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LETTER

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PROSPECTIVE PLANTINGS this spring portend a slight decrease in corn acreage and a substantial increase in soybean acreage. According to the USDA's April 1 survey, farmers intend to plant 79.2 million acres of corn this year. That is nearly 1 percent less than actually planted last year and about 2 percent less than indicated in the initial planting intentions reported in January. For soybeans, farmers intend to plant 68.8 million acres, over 7 percent more than last year's record and 4 percent more than indicated in the earlier report of intentions.

Although trends varied widely among individual crops, intentions for all crops (including the estimates of winter wheat and rye plantings last fall) point to a 2 percent rise in acreage for 1979. Total feed grain acreage appears likely to decline about 3 percent this year, reflecting comparatively large declines in the planting intentions for oats, barley, and sorghum. Intentions for spring wheat point to a 4 percent rise, complementing the large increase in winter wheat acreage planted last fall. Increased wheat and rye acreage more than offsets the prospective decline in rice acreage, pointing to a 6 percent rise in plantings of all food grains. Large prospective gains in soybeans, cotton, and sunflowers suggest total oilseed plantings will be up 9 percent this year.

In district states, which accounted for nearly half of the corn acreage last year and over a third of the soybean acreage, planting intentions for this year are generally in line with trends nationwide. In Illinois, Indiana, and Iowa, intended cutbacks in corn plantings range from 1 to 3 percent while intended increases in soybean planting range from 3 to 6 percent. Intentions among farmers in Michigan and Wisconsin suggest a slight increase in corn acreage and a substantial rise in soybean plantings.

The April survey, although not designed as an estimate of actual plantings, often provides fairly reliable plantings estimates for the major crops. Conditions can change, however, often leading to sizable differences between intended and actual plantings. Adverse weather during the planting season and last minute

Oilseeds and food grains account for this year's prospective rise in total crop acreage

	Planted acres		Change (percent)
	Actual 1978	Intended 1979	
	(million)		
Feed grains			
Corn	79.7	79.2	- 1
Sorghum	16.5	15.6	- 5
Oats	16.4	15.0	- 8
Barley	10.0	8.6	-13
Total	122.6	118.5	- 3
Food grains			
All wheat	66.1	70.6	7
Winter wheat ¹	47.7	51.5	8
Spring wheat	18.4	19.2	4
Rye ¹	3.0	3.1	3
Rice	3.1	2.9	- 4
Total	72.2	76.7	6
Oilseeds			
Soybeans	64.0	68.8	7
Cotton	13.4	14.4	8
Sunflower	2.8	4.9	75
Flaxseed	.9	.8	- 6
Peanuts	1.5	1.5	0
Total	82.6	90.5	9
Other reported crops			
Hay ²	61.5	61.3	0
Dry beans and peas	1.7	1.6	-10
Potatoes ³	1.5	1.5	- 4
Sugar beets	1.3	1.2	-11
Tobacco ²	.9	.9	- 8
All reported crops	344.4	352.0	2

¹Acreage planted during preceding fall.
²Acreage for harvest.
³Includes small amount of sweet potatoes.

changes in government programs have caused farmers to alter their planting intentions. Such was not the case last year, however. Despite a major change in the feed grain program in late March last year and an unusually late planting season because of a wet spring, actual corn and soybean plantings last year deviated only about half a percent from the intentions reported in April 1978.

Farmers intend to plant less corn and more soybeans this year

	Corn		Soybeans	
	Million acres	Percent change*	Million acres	Percent change*
District states				
Illinois	10.70	- 3	9.55	3
Indiana	5.95	- 2	4.40	6
Iowa	13.20	- 1	8.05	6
Michigan	2.70	1	.97	20
Wisconsin	3.90	4	.30	36
Subtotal	36.45	- 1	23.27	6
Other selected states				
Arkansas	.05	25	4.75	0
Louisiana	.06	- 8	3.10	7
Minnesota	6.90	- 1	4.85	18
Mississippi	.20	- 7	4.10	5
Missouri	2.30	- 4	5.60	2
Nebraska	7.30	3	1.45	14
Ohio	3.90	1	3.90	3
South Dakota	3.25	0	.52	30
All states	79.21	- 1	68.80	7

