COOPERATIVE EXTENSION SERVICE

OUTLOOK UPDATE

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2007 Prospective Plantings Report – What are the Early Indications for Marketing and Management?

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The first estimate of crop acreage was released on March 30 after months of anticipation. With ethanol creating a new market for corn, market analysts have suggested that the corn market needs a 2007 crop of 12.6 billion bushels to keep the 2007-08 ending stocks at the same level as the projected ending stocks for the current marketing-year. As you have seen since November, the corn and soybean markets have been bidding for acreage to balance expected supply and demand in both markets.

The 2007 intended planted acres for corn, soybeans, cotton and peanuts are reported in Table 1. Corn acreage is projected to be 90.45 million acres, an increase of 12.13 million acres from the 78.3 million acres planted in 2006 (Table 1). If this projection is accurate, this will be the largest amount of acreage planted to corn since 1944. Most of the additional corn acreage has come from soybeans, as soybean acreage is expected to decrease by 8.38 million acres from the 75.5 million soybean acres planted in 2006 to 67.14 million acres planted in 2007 (Table 1). This may be the smallest soybean acreage planted in the U.S. since 1996. Cotton and peanut acreage are also expected to decrease by 3.13 million and 46 thousand, respectively, due to the relative profitability of corn and soybeans (Table 1).

Table 1. 2007 U.S. Planting Intentions and 2006 Planted Acreage.

	2007 Planted Acres (1,000)	2006 Planted Acres (1,000)	% Change from 2006
Corn	90,454	78,327	15%
Soybeans	67,140	75,522	-11%
Cotton	12,147	15,274	-20%
Peanuts	1,197	1,243	-4%

Table 2 reports the corn and soybean planting intentions in the Corn Belt since production in these states drive both the corn and soybean markets. As the 2007 crop-year unfolds, keep in mind how weather information in the Midwest will affect crops and thus your marketing opportunities. As expected, the major corn producing states have increased corn acreage from 2006. Iowa, Illinois, Nebraska and Minnesota have increased corn acreage by 10%, 14%, 11% and 8% , respectively, from 2006 (Table 2). While some of this additional acreage could come from CRP or small grain acreage, most of the additional corn acreage came from soybeans. Soybean acreage in Iowa, Illinois, Nebraska and Minnesota is expected to decrease by 9%, 14%, 13%, and 9%, respectively, from 2006 (Table 2). The Corn Belt states listed in Table 2 may plant 7.4 million additional acres to corn and reduce soybean acreage by 6.5 million.

There has been a lot of excitement in the Southern region over the profitability of both corn and soybeans. This excitement shows in Tables 3 and 4 which report the intended acreage in the Southern region compared to 2006. Southern producers are expected to increase corn acreage by 2.78 million acres (Table 3). However, soybean acreage in the Southern states is projected to decrease slightly to 10.58 million from the 11.34 million acres planted in 2006 (Table 3). For corn, the largest increase in acreage is expected to occur in the Delta with Mississippi, Arkansas, and Louisiana increase corn acreage by 195%, 179%, and 133%, respectively, from 2006 (Table 3). A large decrease in cotton acreage is expected to occur in the Delta with Louisiana, Mississippi, and Arkansas decreasing cotton acreage by 40%, 40%, and 29%, respectively (Table 4).

Producers in the Southeast region are expected to sharply increase corn and soybean production. Corn acreage in Alabama, Florida, Georgia and South Carolina are expected to increase by 50%, 25%, 79%, and 26%, respectively, from 2006 (Table 3). Soybean acres are also projected to increase by 19%, 129%, 61%, and 8%, respectively, in Alabama, Florida, Georgia, and South Carolina. Cotton acreage, as expected, is estimated to decrease by 22%, 13%, 18%, and 33% in the four-state Southeast region (Table 4). Peanut acreage, however, is projected to increase in this region reflecting the ability of contract production to maintain acreage while the other commodities bid for acreage (Table 4).

