

U.S. Planting Intentions
Corn and Wheat Up; Soybeans and Cotton Down
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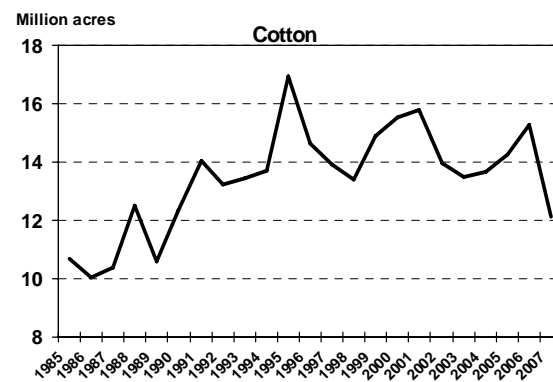
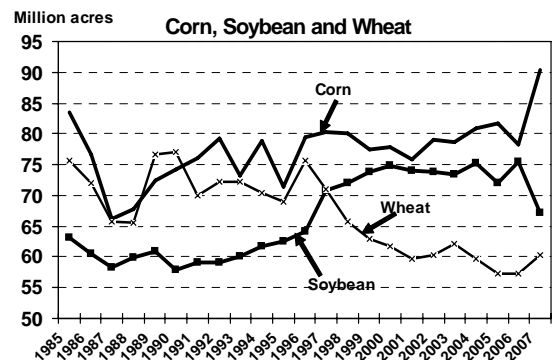
The highly anticipated, USDA's initial planting intentions report, was released on March 30, 2007, indicating that farmers intend to plant 15.5 percent more corn than last year, 5.2 percent more wheat, 11.1 percent less soybeans and 20.5 percent less cotton. (See figure 1 and table 1). The report surprised the market which was anticipating corn plantings in the 87-88 million acre range. Futures price bids for most corn contracts in the Chicago Board of Trade (CBT) dropped the limit down (20 cents/bu) on the report release date and traded limit down for much of the Monday session (4-2-07) when this report was prepared.

While the report indicates that corn farmers are responding to market price, final planting is still a ways into the future for much of the corn belt. The situation can and probably will change given the new numbers. However, larger corn plantings appear assured.

Grain production and markets are in a pivotal point in terms of the role of agriculture to help gain energy independence. Currently, corn use for ethanol production is the most significant activity affecting agriculture. Price bids for corn have doubled since last year and the outlook appears good as demand continues to increase. The planting dilemma farmers faced was if too much corn is planted, prices could fall. With corn prices having reached near-record levels it would be tough for growers to lose, but planting too little corn could mean they easily fail to take advantage of what could be a once-in-a-lifetime profit opportunity.

Even with soybean price bids of near \$8/bu, it appears that farmers see corn a more profitable alternative to soybean production.

Figure 1: U.S. Corn, Soybean, Wheat and Cotton Planted Acreage



Source: USDA Prospective Plantings report, March 30, 2007

TABLE 1. ACRES PLANTED TO SELECTED CROPS

COMMODITY	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	% CHNG 2006/07
<i>(X 1,000 ACRES)</i>											
CORN	80,165	77,386	79,551	75,752	78,894	78,603	80,929	81,779	78,327	90,454	15.5%
SOYBEANS	72,025	73,780	74,871	74,075	73,758	73,404	75,208	72,032	75,522	67,140	-11.1%
ALL WHEAT	65,821	62,714	62,629	59,597	60,318	62,141	59,674	57,229	57,344	60,303	5.2%
Winter	46,449	43,331	43,393	41,078	41,766	45,384	43,350	40,433	40,575	44,505	9.7%
Durum	3,805	4,035	3,937	2,910	2,913	2,915	2,561	2,760	1,870	1,990	6.4%
Other Spring	15,567	15,348	15,299	15,609	15,639	13,842	13,763	14,036	14,899	13,808	-7.3%
ALL COTTON	13,418	14,874	15,517	15,769	13,958	13,480	13,659	14,245	15,274	12,147	-20.5%
UPLAND	13,088	14,584	15,347	15,499	13,714	13,301	13,409	13,975	14,948	11,855	-20.7%
PIMA	330	290	170	270	244	179	250	270	326	292	-10.4%
SORGHUM	9,626	9,288	9,195	10,252	9,589	9,420	7,486	6,454	6,522	7,109	9.0%
PEANUTS	1,521	1,535	1,537	1,541	1,353	1,344	1,430	1,657	1,243	1,197	-3.7%
OATS	4,892	4,673	4,477	4,403	4,995	4,597	4,085	4,246	4,168	4,029	-3.3%
HAY	60,076	63,220	59,854	63,521	63,942	63,383	61,966	61,729	60,807	63,056	3.7%
TOTAL	307,544	307,470	307,631	304,910	306,807	306,372	304,437	299,371	299,207	305,435	2.1%

1/Intended plantings on March 30, 2007 as indicated by reports from farmers.

2/Source: USDA-NASS

Corn/Sorghum

USDA's initial planting intentions report indicated that corn growers intend to plant 90.454 million acres of corn, up 12.12 million acres from 78.327 million acres planted last year and up 10.6 percent from 81.779 million acres planted in 2005. If realized, this would be the largest acreage since 1944, when 95.5 million acres were planted for all purposes. Expected acreage is up in nearly all States. Near record high corn prices are encouraging farmers to plant more acres to corn.

