



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

Agricultural Outlook Forum
For Release: Tuesday, February 24, 1998

GRAINS AND OILSEEDS OUTLOOK FOR 1998 Acreage Shifts and Shifting Demand

Bradley Karmen
Farm Service Agency, USDA

INTRODUCTION

Each outlook conference generally focuses on "issues of the day," issues that create uncertainties in our forecasts. We may know some uncertainties, such as policy tools, when we develop the forecasts; sometimes we can anticipate these and make adjustments. We know other uncertainties are unpredictable, such as weather conditions or shocks overseas; we are forced to adjust to these shocks "after the fact."

Two years ago the biggest unknown concerned farm policy. In 1996, we assumed a continuation of the then-current farm legislation--acreage reduction programs, target prices, deficiency payments, and a smaller CRP program than today's levels. The 1996 farm bill was signed soon after that outlook conference ended, and farmers planted more acres than we anticipated for wheat and soybeans. Was this in response to the new legislation giving farmers the "freedom to farm?" Most likely not. Higher-than-expected prices at planting time encouraged farmers to plant more and poor weather conditions in several regions of the country prompted farmers to change their crop mix.

Last year, we forecast the farm policies correctly, not too difficult considering farmers had to enroll in 7-year contracts the year before. Congress didn't make any changes to farm programs either. And we even predicted the correct enrollment level for the Conservation Reserve Program; again, an easy task because new enrollments and withdrawals were relatively small that year. Last year was the first in a long time that we could not blame subsequent policy changes for the "errors" in our baseline projections.

So, does this mean we correctly forecast acreage

planted in 1997? No. For example, we underestimated soybean acreage by more than 6 million acres. Was this increase in response to the new legislation, higher prices or weather conditions? It's likely a combination of all three, but it's difficult to rank the relative importance of each. I'll attempt to address the issues raised by this question throughout this discussion.

The main unknown in last year's outlook speech was how farmers would adjust their plantings in response to changes in prices. China, as usual, was also a critical issue. This year I would like to continue the dialogue on planting flexibility, but switch the focus from China to other Asian countries. Not that China has ceased to be of concern, but South Korea and Southeast Asia have moved to the forefront.

Before focusing on the 1998 projections, I will examine land use in the United States to see if our long-term productive capacity and export competitiveness may be constrained. Then, I will look at the Department's projections of planted acreage for wheat, corn and soybeans we issued the past two years and see if we can learn lessons from our forecast "errors."

LAND USE, IDLED ACRES, AND EXPORTS

U.S. plantings of the principal crops in 1996 increased to the highest level since the mid-1980's--up about 16 million acres from 1995--and stayed at that level in 1997. Producers idled about 95 million acres of crop land the last 2 years--about 22 million acres in summer fallow, about 33 million acres idled in the Conservation Reserve Program, and an additional 40 million acres voluntarily idled by producers.

What changes in planted acreage and idled acreage can we expect for 1998? First, it is estimated that acreage in the Conservation Reserve Program will fall by about 2.3 million acres, freeing up that many acres to be planted in 1998. Despite the additional acres available for planting, we expect acreage planted to the major crops to fall slightly in 1998.

A few States will have fewer acres to plant because CRP participation increased in 1998, most notably

about 525,000 acres in North Dakota. The biggest decline in CRP acreage is in Minnesota, falling by about 450,000 acres in 1998. From a regional perspective, only in the Northern Plains and Mountain States will CRP acreage be higher in 1998. The Corn Belt loses the most CRP acres, followed by the Lake States and the Southern Plains. The following table provides a regional comparison.

[TABLE NOT AVAILABLE]

By 2001, acreage in the CRP is expected to increase by 3.6 million acres from 1997 to the authorized level of 36.4 million and remain at that level through 2007. Planted acreage of major crops in 2007 is forecast to increase by about 10 million acres from 1997. If summer fallow acreage holds steady and if crop land acres in the United States continue to decline by 1 million acres per year, at least 15 million acres would still be voluntarily idled by producers in 2007. The data suggests that there is additional land to plant to meet the expanding domestic and overseas markets.

LESSONS LEARNED ABOUT PLANTINGS AND REGIONAL ACREAGE SHIFTS

1996: The 16-million acre increase in plantings for 1996 primarily occurred for corn, wheat, sorghum and soybeans. Cotton, oats, and sunflower acreage declined. Producers reacted to both strong prices and weather-induced acreage shifts. Some producers substituted plantings of one crop for another crop; many others increased their overall acreage. Let's look at some examples:

- ? Producers in the Delta States doubled their corn plantings and cut back on their cotton acreage because price prospects for early harvested corn were excellent given the extremely low corn stocks at the end of the 1995/96 season.

- ? Corn Belt farmers increased corn, soybean, and wheat acreage; only oats acreage declined.

