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Federal Reserve Bank of Chicago --

July 21, 1972

CORN AND SOYBEAN PRODUCERS have made extensive changes in planted acreage compared with a year ago. Corn planted for grain was reduced 6.5 million acres from last year to 57.3 million acres, according to recent estimates by the U. S. Department of Agriculture. Planted soybean acreage, on the other hand, rose 3.2 million acres to 45.6 million acres. Yield projections adjusted for trend indicate a 1972 corn crop of 5 billion bushels, and a soybean crop of 1.3 billion bushels. These projections represent a 9 percent smaller corn harvest and a 9 percent gain in soybean production.

Farmers in Seventh District states reduced corn acreage somewhat less and expanded soybean acreage more than farmers in other areas. Combined, the five district states account for nearly one-half of total U. S. corn acreage and two-fifths of soybean acreage.

#### 1972 Corn Acreage Down, Soybean Acreage Up

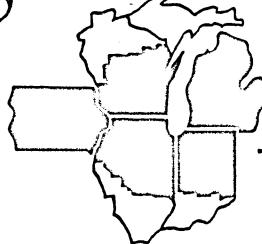
	Corn acreage		Soybean acreage	
	1972 estimate (thousand acres)	Change from year ago (percent)	1972 estimate (thousand acres)	Change from year ago (percent)
Illinois	9,250	- 9	7,508	5
Indiana	4,880	-11	3,715	10
Iowa	10,450	-10	6,147	13
Michigan	1,630	- 4	596	10
Wisconsin	<u>1,994</u>	- 5	<u>147</u>	15
District total	28,204	- 9	18,113	9
U. S. total	57,296	-10	45,590	8

The shifts in production generally reflect changes in this year's feed grain program and the price relationship between corn and soybeans. In contrast to last year's set-aside requirement of only 20 percent, participants in the 1972 feed grain program had to idle a minimum of 25 percent of their feed grain base acreage. Moreover, 1972 program participants were offered several new features. Two of these allowed participants the option of additional set-aside of up to 20 percent of their base. Another feature allowed planted soybean acreage as an eligible substitute for conserving feed grain base acreage. In the 1971 program, only wheat substituted for feed grains for base preservation. These more liberal features plus a more favorable schedule of payments boosted acreage idled under this year's program to 37.3 million acres—double the year-earlier level.

High soybean prices relative to corn prices also contributed to the production shift. Abundant corn supplies stemming from last year's record harvest held corn prices at the farm level to an average of \$1.14 per bushel during this spring's planting season. In contrast, soybean prices averaged \$3.36 per bushel in response to short supplies. This price relationship tended to encourage many farmers to expand soybean plantings in lieu of corn acreage.

# Agricultural Letter

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Despite the sharp swing in corn and soybean production, the effects on prices during the 1972-73 marketing year likely will be rather modest.

Corn prices after this fall's harvest will continue to be influenced by large supplies. An unusually large carryover coupled with this year's projected 5 billion bushel production—second only to the 1971 record—indicate total corn supplies will closely approximate the record amount available during the current marketing year. Demand factors could bring some upward price pressure. However, it is doubtful that total corn utilization will significantly exceed this year's production. Domestic utilization of corn in the current marketing year rose 10 percent to 4.3 billion bushels. Although expanded cattle and hog feeding will likely result in heavier domestic utilization, the gain probably will be much smaller than that recorded in the current marketing year.

Exports could well prove to be the most important factor affecting demand during the 1972-73 marketing year. The recently signed three-year, \$750 million grain trade agreement with the Soviet Union is expected to boost total U. S. grain exports by 17 percent over the next three years. A minimum of \$200 million in grains will be exported during the first year of the agreement (August 1, 1972-July 31, 1973). Although the Soviet Union has the option of purchasing any one of six grains to meet this commitment, corn likely will account for the bulk of the purchases. Another factor boosting U. S. corn export potential is the lower supplies from competing export countries. The recently completed Argentina corn harvest, for example, was substantially below the year-earlier level.

Soybean prices, in contrast to corn, are likely to be influenced by short supplies during the upcoming marketing year. Combining this year's expected record production with the unusually small carryover suggests total supplies for the 1972-73 marketing year of 1.34 billion bushels—up about 5 percent from this year but about comparable to the 1970-71 marketing year. Although low crushing margins—reflecting both high soybean prices and depressed oil prices—pose some uncertainty, demand is expected to continue strong and likely will offset much of the price-depressing effects from the larger supplies. Demand for soybean meal continues strong, as does the demand for soybean and product exports. During the past fiscal year, soybean and product exports reached a record \$2 billion. These factors are expected to continue into the 1972-73 marketing year.

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