

Prospective Plantings moved markets yesterday after USDA announced large swings in crop acres. Nationally, corn acres are expected to decline 4% to 89.5 million acres, lower than most pre-report estimates. Soybean acres are to outpace corn this year, up 4% to 91 million acres. Principle acres virtually even with a year ago, meaning crops are largely shifting on existing farm acres.

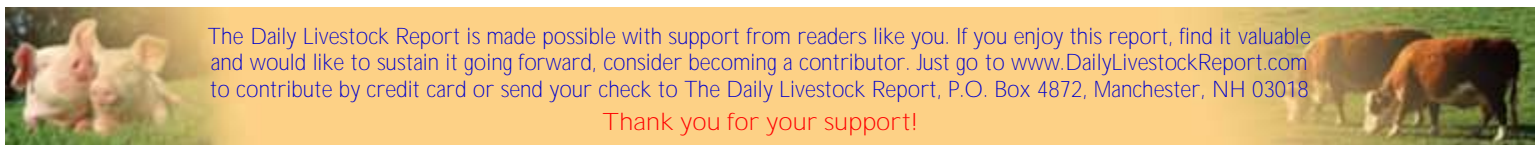
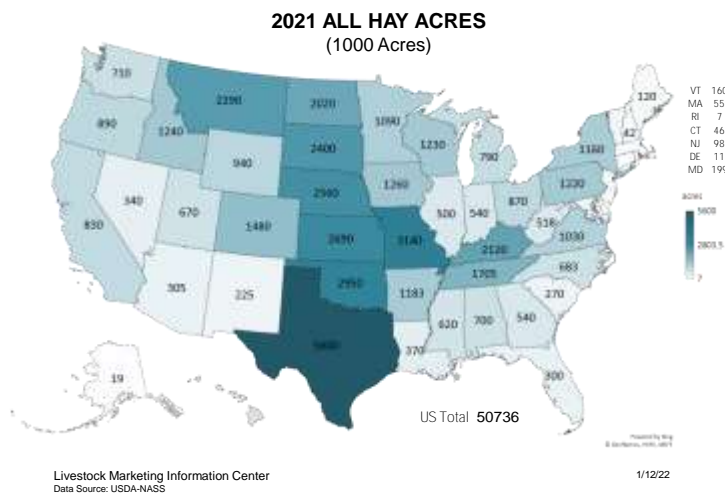
On a by state basis, declines in corn acres were nearly universal with only 5 states projecting larger areas of corn, and another 7 states projected the same acres as last year. Sorghum acres declined 15% or over 1 million acres, making room for other crops. USDA NASS estimates sorghum acres for 6 states, and 4 of those states projected increases in corn. Soybean acres by state saw increases in all reported states except for 5 states. Several smaller crops saw large percent changes in acreage: Cotton up 9%, Barley up 11%, Lentils up 11%, Dry Edible Peas up 11%, sunflowers up 10%, flaxseed 11% and all wheat up 1%. All hay acres fell less than half a million acres or down about 1%

From a livestock perspective this report has a negative tone. Corn prices will remain elevated as planting gets underway in a case to bid more acres into the mix. The current estimate for plantings would create a tight corn balance sheet and cause season average prices to move higher and significantly so. World corn production was already expected to be strained through the Ukraine conflict and the U.S. planting this few of acres compounds the short situation. Next year's season average price will be over \$6 but how much higher is still being determined. Immediately following the report December corn futures jumped more than 30 cents, before settling out and closing at \$6.83 per bushel. Soybean futures dropped on the news. November fell more than \$0.20 per bushel, before sharply rebounding, and then settling much lower. November soybeans closed at \$14.20 per bushel. **Note, prospective plantings are only intentions at this point.** The next few months will determine how many acres are put in the ground. If realized, this will only be the third time in U.S. history soybean acres were higher than corn. The first was 1983/84 marketing year, in which the season average corn price jumped 25% on a more than 3 million acre difference between the two. The second was 2018/19, where the difference was less than a quarter of a million acres, and season average corn prices jumped 7%.

With trend line yields, and conservative estimates on how much more corn the U.S. will export because of Ukraine, carryout is easily pulled to 1 billion bushels or below, more than justifying a scenario closer to the 25% jump in 1983/84, and could put the U.S. season average price over \$7 per bushel. At those prices, margins for livestock producers will be significantly compressed. **It is very likely corn prices will entice a few more acres of corn before planting is over, which should help feed prices. However, it is very likely corn prices in 2022/23 will see double-digit percent gains from 2021/2022.**

Worth noting is the change in hay acres was relatively small, but firms expectations for a tight hay market. State by state was more of a mix but key states such as Texas the largest other hay producer in the U.S. shows all hay acres down 11%. Other great plains, and strong hay producers such as Missouri (+5%), North Dakota (+14%), South Dakota (+4%), Nebraska (Unchanged), Kansas (+2%), and Oklahoma (-12%) are trying to make up the difference. Last year, Texas produced 9% of all hay made in the U.S.

The net change in prospective planting for all hay acres in these seven states is still down about a quarter of a million acres, with significant declines in the Southern Plains. Further drought is a primary concern for this area this year with respect to the cow-calf sector. Below is by state all hay acres last year.



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