? Acreage of corn, soybeans, and wheat increased in the Northern Plain States while sunflower acreage declined there. Area planted to spring wheat (not including durum) was the largest since 1936 because of high prices and abundant moisture at planting time. The increase in spring wheat acreage by North Dakota farmers, the largest spring wheat State, was accomplished by planting less sunflowers and planting wheat on land that would normally have been summer fallowed.

? Sorghum acreage increased in Texas when producers replanted failed cotton acreage and acreage skyrocketed in Kansas when producers planted sorghum on abandoned winter wheat fields.

1997: U.S. plantings of principal crops in 1997 remained at 1996's level. Producers adjusted the mix of crops on their farms, but, on average, did not expand acreage as they did in 1996.

? The biggest acreage shifts in 1997--and the magnitude of the change caught everyone by surprise--was the 6.7-million-acre increase in soybean planted acreage. Soybean producers never had any acreage controls associated with their crop, but to the extent that acreage limitations for other crops limited the expansion of soybean acreage, the 1996 farm law could have been partially responsible for the acreage increase. Very strong oilseed prices, modifications of farm rotations to include more soybeans, favorable planting conditions for soybeans, and problems getting other crops planted also led to this soybean acreage surge. Record acreage of soybeans in the Lake States, Corn Belt and Northern Plains displaced corn and wheat plantings in this region.

? Plantings of sorghum declined in 1997 because

the crop was not replanted after failed acres of other crops.

- ? Cotton acreage declined for the second consecutive year because a cool, wet spring limited plantings and more favorable net return prospects for several competing crops. Cotton acreage fell throughout the country, except for a small increase in the Southeast, as a recent buildup in the cotton infrastructure of the region has supported acreage there and some area planted to corn in 1996 returned to cotton.
- ? Winter wheat acreage dropped to the lowest level since 1978 and was considerably below market expectations. Again, much can be explained by prices and weather-related conditions. Most States that expanded their wheat acreage in 1996 in response to rising prices scaled back wheat plantings the following year. Also limiting winter wheat plantings were late soybean and sorghum harvesting in 1996, disease concerns in the eastern Corn Belt, and dry weather in other regions of the country.
- ? Farmers planted the second highest spring wheat crop in modern times following the 1996 60-year high. Area had been expected to drop back to the 1995 level after increasing sharply in 1996 due to strong spring wheat prices. However, another spring price runup--due mostly to the mid-April 1997 freeze in the Southern Plains and severe flooding in the Red River Valley--apparently provided farmers sufficient incentive to increase 1997 plantings above their March intentions.

CHANGING DEMAND

Bulk Commodity versus High-value Product

Exports: Agricultural exports are a key component of farm income, equal to about 30 percent of cash receipts and high-value product exports have become an important component of the trade picture. The value of high-value product exports surpassed that of bulk commodities earlier in the decade and it is anticipated that it will enjoy almost a two-thirds share 10 years from now. However, the growth in high-value product exports is not necessarily to the detriment of producers of bulk commodities. Corn is heavily dependent on trade even though domestic use dwarfs the export volume of corn because much of the domestic use of corn ends up overseas through the export of livestock products. It is estimated that more than one-fourth of our corn and more than one-half of the soybeans moves overseas, either directly in bulk, as an intermediate product (soybean meal or oil), or indirectly through livestock and products.

The Asian Crisis: The current financial crisis in Asia raises concerns about its impact on U.S. agricultural exports, especially over the next few years. When USDA's long-term baseline was completed last November, the crisis was assumed to be limited to the four major Southeast Asian economies: Indonesia, Thailand, Malaysia and the Philippines. It was also assumed the impact would be relatively short-lived with the largest impact in Thailand. U.S. corn exports to the region were expected to be hurt the most, but after 2000 imports by this region were expected to return to the previously projected growth rates.

Economic forecasters have moved from an assumption of "minimal effect" to the reality that the crisis is spreading to other countries in the region, it will likely last longer, and it will have a greater impact on the economic performance on some U.S. businesses, including agriculture. However, forecasters cannot settle on a consensus regarding the depth, severity and expansiveness of the situation.

The importance of Asia to the economic well being of our farmers cannot be understated. The value of U.S. agricultural exports shipped to Asia was \$23.8 billion in fiscal year 1997, or 41 percent of the total value of

agricultural products we send overseas. We shipped almost \$10 billion worth of wheat, coarse grains, and soybeans and products to Asia in fiscal year 1997.

The Asian crisis will directly reduce demand for U.S. agricultural exports because of a slowdown in the region's consumer spending and the declining value of the Asian currencies relative to the U.S. dollar. The declining value of the Asian currencies makes imports from the United States more expensive. Higher-valued U.S. exports to the region will be reduced more than exports of bulk commodities, particularly in the near term.

