Crop Yield Potential - 1994 (bu/A)

	Average	1994
	1986-93*	Projected
Corn	113.8	114-120
Soybeans	33.3	33-36
Wheat	36.4	35-37

*Low and High Removed

Table 6. Most Likely U.S. Crop Production - 1994

	Harvested	Yield	Production (billion bu)	
	Acres	(bu/ac)	Most Likely	Range
Corn	69.6	117.0	8.14	6.3-9.5
Soybeans	60.0	34.5	2.07	1.8-2.2
Wheat	61.1	36.0	2.20	2.0-2.5

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