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Weekly Outlook: Crop Acreage in 2014

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October 7, 2013

farmdoc daily (3):190

Recommended citation format: Good, D. "[Crop Acreage in 2014](#)." *farmdoc daily* (3):190, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, October 7, 2013.

Permalink: <http://farmdocdaily.illinois.edu/2013/10/crop-acreage-2014.html>

http://farmdoc.illinois.edu/podcasts/weeklyoutlook/Weekly_Outlook_100713.mp3

The 2013-14 marketing year for U.S. corn and soybeans is only in the second month. A lot is still unknown about the size of those crops, the strength of demand, and price levels. In spite of those unknowns, the market is trying to anticipate planted acreage in 2014 and some analysts are already forecasting acreage levels for next year.

Anticipating acreage for 2014 is complicated by unfinished business with respect to 2013 acreage estimates. As background, the USDA's National Agricultural Statistics Service (NASS) estimates that planted acreage of "principal crops" from 2007 through 2012 ranged from 315.1 million (2011) to 326.3 million (2012). Principal crops include planted acreage of corn, sorghum, oats, barley, rye, wheat, rice, soybeans, peanuts, sunflower, cotton, dry edible beans, potatoes, sugarbeets, canola, and proso millet; harvested acreage of hay, tobacco, and sugarcane; double cropped acres; and unharvested small grains planted as cover crops. Variation in planted acreage reflects variation in the amount of double cropped acreage, failed acreage replanted to another crop, and the magnitude of prevented planted acreage. When the Farm Service Agency (FSA) estimate of prevented plantings are added to the NASS estimate of planted acreage, the total from 2007 through 2012 varied from 322 million (2007) to 327.5 million (2012).

In the June 2013 *Acreage* report, NASS estimated planted acreage of principal crops this year at 325.6 million. Additional acreage surveys conducted in July resulted in a 550,000 acre reduction in the estimate of soybean acreage and small adjustments in the estimates for cotton, dry edible beans, and sugarbeets. Small adjustments were also made for rice and peanuts in the August *Crop Production* report. The estimate of planted acreage in that report was 325.1 million, 1.3 million less than planted last year. Last month, the FSA updated report of prevented acreage showed prevented planted acreage at 8.2 million in 2013. Adding that estimate to the NASS estimate of planted acreage yields a total of 333.3 million, 5.8 million larger than the total of a year ago. That total is unrealistically high and as outlined two weeks ago there has been an expectation that the NASS estimate of planted acreage, particularly for corn, would eventually be reduced. Such a reduction would have been expected in the October *Crop Production* report scheduled for release on October 11. The timing of the next report, however, is in limbo due to the partial shutdown of federal government activities.

Whatever the final estimate for 2013, total crop acreage should be larger in 2014 for at least two reasons. First, it is unlikely that prevented acreage will be as large next year as it was this year. A decline to a

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more normal level could boost crop acreage by 6.5 to 7.0 million acres. Second, contracts on 3.3 million Conservation Reserve Program acres expired at the end of September 2013. However, 1.7 million acres were enrolled in a new sign-up period in 2013 so that a net of about 1.6 million acres of former crop land are available for pasture or crops in 2014. Lower commodity prices in general could result in more idled acreage or more pasture in 2014, but the increase would likely be small.

Winter wheat producers will be the first to make final decisions about planted acreage for harvest in 2014. Those producers are scheduled to report planted acreage in the NASS December Agricultural Survey, with results to be released in January 2014. Current prices for the 2014 crops appear to be high enough in relation to competing crops to attract a few more acres.

What about corn and soybeans? The current thinking seems to be that acreage will be shifted from corn to soybeans as the current large corn harvest will result in a substantial build-up of inventories and low corn prices in relation to soybean prices. That is certainly the current situation for old crop prices. The ratio of November 2013 soybean futures to December 2013 corn futures is near 2.9. However, planting decisions should be based on new crop prices. The current ratio of November 2014 soybean futures to December 2014 corn futures is about 2.4. New crop soybean prices are at a discount to old crop prices while new crop corn prices are at a premium to old crop prices. The lower new crop price ratio may reflect the expected acreage shift, but in fact discourages such a shift.

Many corn and soybean producers have already made acreage decisions for 2014 and more decisions will be finalized as the current harvest is completed. If acreage of corn remains relatively large in 2014, the combination of trend yields and a very mature market for U.S. corn would result in a further build-up of inventories next year. Under that scenario, prices would be lower next year, not higher as currently reflected in the market.