Overall, we estimate that the Asian crisis could reduce worldwide U.S. agricultural exports by 3 to 6 percent over the next two years from the levels that would have been if these countries maintained their rapid growth.

It is important to keep in mind that despite financial problems, Asia remains an important market with much potential. The factors that made Asia strong economically in the past will fuel its recovery in the future. These include a high rate of savings, low inflation, a well-educated population, and economies that, for the most part, have potential for strong growth after short-term downturns. The medium-term fundamentals will become sound with institutional reforms that allow bankrupt firms and banks to be closed, with reductions in government-directed investment, and with the elimination of monopolistic trade agencies. Ultimately, the IMF-led reforms in these countries will lead to more transparent, freer markets in which U.S. agricultural products will find it easier to compete.

OUTLOOK FOR 1998

The 1998/99 forecasts presented below are different from the projections contained in the publication USDA Agricultural Baseline Projections to 2007. The most recent forecasts were updated in mid-February, while the baseline projections to 2007 were developed last November. Tables 1 through 5 show the Department's current supply and demand projections for 1998/99 for

wheat, corn, soybeans, soybean oil, and soybean meal. USDA's first official forecast for 1998/99 will be published in May, based in part, on survey-related data from NASS and attache reports from FAS offices overseas.

Overview for 1998: In comparison to the last few years, smaller changes in acreage are anticipated for 1998. Soybean and corn acreages are expected to increase marginally, while wheat acreage will likely contract. The extent of the decline in winter wheat acreage planted last fall, and reported last month, caught most by surprise. Little is noteworthy on the demand side for wheat; both domestic use and exports are expected to increase marginally. Corn exports are expected to rebound, with continued increases in domestic use. The outlook for soybeans can be characterized as a year of "records," including record levels of planted acreage, production, supplies, and total use. Another record crush is also expected for soybeans, but exports may decline marginally. Prices will likely fall or remain unchanged for wheat, corn, soybeans, soybean oil and meal, with dramatic price declines expected for soybeans and soybean meal.

Wheat Supply: Wheat planted acreage in 1998 is forecast to be 68.5 million acres, down 2.5 million acres from last year. Yields are expected to fall 1.7 bushels per acre below this year to a trend estimate of 38 bushels, as the record yield in winter wheat is not expected to be repeated. U.S. wheat production is expected to decline about 9 percent from this year, due to both fewer planted acres and the lower yield.

Winter wheat planted for harvest in 1998, as reported in the Winter Wheat and Rye Seedings Report released last month, is expected to be 46.6 million acres, 4 percent below 1997 and the lowest since 1973. We anticipate spring plantings (including durum) to be 21.9 million acres, down for the second consecutive year from the near-record established in 1996. Some of the decline in spring acreage is attributed to larger CRP enrollment in North Dakota and continued large oilseed acreage.

Hard red winter area accounted for most of the winter acreage decline, down 5 percent from last year. Except

Oklahoma, plantings in the major producing States were all down. Montana acreage declined to the lowest since 1941. Nebraska farmers may have planted the smallest crop in its history. Kansas seedings are 700,000 acres below last year.

White winter wheat seedings were also down about 5 percent from a year ago. Idaho producers apparently planted the smallest crop in that state since the early 1970's.

Soft red winter wheat seedings were above 1997 because of increases from Arkansas through Illinois. In Ohio, acreage remains unchanged from 1997. In the southeast, wet conditions and late harvests delayed or even prevented wheat seedings. Many of those states are estimated to have reduced seedings from 1997.

Questions have arisen regarding the cause of the decline in winter wheat seedings and will continue until the Prospective Plantings Report is issued in March. The estimated level was about 2 million acres below the low end of the range of industry estimates released prior to the USDA report. Likely causes of the reduced plantings include:

? Producers switching to crops such as oilseeds and feed grains to improve crop rotation and because of better price expectations for other crops. Contributing to the shift may be increased flexibility provided under the 1996 farm law.

? Producers planning to increase their hay acreage, or even put the land in summer fallow.

Wheat Demand, Stocks and Prices: Despite smaller acreage, lower yields and a corresponding decline in production, 1998/99 is shaping up similarly to 1997. Bigger carryin stocks will offset the reduced production and cause total supplies to be about unchanged. Total use is expected to be up slightly from last year, with a small gain expected for domestic use. U.S. export volume is expected to increase marginally; the U.S. market share remains at about 30 percent and world trade is expected to be about unchanged. U.S. stocks are relatively unchanged, and prices will likely remain

near the 1997 level of \$3.45 a bushel.

Outlook for Global Wheat Trade: World trade in 1998 is expected to be little changed from this year's forecast. A continued increase in imports is expected in Latin America and the Middle East in response to economic growth. This will be offset by reductions in North Africa due the expectations of larger crops. The uncertain outlook for Asia will determine whether world trade rises or falls in 1998.