South Carolina producers are expected to increase corn acreage by 80 thousand acres and increase soybean acreage by 30 thousand acres (Table 3). However, South Carolina producers are expected to decrease cotton acreage by 100 thousand acres from 2006 while peanut acreage is expected to increase by 1 thousand acres from 2006 (Table 4).

Implications for Marketing and Management

This report may be bullish for nearby corn in the short-term as pre-report estimates indicated an even greater shift to corn production in 2007. Similarly, soybeans may be neutral to slightly bullish as the pre-report estimates indicated an even greater reduction in soybean acreage than the report estimate.

The planted acreage report will be released on June 29 and will report the actual acreage planted by U.S. producers. This report will help the market better understand the potential supply for the 2007 marketing-year. Keep in mind that planters won't start rolling in the Corn Belt until mid-April, so the bidding for corn and soybean acreage may continue for awhile. Then the market will focus on weather and crop conditions. It will be worthwhile to pay attention to marketing this year as profit opportunities may occur. Similarly, managers should consider risk management strategies to take advantage of profitable prices and to reduce revenue risk in their business. Contact your local Clemson University Cooperative Extension Office for help in making these important management decisions.

Table 2. 2007 Corn and Soybeans Planting Intentions in the Corn Belt States and 2006 Planted Acreage.

	2007 Planted Acres (1,000)	2006 Planted Acres (1,000)	% Change from 2006		2007 Planted Acres (1,000)	2006 Planted Acres (1,000)	% Change from 2006
		Corn				Soybeans	
IA	13,900	12,600	10%		9,200	10,150	-9%
IL	12,900	11,300	14%		8,700	10,100	-14%
NE	9,000	8,100	11%		4,400	5,050	-13%
MN	7,900	7,300	8%		6,700	7,350	-9%
IN	6,200	5,500	13%		5,000	5,700	-12%
OH	3,650	3,150	16%		4,400	4,650	-5%
WI	4,000	3,650	10%		1,400	1,650	-15%
MO	3,400	2,700	26%		4,600	5,150	-11%
KS	3,700	3,350	10%		2,400	3,150	-24%
SD	4,900	4,500	9%		3,600	3,950	-9%
US	90,454	78,327	15%		67,140	75,522	-11%

Table 3. 2007 Corn and Soybeans Planting Intentions in the Southern Region and 2006 Planted Acreage.

	2007 Planted Acres (1,000)	2006 Planted Acres (1,000)	% Change from 2006		2007 Planted Acres (1,000)	2006 Planted Acres (1,000)	% Change from 2006
		Corn				Soybeans	
AL	300	200	50%		190	160	19%
AR	560	190	195%		2,900	3,110	-7%
FL	75	60	25%		16	7	129%
GA	500	280	79%		250	155	61%
KY	1,310	1,120	17%		1,280	1,380	-7%
LA	700	300	133%		630	870	-28%
MS	950	340	179%		1,550	1,670	-7%
NC	1,050	790	33%		1,400	1,370	2%
OK	300	270	11%		270	310	-13%
SC	390	310	26%		430	400	8%
TN	780	550	42%		1,070	1,160	-8%
TX	2,000	1,760	14%		100	225	-56%
VA	520	480	8%		500	520	-4%

Table 4. 2007 Cotton and Peanuts Planting Intentions in the Southern Region and 2006 Planted Acreage.

	2007 Planted Acres (1,000)	2006 Planted Acres (1,000)	% Change from 2006		2007 Planted Acres (1,000)	2006 Planted Acres (1,000)	% Change from 2006
		Cotton				Peanuts	
AL	450	575	-22%		160	165	-3%
AR	830	1,170	-29%		--	--	--
FL	90	103	-13%		120	130	-8%
GA	1,150	1,400	-18%		500	580	-14%
LA	380	635	-40%		--	--	--
MS	740	1,230	-40%		17	17	0%
NC	570	870	-34%		94	85	11%
OK	200	320	-38%		20	23	-13%
SC	200	300	-33%		60	59	2%
TN	560	700	-20%		--	--	--
TX	5,730	6,431	-11%		190	155	23%
VA	85	105	-19%		24	17	41%