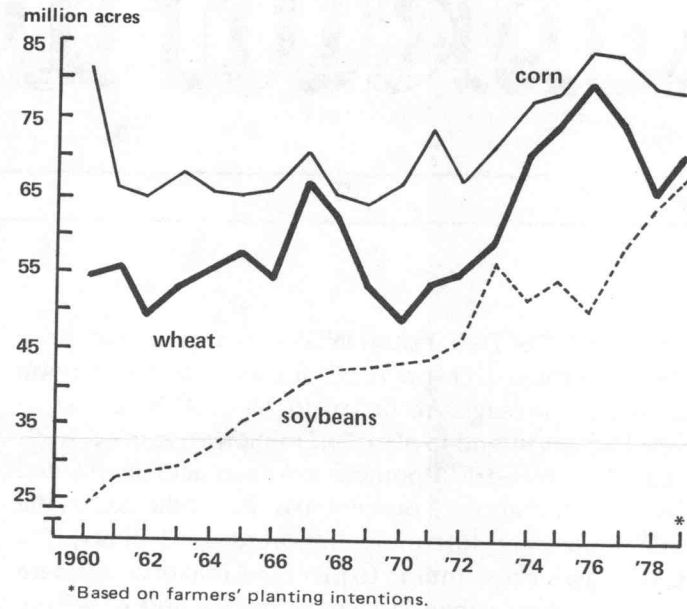
*From actual plantings in 1978.

Spring field work is off to a slow start again this year, although it is too early to be of much concern. Except for oat seedings, the lack of progress in field work so far this spring is about offset by the more-than-normal progress made last fall. Moreover, because farmers have substantially upgraded the capacity of their machinery and equipment in recent years, their chances of catching up once the weather clears is much greater than just a few years ago.

Evidence that farmers intend to boost total crop acreage this year supports earlier expectations that government farm programs will attract less participation this year than last. (For a summary of the 1979 farm programs, see the table on page 3.) Last year, only about 40 percent of the corn acreage was covered by the benefits of the feed grain program. And total acreage removed from production through set-aside and paid diversion options in all programs amounted to some 18 million acres last year. Based on farmers' planting intentions, it appears that about 8 million acres of this will come back into production this year.

The prospects for expanded crop acreage, plus early reports on the good condition of the winter wheat crop, provides the base for initial expectations of another large crop harvest. Prospects vary considerably for feed grains and for oilseeds and food grains, however. For instance, if farmers carry out their corn planting intentions and the proportion harvested for grain equals the usual 85.5 percent, and corn yields equal the 96 bushel per acre

Soybean plantings have increased much faster than corn and wheat the past two decades



average of the past two years, the 1979 corn harvest will equal about 6.5 billion bushels. That would be 8 percent less than last year's record and slightly less than the current projections of utilization for the 1978/79 marketing year. On the other hand, if farmers carry out their soybean planting intentions—and assuming per acre yields and the proportion harvested for soybeans are equal to the average of the past two years (30 bushels per acre and 98 percent, respectively) the 1979 soybean crop could exceed 2 billion bushels. Nearly 10 percent more than last year's record harvest, that would provide adequate supply for still more growth in the strong world demand for soybeans and products. Similar assumptions portend a wheat harvest of 1.9 to 2 billion bushels, nearly 7 percent more than last year.

These projections are, of course, tentative. Obviously, any departure from indicated plantings or any major shifts in per acre yields will change indications of the possible size of the 1979 harvest. And in addition to the domestic harvest, effects on prices would depend on prospects for production worldwide. Nevertheless, it appears that the 1979 harvest will allow some drawdown in the burdensome corn stocks and ease the tight supply/demand balances for soybeans. This is clearly the implications in the price relationships in new crop futures. In contrast to the soybean/corn price ratio of 3.2 in recent months, new crop futures prices are showing a ratio of 2.6.

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Agricultural Economist

Summary of 1979 farm program provisions

	<u>Corn</u>	<u>Sorghum</u>	<u>Barley</u>	<u>Oats</u>	<u>Wheat</u>	<u>Soybeans</u>
Price supports (<i>dollars per bu.</i>)						
Loan rate	2.00	1.90	1.63	1.03	2.35	4.50
Target price	2.20	2.30	2.40	n.a.	3.40	n.a.
Acreage restrictions (<i>percent of acres planted</i>) ¹						
Set-aside requirement ¹	10	10	20	n.a.	20	n.a.
Optional paid diversion ¹	10	10	n.a.	n.a.	²	n.a.
Diversion payment rate (<i>cents per bu.</i>)	10	10	n.a.	n.a.	²	n.a.
Voluntary acreage reduction ¹	10	10	30	n.a.	15	n.a.
Grain reserve considerations ³						
Amount enrolled (<i>mil. bu.</i>)	735.9	77.6	39.5	42.3	411.7	n.a.
Release price (<i>dollars per bu.</i>)	2.50	2.38	2.04	1.29	3.29	n.a.
Call price (<i>dollars per bu.</i>)	2.80	2.66	2.28	1.44	4.11	n.a.

¹For set aside and paid diversion, the percentages are assessed against the acreage planted for harvest in 1979. For voluntary acreage reduction, the percentages are assessed against the sum of the acres planted in 1978 and—if applicable—the acres set aside and diverted in 1978.