A significant portion of China's 1998 winter wheat crop was planted in dry soils, making spring moisture conditions critical. However, China's slow growth in wheat consumption and the large gain in wheat stocks from their record 1997 crop means large wheat imports are unlikely. Also, Indian imports depend upon growing conditions in coming months because of some poor weather conditions at planting. Less feed wheat is expected to be imported by South Korea, and some Southeast Asian countries are likely to reduce imports. Indonesia is a key unknown, with imports depending on whether they maintain consumer subsidies.

For the competitors, area is expected to decline, but production is likely to be up because of the EU. Thus, the United States is expected to continue to face intense competition in world markets.

Corn Supply: Based on continued strong prices for corn, plantings are expected to climb slightly to 81.5 million acres, up 1.3 million from 1997. Trend yield analysis suggests that corn yields will average 130 bushels per acre. Corn production in 1998 is expected to increase to near 9.8 billion bushels, approaching the record crop of 10.1 billion in 1994. With carryin stocks estimated at 949 million bushels, corn supplies are projected at 10.75 billion bushels.

Corn Demand, Stocks and Prices: Corn demand for 1998 is projected at a record 9,735 million bushels, up 425 million from 1997. U.S. exports are projected up 275 million bushels, or up 7 million tons from this year. Domestic use of corn is expected to increase 150 million bushels in 1998 to 7,835 million bushels. Feed use is estimated to reach 5,950 million bushels, up 100

million bushels. Food, seed, and industrial (FSI) uses of corn are expected to increase 50 million bushels to 1,885 million. Fuel ethanol production (a component of FSI use) is expected to account for 525 million bushels, up 10 million bushels from 1997, and corn used for sugars and starch is projected to increase 40 million bushels, accounting for 1,070 million bushels of FSI use.

Near term growth in ethanol production is limited, due to the uncertainty of the federal tax exemption for ethanol used in motor fuels. The tax exemption, which is about 54 cents per gallon of ethanol, is scheduled to expire on December 31, 2000. Expansion of ethanol production capacity in the near term is most likely to occur in States where State programs provide special investment incentives. Longer term growth depends on whether the excise tax exemption is renewed for ethanol beyond 2000.

Because projected corn production in 1998 exceeds expected use, corn ending stocks are projected to increase 65 million bushels to 1,014 million. The ending corn stocks-to-use ratio increases marginally to 10.4 percent, and the season average corn price is projected to be near \$2.55 per bushel, or about unchanged from 1997.

Outlook for Global Corn Trade: Most of the increases in projected U.S. exports are due to reduced competition, with China the key. China is projected to drop from a net exporter of almost 5 million tons to a net importer of around 1 million. Eastern Europe's exports are likely to drop, and even Argentina is expected to export less than this year. Also, global imports are projected to show a small rise as income gains push up livestock demand and feed ingredient imports for a number of countries. The aggregate imports for South Korea and Southeast Asia are assumed to be down only slightly from the current forecast for this year. Remember that most of the reduction in the forecast for 1997 exports in recent months has been because of larger competition from Argentina, China, and Eastern Europe. South Korea would have purchased feed wheat and corn from competing suppliers, even without a currency crisis.

Also, there would have been a huge Argentine corn crop and large exports, with or without the Asian crisis.

Soybean Supply: Soybean planted acreage is expected to reach a record level of 71.5 million acres, compared with last year's 70.9 million and marginally above the previous record set in 1979. Soybean acreage is at levels last seen in the late 1970's and early 1980's when prices were record high and double-cropping was considerably higher. The biggest increases in soybean acreage in recent years have been in the Lake States and Northern Plains.

Using a 39.5 bushel per acre yield--up 0.5 from last year and second only to the 1994 level of 41.4--will result in a crop of 2,780 million bushels, 2 percent above last year's record of 2,727 million bushels. Total supplies are expected to be 3,028 million bushels, 6 percent above the record set in 1997.

Soybean and Products Demand, Stocks and Prices: Domestic crush in 1998 is expected to be 1,545 million bushels, 2 percent above last year. Exports are expected to decline to 945 million bushels, off about 2 percent from 1997, because of increased competitor supplies. U.S. ending stocks for 1998 are expected to increase to 400 million bushels, or 63 percent above the estimated 1997 level, and the highest level since 1986. Prospects for a record U.S. soybean crop and a large South American crop are expected to push soybean prices down \$1.25 from this year, to about \$5.25 per bushel and the lowest in more than 10 years.

As is the case for soybeans, the 1998 balance sheet for domestic soybean meal and oil is expected to show many records including production, total supplies, domestic use, and total use. Soybean oil exports are also expected to be at a record level. Continued strong global demand for soybean products, coupled with tightening global oil stocks is expected to keep soybean oil prices around 26.5 cents per pound, about the same as is estimated for 1997. However, soybean meal prices are expected to decline to around \$160 per ton, down from an estimated \$202.50 per ton in 1997.

