

**U.S. Planting Intentions
Corn and Wheat Down; Soybeans and Cotton Up
Large Carry-Over Stocks Holding Back A Significant Market Improvement**
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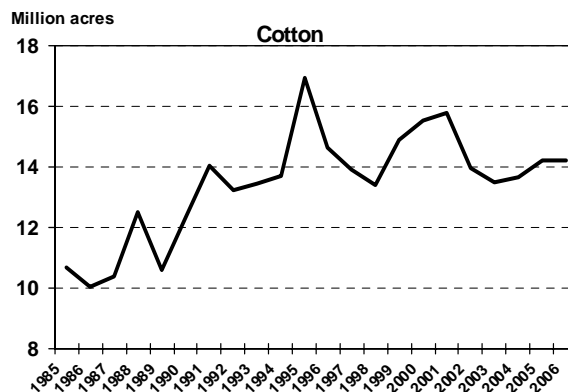
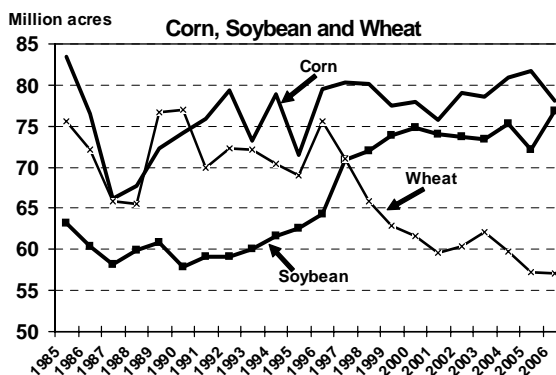
While futures price bids for corn and wheat improved, the market for cotton and soybeans weakened as initial planting intentions indicate decreased corn and wheat and increased cotton and soybean plantings. USDA's initial planting intentions report, released on March 31, 2006, indicates that farmers intend to plant 4.6 percent less corn than last year, 6.6 percent more soybeans, 3.1 percent more cotton and 0.2 percent less wheat. (See figure 1 and table 1). After dropping to about \$2.54/bu, future price bids for December '06 corn delivery contracts recovered to the late February-early-March '06 price range of around \$2.65/bu.

Most Ag commodities are trading significantly lower than the 7-8 year highs of two years ago. Markets weakened shortly after USDA's September 12, 2005 forecast of the 2005/06 corn, cotton and soybean crops as the second largest on record. Cotton production was subsequently adjusted to the largest crop on record.

While the lingering drought and reduced corn and wheat planting would appear to support a more bullish market, large carry-over stocks from this past season's record production may be holding major market rallies in-check.

Overall, the planting intentions report appears positive for corn, wheat and cotton prices, in relation to the recent weakness.

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



Source: USDA Prospective Plantings report, March 31, 2006

TABLE 1. ACRES PLANTED TO SELECTED CROPS

COMMODITY	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	% CHNG 2005/06
	(X 1000 ACRES)												
CORN	71,479	79,229	79,537	80,165	77,386	79,551	75,752	78,894	78,603	80,929	81,759	78,019	-4.6%
SOYBEANS	62,495	64,205	70,850	72,025	73,780	74,871	74,075	73,758	73,404	75,208	72,142	76,895	6.6%
ALL WHEAT	69,031	75,105	70,412	65,821	62,714	62,629	59,597	60,318	62,141	59,674	57,229	57,128	-0.2%
Winter	48,591	51,445	47,985	46,449	43,331	43,393	41,078	41,766	45,384	43,350	40,433	41,404	2.4%
Durum	3,436	3,630	3,310	3,805	4,035	3,937	2,910	2,913	2,915	2,561	2,760	1,825	-33.9%
Other Spring	17,004	20,030	19,117	15,567	15,348	15,299	15,609	15,639	13,842	13,763	14,036	13,899	-1.0%
ALL COTTON	16,931	14,652	13,898	13,418	14,874	15,517	15,769	13,958	13,480	13,659	14,195	14,634	3.1%
UPLAND	13,088	14,376	13,566	13,088	14,584	15,347	15,499	13,714	13,301	13,409	13,925	14,300	2.7%
PIMA	330	258	252	330	290	170	270	244	179	250	270	334	23.5%
SORGHUM	9,429	13,097	10,052	9,626	9,288	9,195	10,252	9,589	9,420	7,486	6,454	6,483	0.4%
PEANUTS	1,538	1,402	1,434	1,521	1,535	1,537	1,541	1,353	1,344	1,430	1,657	1,391	-16.1%
OATS	6,225	4,638	5,068	4,892	4,673	4,477	4,403	4,995	4,597	4,085	4,246	4,324	1.8%
HAY	59,764	61,169	61,084	60,076	63,220	59,854	63,521	63,942	63,383	61,966	61,649	61,478	-0.3%
TOTAL	296,892	313,497	312,335	307,544	307,470	307,631	304,910	306,807	306,372	304,437	299,331	300,352	-1.6%

1/Intended plantings on March 31, 2006 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 78.019 million acres of corn, down 3.74 million acres (down 4.6%) from 81.759 million acres planted last year and down 0.7 percent from 78.603 million acres planted 2003 when national farm prices averaged \$2.42/bu. If realized, this will be the lowest corn acreage since 2001, when 75.7 million acres were planted.

