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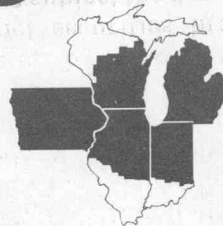
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# Agricultural Letter



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**CROP PROSPECTS** were clarified by two recent reports from the U.S. Department of Agriculture (USDA). The *Prospective Plantings* report indicated farmers intend to boost soybean plantings substantially this year, while holding planted feed grain acreage at last year's level. The *Grain Stocks* report confirmed the precariously tight situation for old-crop soybeans and portrayed a less-than-expected rate of utilization for corn and feed grains. These reports, coupled with vastly improved moisture supplies and above-average progress in spring field work, contributed to a downtrend in corn and soybean prices last week.

**Farmers' planting intentions** point to another increase in seeded crop acreage this year, despite the concerns of drought and lower grain prices. Intentions as of April 1 indicate plantings of the 16 major spring crops plus last fall's seeding of winter wheat will total 284 million acres, up 0.5 percent from last year and 18 percent above the 1972 level. Farmers intend to seed 55.7 million acres to soybeans in 1977, up nearly 11 percent from last year but about 1 million acres short of the 1973 record. Corn plantings are expected on 83.9 million acres, virtually equal to last year's level—the highest since 1949. Although sorghum plantings are expected to drop sharply—due mostly to a shift to cotton in Texas—increased intentions for oat and barley seedings indicate total feed grain plantings may equal last year's 129.6 million acres. Spring wheat plantings are expected to exceed 18.5 million acres—down 18 percent from last year—which coupled with last fall's more moderate decline in seedings indicates total wheat plantings will drop about 7 percent this year to 74.4 million acres.

The *Prospective Plantings* report is an indication of what farmers intend to plant, not an estimate of actual plantings. Weather patterns or changing commodity price relationships can cause farmers to alter their intentions. Indeed, many observers feel the high soybean/corn price ratio will encourage farmers to shift some of their intended corn acreage to soybeans. (However, recent Congressional deliberations on replacing historical acreage bases with actual plantings—for purposes of program payment calculations—may negate some of the price incentives for a larger increase in soybean acreage.) In the past 10 years, however, the deviation between actual corn plantings and the April intentions has averaged only 1.1 million acres, while the deviation for soybeans has averaged 1.3 million acres. Moreover, actual corn plantings have exceeded April intentions in seven of the past 10 years, while actual soybean plantings have exceeded intentions in six of the past 10 years.

The *Grain Stocks* report indicated domestic utilization of corn fell slightly short of the year-earlier level during the January-March period, duplicating the lackluster performance during the fourth quarter of 1976. Previously, it had been expected that the rise in livestock inventories and the extreme cold of last winter would trigger increased utilization. In light of the unexpectedly low domestic utilization over the past six months, the USDA raised its estimated carryover stocks of corn at the end of September to 849 million bushels, up from the previous midpoint estimate of 724 million bushels and the year-earlier level of 398 million bushels.

For soybeans the low April 1 stocks basically confirmed the extremely tight supply situation. Subtracting minimal carryover stocks from the April 1 stocks implies total utilization during the last five months of the current marketing year will have to be limited to about 560 million bushels, down one-tenth from the same period a year ago and in marked contrast to the record-setting pace in utilization experienced during the first seven months of the marketing year.

**The implications** of the two recent reports, coupled with above-average spring field work progress and the improved moisture situation, greatly reduce the likelihood of substantial fluctuations in grain prices during the summer months. As of now, a record corn harvest is highly possible for this year, in which case prices—in general—would remain under downward pressure. But even if the harvest is cut 5 to 10 percent by adverse weather, the upward pressures on prices would be largely mitigated by this year's rebuilding of carryover stocks.

The soybean complex does not have the weather cushion that is evident for grains. Despite the large indicated increase in soybean plantings, it will take better-than-average yields to boost total soybean supplies for the 1977/78 marketing year above the comparatively tight supplies experienced this year, reflecting the sharp draw-down in carryover stocks. Hence, it appears soybean prices are likely to continue to experience wide fluctuations and remain high relative to corn.

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