Domestic prices for other oilseeds, such as sunflowers,

canola, rapeseed, safflower, flaxseed, and cottonseed, will likely be higher relative to soybean prices because of the globally tight oil market. The value of these oilseeds is principally determined by the value of the oil they produce. Thus, with a strong global vegetable oil demand and reduced output, the prices of high oil-yielding crops should strengthen relative to soybeans.

Outlook for Global Soybean and Products Trade.

Reduced prospects for U.S. soybean and soybean meal exports in 1998 are related to a strong rise in 1997 Southern Hemisphere soybean crops. These record crops harvested in the spring of 1998 are expected to hurt U.S. export prospects. This marks a big turnaround from the fall of 1997 when both Brazil and Argentina imported record amounts of U.S. soybeans. While U.S. exports are most seriously impacted in the October to March period of 1998/99, they may do much better in the following six months as new crop soybean production in South America stalls, with Argentina possibly retrenching as area planted to soybeans drops and yields are assumed to be more normal following this year's ideal growing conditions.

Foreign soybean meal use and imports will experience a reasonably good year, despite Asian financial woes. Soybean meal use could be up by 3.5 to 4 percent, compared to about a 5.5 percent growth in 1997. Soybean meal imports could grow 3.5 percent, compared to 6 percent in 1997. Chinese demand for soybean meal is forecast to remain strong, growing by around 10 percent and other non-Asian markets are anticipated to accelerate usage of soybean meal in response to good economic growth and much weaker soybean meal prices.

In contrast to soybeans and soybean meal use and trade abroad, soybean oil will likely do much better, with soybean oil trade up by 5 percent or more. Continued strong gains in Chinese consumption of vegetable oils, along with a marked slowdown in Southeast Asian palm oil production and exports, will support strong gains in soybean oil trade and use as well as for the high oil content seeds such as sunflowerseed and rapeseed. Global production of palm oil normally grows more than 1 million metric tons annually, but it

grew only a modest 0.2 million tons in 1997. With dry weather continuing in the region, growth will likely continue to be weak into 1998.

CONCLUSION

We have seen how acreage increased in 1996 and stayed at that high level in 1997. Relatively strong prices, healthy yields and virtually no government restrictions (or inducements for that matter) encouraged producers to plant the greatest number of acres in 10 years. For the most part, the market has found a home for this "extra" acreage, even when the weather provided for record or near record yields. If the Asian crisis results in a moderate and short-term decline in U.S. agricultural exports, sufficient demand still exists to cause wheat and corn prices to remain firm, but weaker prices are anticipated for soybeans. In the longer-term outlook, we anticipate that continued global demand for our products will pull additional acreage into production, even with large enrollment in the CRP.

The trend in soybean acreage is particularly notable. Soybean acreage increased to levels last recorded in the late 1970's and early 1980's when prices were record high and double-cropping was considerably higher. And soybean acreage has not been at the expense of corn acreage--a traditional trade-off--because corn acreage has also increased for 2 years running. Soybean acreage has even increased in the Southeast, Appalachia, and the Delta regions where there have been steady declines since peaking in the early 1980's. The biggest increases in soybean acreage in recent years have not been in prime soybean country, but in the Lake States and Northern Plains. This implies that traditional soybean growers are planting more acres and other growers are planting soybeans for the first time.

Because of the combination of current favorable soybean prices, relatively high yields, and rotation practices favoring more oilseeds, we expect soybean acreage to increase again in 1998. However, soybean prices will be pressured in 1998 because of increased acreage, a buildup in stocks, slack global demand for U.S. soybean meal and expected low meal prices. If

soybean prices fall to \$5.25 as we anticipate, everyone will be wondering how acreage will shift in response to lower prices. Since I won't be presenting the Department's outlook next year (they wouldn't ask someone to make presentations in consecutive years, would they?), stayed tuned to next year's Outlook Forum when a different speaker will be forced to address this tough question.