²A related provision in the wheat program permits participants to hay or graze out 50 acres of wheat or an acreage of wheat equivalent to 40 percent of the acres planted to wheat, corn, sorghum, barley, and cotton, whichever is larger.

³The three-year grain reserve is not open to 1978 crop wheat or to any further enrollments of 1978 crop corn.

Loan rates represent the amount per bushel farmers receive when they pledge their grain as collateral for a loan from the Commodity Credit Corporation. Loan rates typically provide a floor for market prices, even though the loans are available only to producers that comply with the set-aside requirements.

Target prices are used in determining payment rates when the government makes deficiency and disaster payments to participants in the program. Deficiency payments are made when the average price received by all farmers in the first five months of the crop marketing year is less than the target price. The payment rate per bushel of normal production in these instances is the difference between the target price and the five-month average market price. (See also the discussion under *voluntary acreage reduction*.) Disaster payments are made to participants that either have per acre yields less than 60 percent of normal or are prevented from planting because of some natural disaster.

Set-aside requirements represent the minimum acreage a farmer must remove from production to be eligible for program benefits. The requirement is assessed against the acreage actually planted for harvest in 1979. To comply this year a farmer that plants 200 acres of corn must set aside (remove from production) 20 acres of other land. In addition, the farmer must abide by set-aside requirements on all his other crops that have such requirements. And the sum of all acreage set aside (or diverted) and all acreage planted to major crops must not exceed the participant's normal crop acreage.

The land diversion for payment option allows a producer to remove additional acreage from production—beyond the required set-aside—in exchange for a direct payment from the government. The option is assessed against the acreage planted for harvest. If the producer that selects this option plants 200 acres of corn in 1979, he must remove 40 acres from production—20 acres for the set-aside requirement and another 20 acres for the paid diversion. The producer will receive a payment of 10 cents for each bushel of normal production on the acres planted. If the producer has a normal corn yield of 100 bushels per acre, he will receive a payment of \$2,000. That is equivalent to \$100 per acre for the extra diversion or \$50 per acre for all the land set aside and diverted.

The voluntary acreage reduction option, if selected, assures participants that they will receive a full (100 percent) deficiency payment, provided such payments are made. Otherwise, a participant's deficiency payment could be reduced to a minimum of 80 percent of the normal production from the acreage planted for harvest. (Participants that did not take this option in the 1978 corn program received payment on 97 percent of their normal production.) This option is assessed against the acreage planted last year and—if applicable—the acreage removed from production last year to comply with set-aside and paid diversion. If a participant raised 200 acres of corn last year, for instance, and also removed 40 acres from production through set-aside and paid diversion options, he can plant up to 216 acres of corn in 1979 (assuming he sets aside 21.6 acres of other land) and be eligible for a full deficiency payment.

Selected agricultural economic developments

Subject	Unit	Latest period	Value	Percent change from	
				Prior period	Year ago
Index of prices received by farmers	1967=100	March	246	+ 2.1	+23
Crops	1967=100	March	214	- 0.9	+ 9
Livestock	1967=100	March	274	+ 3.8	+34
Index of prices paid by farmers	1967=100	March	243	+ 2.1	+14
Production items	1967=100	March	243	+ 3.4	+15
Producer price index* (finished goods)	1967=100	March	209	+ 0.7	+10
Foods	1967=100	March	226	+ 0.6	+13
Processed foods and feeds	1967=100	March	220	+ 0.8	+12
Agricultural chemicals	1967=100	March	206	+ 1.3	+ 8
Agricultural machinery and equipment	1967=100	March	224	+ 0.4	+ 7
Consumer price index** (all items)	1967=100	February	207	+ 1.2	+10
Food at home	1967=100	February	228	+ 2.2	+14
Cash prices received by farmers					
Corn	dol. per bu.	March	2.15	- 1.4	0
Soybeans	dol. per bu.	March	7.08	+ 1.3	+14
Wheat	dol. per bu.	March	3.01	+ 0.7	+13
Sorghum	dol. per cwt.	March	3.56	+ 0.3	+ 5
Oats	dol. per bu.	March	1.28	+ 2.4	+ 9
Steers and heifers	dol. per cwt.	March	73.80	+10.1	+58
Hogs	dol. per cwt.	March	49.40	- 6.4	+ 6
Milk, all sold to plants	dol. per cwt.	March	11.80	- 0.8	+16
Broilers	cents per lb.	March	28.9	0	+17
Eggs	cents per doz.	March	64.3	+ 7.0	+16
Income (seasonally adjusted annual rate)					
Cash receipts from farm marketings	bil. dol.	4th Quarter	118	+ 8.0	+18
Net realized farm income	bil. dol.	4th Quarter	32	+17.0	+35
Nonagricultural personal income	bil. dol.	February	1,783	+ 0.6	+12

*Formerly called wholesale price index.

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