Using the historical corn acres harvested-to-planted ratio and national trend yields of 152.8 bu/ac, corn production this season could approximate a record 12.7 billion bushels. And, using the February 2007 Agricultural Outlook Forum's projected 2007/08 (new crop) estimate of use at 12.325 billion bushels, production would exceed use by about 350 million bushels. Ending stocks would increase by almost 50 percent from this past seasons problematic ending stock estimate of 752 million bushels.

With an estimated 12.12 million acre increase in corn plantings, it appears doubtful that national average corn yields will approximate trend yields. Using an adjusted national average yield of 147.0 bu/acre (dropping highs and lows since late 90's) and the historical corn acres harvested-to-planted ratio, corn production this season could approximate 12.2 billion bushels (also a record). February's Agricultural Outlook Forum's estimate of use would exceed the production estimate and ending stocks should drop to a critical 638 million bushels, down 15 percent from this past season's ending stocks of 752 million bushels. (See Table 2). Either way, the corn supply situation would remain volatile and markets would remain strong.

The market situation is going to depend on plantings and weather. USDA's Planting Intentions Report estimate is based on a survey of 86,000 farmers across the country which were asked, during early March, what they intend to plant this year. Figures of actual acres planted will be released on June 29, 2007 and will form a major determinant of this season's market. The weather and subsequent planting conditions between these two reports will be crucial.

In terms of the current market, grain stocks are down significantly, supporting a continued strong market. USDA-NASS, March 30, 2007, Grain Stocks report indicated that corn stocks in all positions as of March 1, 2007 totaled 6.07 billion bushels, down 13 percent from March 1, 2006.

Sorghum farmers indicated that they intend to plant 7.109 million acres of sorghum, up 9.0 percent from 6.522 million acres planted last year, and up about 10.1 percent from 6.454 million acres planted in 2005.

Related to corn and sorghum markets, soybean growers intend to plant an estimated 67.14 million acres, down 11.1 percent from last year's record plantings of 75.522 million acres and down 6.8 percent from 72.032 million acres planted in 2005.

Cotton

Meanwhile, the cotton market remains flat, even with significantly reduced planting plans. While the estimate of production will decrease significantly, large carry-in stocks will continue to keep a lid on the market. All cotton plantings for 2007 are expected to total 12.147 million acres (11.9 million upland; 292,000 Pima), down 20.5 percent from 15.274 million acres planted last year and down 14.7 percent from 14.245 million acres planted in 2005. Upland acreage is expected to total 11.855 million acres, down 20.7 percent from 2006. Farmers in Texas indicated an intent to plant 5.7 million acres to upland cotton, down 11 percent from 6.4 million acres planted last year. (See Table 2).

Using the historical harvested-to-planted ratio and average yields of about 820 lbs/acre, production should approximate 18.88 million bales, down 13.1 percent from 21.73 million bales produced this past season.

Dr. Carl Anderson, Professor and Extension Specialist-Emeritus, estimates total new crop use at around 20.3 million bales. The estimate of use will exceed production by 1.42 million bales. While ending stocks would drop from this past season, ending stocks would remain at a problematic 7.41 million bales, with an ending stocks-to-use ratio of 36.49 percent. Keep in mind, that this use estimate is based on a fairly optimistic export estimate of 15.5 million bales, up 1.5 million bales from this past season's export estimate of 14.0 million bales.

Table 2. U.S. Corn and Cotton Supply/Demand

Item	Corn					Cotton				
	2003/04	2004/05	2005/06	2006/07	2007/08 ^{1/}	2003/04	2004/05	2005/06	2006/07	2007/08 ^{1/}
Planted Acreage	78.60	80.93	81.76	78.30	90.45	13.48	13.66	14.25	15.27	12.15
Harvested Acreage	70.94	73.63	75.11	70.60	82.97	12.00	13.05	13.81	12.73	11.05
Yield ^{2/}	142.20	160.36	148.00	149.10	147.00	729.94	855.00	831.00	819.00	820.00
Supply	----- Million Bushels -----					----- Million Bales -----				
Beginning Stks.	1,087	958	2,114	1,967	752	5.39	3.45	5.50	6.05	8.80
Production	10,089	11,807	11,114	10,535	12,196	18.26	23.25	23.89	21.73	18.88
Imports	14	11	9	10	15	0.05	0.03	0.03	0.02	0.03
Total Supply	11,190	12,776	13,237	12,512	12,963	23.70	26.73	29.42	27.80	27.71
Disappearance										
Feed and Residual	5,795	6,158	6,141	5,975	5,800					
Food, Seed, & Industrial	2,537	2,686	2,981	3,535	4,600					
Total Domestic Use	8,332	8,844	9,122	9,510	10,400	6.27	6.69	5.89	5.00	4.80
Exports	1,900	1,818	2,147	2,250	1,925	13.76	14.44	18.04	14.00	15.50
Total Use	10,232	10,662	11,269	11,760	12,325	20.03	21.13	23.93	19.00	20.30
Unaccounted						0.21	0.11	-0.56	-0.01	0.00
Ending Stks.	958	2,114	1,967	752	638	3.45	5.50	6.05	8.80	7.41
Ending Stks./Use	9.36	19.83	17.45	6.39	5.18	17.22	26.03	25.28	46.32	36.49
Average Farm Price	2.42	2.06	2.00	3.20	3.60	61.80	41.60	47.70	*47.80	??

2005/06 estimated; 2006/07 projected, USDA/NASS/WASDE

^{1/} 2007/08 corn projections based on analysis by the Interagency Commodity Estimates Committee, 2007 Ag Forum; 2007/08 cotton projected by Carl Anderson.

^{2/} Bushels for corn; pounds for cotton

*Average price for August-January 2007 for cotton