SLIDES

Grains and Oilseeds Outlook for 1998 Acreage Shifts and Shifting Demand The USDA Perspective

Bradley Karmen

Farm Service Agency

February 24, 1998

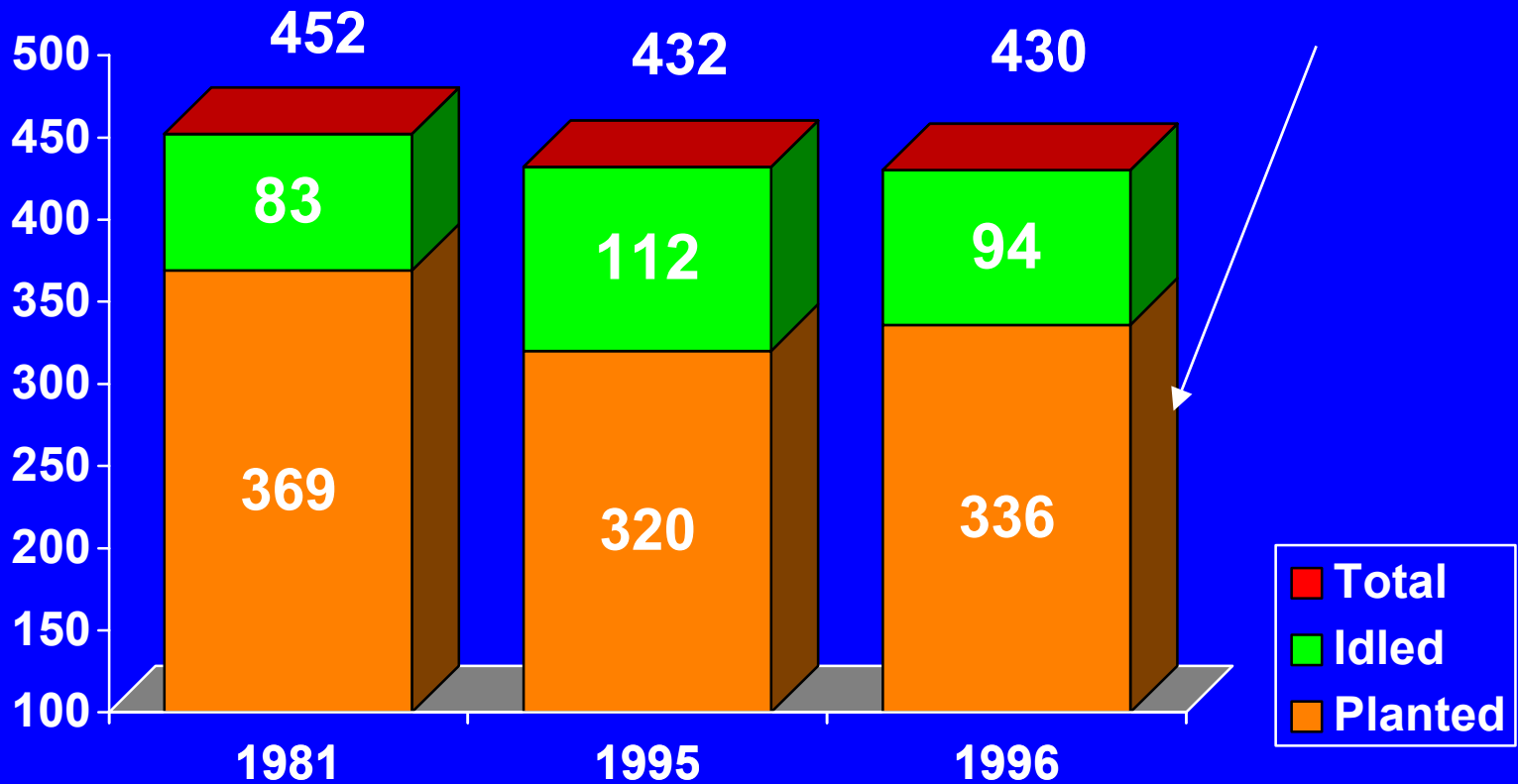
Acreage Shifts and Shifting Demand

- Land Use and the CRP
- Acreage Shifts: Lessons Learned
- Shifting Demand
- 1998 Supply and Demand Estimates

