

U.S. Planting Intentions
Corn and Cotton Down; Soybeans and Wheat Up
Jose G. Peña, Professor & Extension Economist-Management

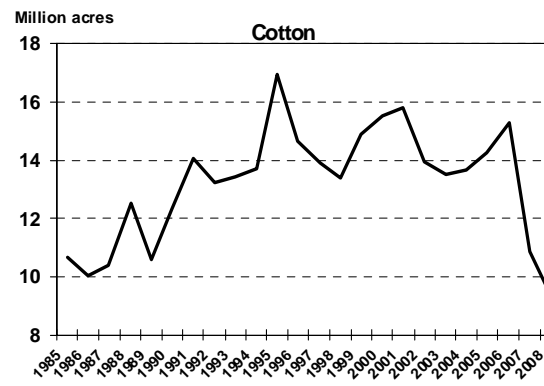
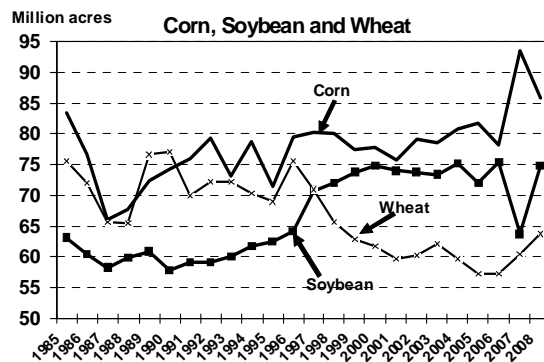
The highly anticipated, with an unusually wide range of industry estimates, U.S. planting intentions report was released on March 31, 2008, indicating that farmers intend to plant 8.1 percent less corn than last year, 13.3 percent less cotton, 17.5 percent more soybeans and 5.6 percent more wheat. (See figure 1, tables 1 and 2). The report surprised the market which was anticipating higher corn and less soybean acres but was right on target for wheat (Table 1). The report was bullish for corn and cotton, bearish for soybeans and relatively neutral for wheat. But, the market remains volatile.

Futures prices for most corn contracts in the Chicago Board of Trade (CBT) moved up sharply on the report release date, compared to prices for soybeans which dropped the limit for all contracts on Monday, only to bounce back up the next day. By week's end, most soybean '08 contracts were trading at about \$12.35-\$13.00/bu and on Monday (4.7.08), when this report was written, '08 futures soybean contract prices weakened to about \$12.18-\$12.70/bu.

Prices for Dec. '08 corn contracts jumped to over \$6.00/bu., before settling at about \$5.81/bu. on the report release date, up about a nickle from Friday (3.28.08). By week's end and on Monday (4.7.08) most '08 contracts (except May '08) were trading slightly above \$6.00/bu.

Futures prices for Dec. '08 cotton contracts, which had been

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



Source: USDA Prospective Plantings report, March 31, 2008

Table 1: Planting Intentions, Selected Crops			
	Average Industry Estimate	USDA 2008	% Difference
<i>Million Acres</i>			
Corn	87.387	86.014	-1.6%
Soybeans	71.526	74.793	4.6%
All Wheat	63.625	63.803	0.3%

showing weakness after the early March highs in the low 90's, closed at about 79.6 cents a pound on the report release date, but were back up to over 80 cents a pound by week's end and were trading at about 83 cents/lb on Monday (4.7.08).

July '08 wheat contracts in the Kansas City Board of Trade closed at \$9.75/bu. on the report release date, down from closing at about \$11.40/bu. on March 25, 2008, but were back up to over \$10/bu. by week's end and back down to about \$9.80/bu. on Monday (4.7.08).

While the report indicates that farmers are responding to market prices, 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, lower than last year's record high corn plantings appears assured.

Grain production and markets continue in a pivotal point in terms of the role of agriculture to help gain energy independence. Corn use for ethanol production is the most significant activity affecting agriculture. Price bids for corn have almost tripled since 2005 and the outlook appears good as demand continues to increase. The planting dilemma farmers are facing is how much corn to plant? With corn prices at record highs, it would be tough for growers to lose by planting corn, but production costs (capital exposure) have increased close to 40 percent since 2005. Fertilizer and energy costs have about doubled since 2005. Even with corn futures prices trading at over \$6.00/bu., it appears that farmers see soybeans as a more profitable alternative to corn production. It appears that farmers shifted toward soybean plantings as soybeans require less fertilizer than corn, sorghum and other cropping alternatives.