While it appears doubtful that national average corn yields will approximate the 2004/05 season's record high of 160.4 bu/acre, using last season's national average yields of 147.9 bu/acre and the historical harvest-to-planted ratio, about 10.4 billion bushels of corn could be produced. Using the 2006 Agricultural Outlook Forum's February 2006 projected estimate of new crop corn use at 11.495 billion bushels, use will exceed the production estimate and ending stocks should drop to a manageable 1.3 billion bushels, down 45 percent from this season's ending stocks of 2.35 billion bushels. (See Table 2).

In terms of the market, it appears that an increase in grain stocks may be moderating a significant market improvement for the old crop. According to USDA-NASS, March 31, 2006, Grain Stocks report, corn stocks in all positions as of March 1, 2006 totaled 6.99 billion bushels, up 3.4 percent from 6.756 billion bushels on March 1, 2005.

Sorghum farmers indicated that they intend to plant 6.48 million acres of sorghum, up just slightly from 6.454 million acres planted last year, but down 13.4 percent from 7.486 million acres planted in 2004.

Related to corn and sorghum markets, soybean growers intend to plant an estimated 76.895 million acres, up 6.6 percent from last year's plantings of 72.142 million acres. If realized, this will be the largest soybean plantings on record.

It appears that while corn plantings are down, relatively large corn carry-over stocks into the new season and a potential for increased soybean production from the intended record planting may keep a lid on a major corn market rally.

Cotton

All cotton plantings for 2006 are expected to total 14.634 million acres (14.3 million upland; 334,000 Pima), up 3.1 percent from 14.195 million acres planted last year but down 7.1 percent from 13.655 million acres planted in 2004. Upland acreage is expected to total 14.3 million acres, up 2.7 percent from 2005. Farmers in Texas indicated an intent to plant 6.0 million acres to upland cotton, up 1.7 percent from 5.9 million acres planted last year.

According to Dr. Carl Anderson, Professor and Extension Specialist-Emeritus, given U.S. plantings of 14.6 million acres and total offtake around 22.7 million bales, production of 22.4 million bales will about cover use and may lower carryover stocks slightly. (See table 2). If so, there would be enough cotton to meet record exports and hold December '06 futures in a range of 58 to 64 cents. A December '06 price of 62 cents is still a good place to fix a price floor for the new cotton crop.

Dr. Anderson contends that producers should carefully consider using December put options to place a floor on a price in the vicinity of 62 cents or higher. Option spreads can be used when appropriate. When December futures are depressed, then a bull call spread could be used by buying 60 to 62 cent calls and selling 68 to 70 cent calls.

Item	Corn					Cotton				
	02/03	03/04	04/05	05/06	06/07 ¹	02/03	03/04	04/05	05/06	06/07 ¹
Planted Acreage (Mil. Acs.)	78.90	78.60	80.93	81.76	78.02	13.96	13.48	13.66	14.20	14.60
Harvested Acreage (Mil. Acs.)	69.32	70.94	73.63	75.11	70.64	12.42	12.00	13.06	13.70	13.40
Yield ²	129.30	142.20	160.36	147.90	147.70	666.00	730.00	855.00	831.00	800.00
Supply	-----Million Bushels-----					-----Million Bales-----				
Beginning Stocks	1,596	1,087	958	2,114	2,351	7.45	5.39	3.51	5.54	6.60
Production	8,967	10,089	11,807	11,112	10,433	17.21	18.26	23.25	23.72	22.40
Imports	14	14	11	10	10	0.07	0.05	0.03	0.03	0.03
Total Supply	10,578	11,190	12,776	13,236	12,794	24.73	23.70	26.79	29.29	29.03
Disappearance										
Feed and Residual	5,563	5,795	6,162	6,000	5,950	7.27	6.22	6.69	5.90	5.90
Food, Seed & Industrial	2,340	2,537	2,686	2,985	3,545					
Exports	1,588	1,900	1,814	1,900	2,000	11.90	13.76	14.41	16.80	16.80
Total Use	9,491	10,232	10,662	10,885	11,495	19.17	19.98	21.10	22.70	22.70
Unaccounted						0.17	0.20	0.15	-0.01	0.00
Ending Stocks	1,087	958	2,114	2,351	1,299	5.39	3.51	5.54	6.60	6.53
Ending Stocks/Use						28.1%	17.6%	26.3%	29.1%	29.0%
"A" Index										
Carryover/Use (%)	11.45	9.36	19.83	21.60	11.30	---	---	---	---	---
Average Farm Price	2.32	2.42	2.06	1.95		44.50	61.80	41.60	*47.30	??

¹ 2004/05 estimated; 2005/06 projected; numbers may not add due to rounding; 06/07 production estimated; use projected by 2006 Agricultural Outlook Forum, Interagency Commodity Estimates Committee, USDA. SOURCE: USDA/NASS/ERS/WASDE

² Carry-in bushels; Cotton in pounds.