U.S. Crop Land Use

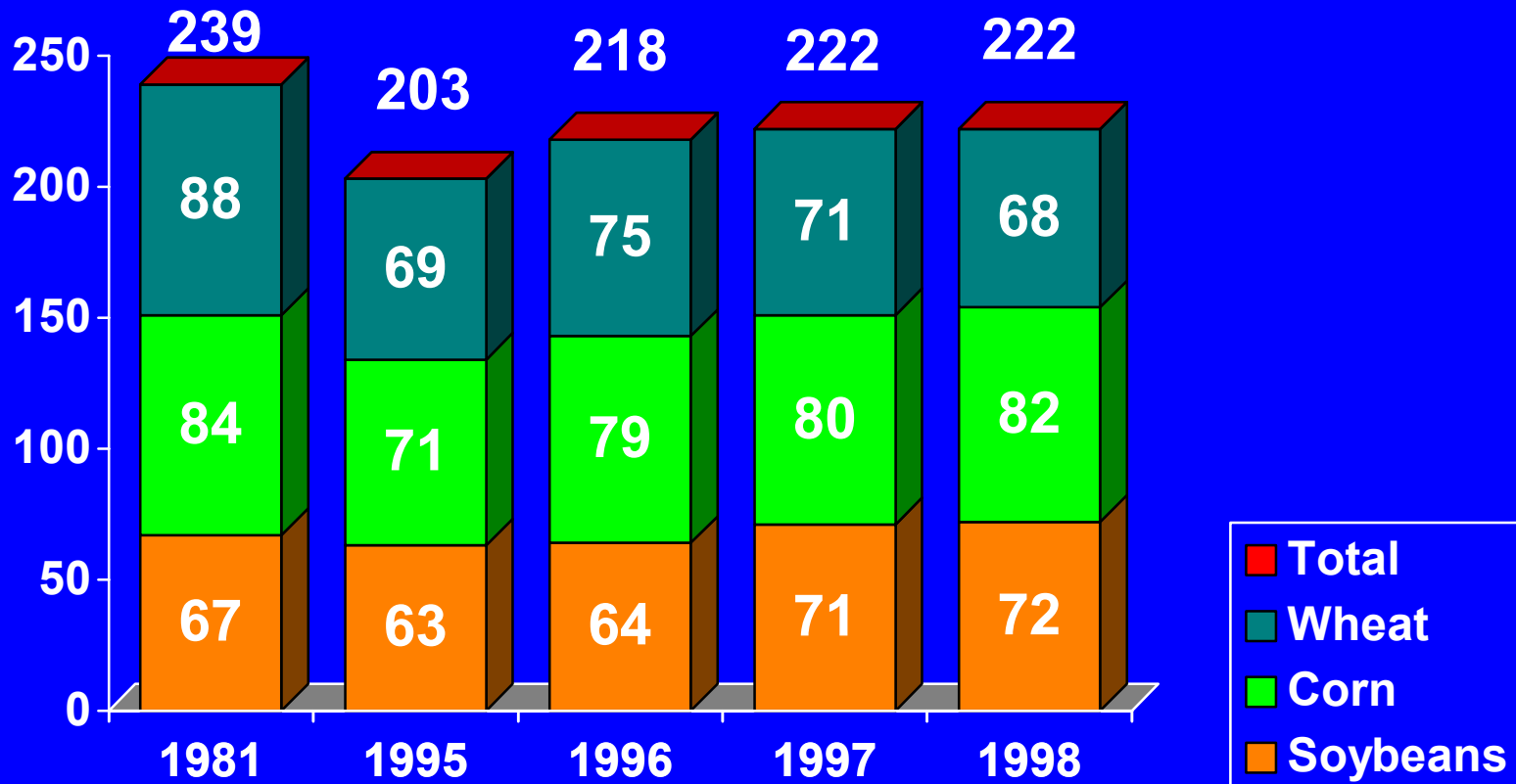
million acres

Note: 16 million acre increase
in planted acres in 1996



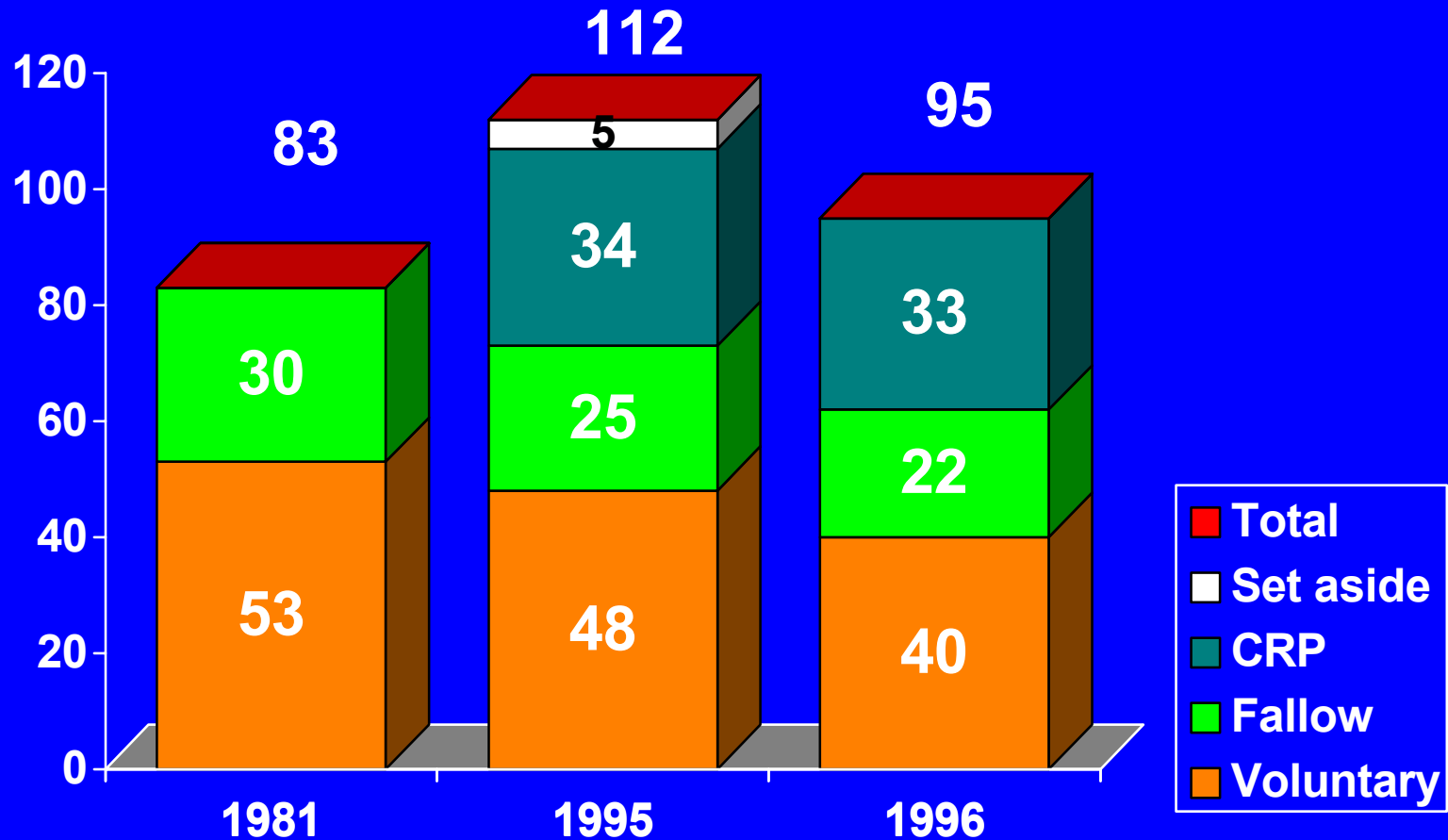
U.S. Planted Acres

Corn, Soybeans & Wheat
million acres



Land Idled in the US

million acres



1996 Examples of Acreage Shifts

- 16 million acre increase in plantings
- Corn, wheat, sorghum and soybeans up
- Cotton, oats, sunflower down
- Delta: doubled corn acres, reduce cotton
- Sorghum: planted after failed cotton & wheat
- Corn Belt: higher corn, beans and wheat

1997 Examples of Acreage Shifts

- **6.7 million acre increase in soybeans**
- **Continued decline in cotton acres**
- **Bean acres increased most in Lake States and Northern Plains**

Also in Southeast, Appalachia and Delta where acres have been declining since 1980

More Examples of Acreage Shifts: Focus on Wheat

- **Spring 1996: highest spring plantings since 1933**
- **Winter 1996: lowest winter plantings since 1978**
- **Spring 1997: 2nd highest spring plantings since 1933**
- **Winter 1997: lowest winter plantings since 1973**

The Importance of Asia

- 41 percent of US agricultural exports go to Asia
- \$10 billion of wheat, coarse grains, soybeans and products shipped to Asia
- Nearby decline in total US ag exports of 3 to 6 percent
- Longer-term export picture unchanged

Wheat Supply and Demand