TABLE 2. ACRES PLANTED TO SELECTED CROPS

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	% CHNG 2007/08
COMMODITY	(X 1,000 ACRES)										
CORN	77,386	79,551	75,752	78,894	78,603	80,929	81,779	78,327	93,600	86,014	-8.1%
SOYBEANS	73,780	74,871	74,075	73,758	73,404	75,208	72,032	75,522	63,631	74,793	17.5%
ALL WHEAT	62,714	62,629	59,597	60,318	62,141	59,674	57,229	57,344	60,433	63,803	5.6%
Winter	43,331	43,393	41,078	41,766	45,384	43,350	40,433	40,575	44,987	46,840	4.1%
Durum	4,035	3,937	2,910	2,913	2,915	2,561	2,760	1,870	2,149	2,630	22.4%
Other Spring	15,348	15,299	15,609	15,639	13,842	13,763	14,036	14,899	13,297	14,333	7.8%
ALL COTTON	14,874	15,517	15,769	13,958	13,480	13,659	14,245	15,274	10,830	9,390	-13.3%
UPLAND	14,584	15,347	15,499	13,714	13,301	13,409	13,975	14,948	10,538	9,186	-12.8%
PIMA	290	170	270	244	179	250	270	326	292	204	-30.3%
SORGHUM	9,288	9,195	10,252	9,589	9,420	7,486	6,454	6,522	7,718	7,415	-3.9%
PEANUTS	1,535	1,537	1,541	1,353	1,344	1,430	1,657	1,243	1,230	1,430	16.3%
OATS	4,673	4,477	4,403	4,995	4,597	4,085	4,246	4,168	3,760	3,420	-9.0%
HAY	63,220	59,854	63,521	63,942	63,383	61,966	61,729	60,927	61,625	60,583	-1.7%
TOTAL	307,470	307,631	304,910	306,807	306,372	304,437	299,371	299,327	302,827	306,848	1.2%

1/Intended plantings on March 31, 2008 as indicated by reports from farmers.

2/Source: USDA-NASS Prospective Plantings

Corn/Sorghum

USDA's initial planting intentions report indicated that corn growers intend to plant 86.0 million acres of corn, down 7.6 million acres (8.1%) from last year's record planting of 93.6 million acres, but up 7.7 million acres (9.8%) from 78.327 million acres planted in 2006. Expected acreage is down from last year in most states as favorable prices for other crops, high input costs for corn, and crop rotation considerations are motivating some farmers to plant fewer acres to corn. Despite the decrease, corn acreage is expected to remain at historically high levels as the corn price outlook remains strong due in part to the continued expansion in ethanol production.

Using the historical corn acres harvested-to-planted ratio and the February 22, 2008 Agricultural Outlook Forum 2008's estimate of national average corn yield for 2008 of 154.9 bu./ac., corn production this season could approximate 12.0 billion bushels, down 9.0 percent from 13.07 billion bushels produced this past season. Using the Forum's projected 2008/09 (new crop) estimate of use at 13.0 billion bushels, use would exceed production by about one billion bushels. Ending stocks could drop to a critical level of under one billion bushels, down significantly from projected beginning stocks of 1.438 billion bushels.

While the market is expected to remain strong, the 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 the first two weeks on March, what they intend to plant this year. Figures of actual acres planted will be released during the end of June '08 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 up significantly, despite a continued strong market. USDA-NASS, March 31, 2008, Grain Stocks report indicated that corn stocks in all positions as of March 1, 2008 totaled 6.86 billion bushels, up 13 percent from March 1, 2007.

Sorghum farmers indicated that they intend to plant 7.415 million acres of sorghum, down 303,000 acres (3.9%) from 7.718 million acres planted last year, but up about 13.1 percent from 6.522 million acres planted in 2006.

Soybean growers intend to plant an estimated 74.793 million acres, up 11.162 million acres (17.5%) from 63.631 million acres planted last year, to just below 2006's record soybean planted acres of 74.522 million acres.

Cotton

The cotton market has shot up, apparently pulled up by the significant improvement in grain markets, and, more recently, by heavy investments by fund traders, after remaining relatively flat for several years, even with reduced plantings. But, the cotton market has been volatile during the last few weeks. Some futures contracts reached the low 90's in mid-March in the New York Board of Trade (NYBT), shortly after, dropped to the high seventies and back up to the 80's, all in a period of a couple of weeks.

All cotton plantings for 2008 are expected to total 9.39 million acres (9.189 million upland; 203,000 Pima), the lowest planted acreage in 25 years, down 13.3 percent from 10.83 million acres planted last year and down 38.5 percent from 15.274 million acres planted in 2006. Upland acreage is expected to total 9.186 million acres, down 1.352 million acres (12.8%) from 10.538 million acres planted last year and down 38.5 percent from 14.948 million acres planted in 2006. (See Table 2).

Farmers in Texas indicated an intent to plant 4.7 million acres to upland cotton, down four percent from 4.9 million acres planted last year

Using the historical harvested-to-planted ratio and the February 22, 2008, Agricultural Outlook Forum 2008's estimate of average yields of about 835 lbs/acre, production should approximate 14.9 million bales, down 27.9 percent from 19.03 million bales produced this past season and down 31.1 percent from 23.89 million bales produced in 2006.

The Outlook Forum estimated total U.S. new crop use at around 19.5 million bales. The estimate of use will exceed production by 4.6 million bales, dropping the estimate of new crop ending stocks to a manageable 3.7 million bales, down 5.7 million bales (down 61%) from the March '08 estimate of this past season's ending stock of 9.4 million bales. This drop will probably provide stability to the cotton market at current price levels.