	1997/98	1998/99
Area planted (million acres)	71.0	68.5
Yield (bushels/acre)	39.7	38.0
Production (million bushels)	2,527	2,300
Domestic Use	1,311	1,322
Exports	1,075	1,100
Ending Stocks	674	652
Farm Price (per bushel)	\$3.45	\$3.45

Corn Supply and Demand

	1997/98	1998/99
Area planted (million acres)	80.2	81.5
Yield (bushels/acre)	127	130
Production (million bushels)	9,366	9,790
Domestic Use	7,685	7,835
Exports	1,625	1,900
Ending Stocks	949	1,014
Farm Price (per bushel)	\$2.55	\$2.55

Soybean Supply and Demand

	1997/98	1998/99
Area planted (million acres)	70.9	71.5
Yield (bushels/acre)	39.0	39.5
Production (million bushels)	2,727	2,780
Domestic Use	1,660	1,683
Exports	960	945
Ending Stocks	245	400
Farm Price (per bushel)	\$6.50	\$5.25

Acreage Shifts: Lessons Learned

- **Weather-induced changes: legislation always allowed farmers to respond**
- **Shifting between crops: 1996 farm bill gives producers more flexibility**
- **Planting more acres: Recent corn plantings equal or exceed base-acre constraints from 1990 law. Previous legislation may have indirectly reduced bean acres.**

Prospects for 1999

- **Current high prices cause soybean and corn acreage to increase in 1998.**
- **Slack demand for soybean meal and large soybean stocks in 1998 cause soybean prices to drop to \$5.25.**
- **How will farmers respond to low prices in 1999?**