



# The Great Acreage Debate

Will production increase enough to rebuild stocks?

PHOTO: BOB ELBERT



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March brings the opening of the annual land rush, otherwise known as the Prospective Plantings report, set for release on Thursday, March 31. This year's initial look at the acreage breakdown may be the most highly anticipated on record due to the tight global and domestic supplies of corn, soybeans, wheat and cotton.

At the DTN/*The Progressive Farmer* Ag Summit this past December in Chicago, I laid out my thoughts on how acreage could possibly shake out in 2011. The general consensus is the U.S. needs to see an increase of about 10 million acres split among the four major crops—a number that may be difficult to achieve.

DTN Contributing Analyst Joel Karlin and I discussed the possibility of 3 million acres coming from prevented plantings in 2010. Another 3 million could possibly come out of CRP, with much of the rest coming from double-cropping after winter wheat is taken off later this summer.

**CORN PRODUCTION.** Last December, I projected corn-planted acreage at 90.5 million—a 2.3-million-acre increase from the 88.2 million in 2010. In January, Informa Economics came in just a bit higher at 90.9 million. And while acreage is important, equally important is what average yield turns out to be.

Tossing out the still-questionable 2009/2010 average yield of 164.7 bushels as an oddity (or an aberration, depending on your point of view), the trendline yield for 2011/2012 is projected at 158.6 bushels per acre. Given the average percent harvested of my December acreage estimate, production is roughly 13.2 billion bushels.

Yes, this would be record production, but we can't

forget how tight U.S. ending stocks may be heading into the new marketing year. Let's round domestic ending stocks to 800 million bushels. (The January USDA report pegged them at 745 million bushels.)

Add in possible 2011 production of 13.2 billion bushels, and total supplies are estimated at just over 14 billion bushels. Then if total demand sees a similar year-to-year increase of about 365 million bushels, total demand for 2011/2012 is estimated at about 13.8 billion bushels. That leaves projected ending stocks at about 200 million bushels and ending stocks to use at a ridiculously tight 1.5%.

Using Informa Economics' January number of 90.9 million acres alleviates some of the possible short-supply pressure, but not a lot. Using the same average yield number adds only 60 million bushels to production, possibly raising ending stocks to almost 300 million bushels and ending stocks to use to a still bullish 2.2%.

**RE STOCKING SUPPLY.** In order to start rebuilding stocks, a few things need to happen. First, corn acreage will have to come in much larger than anticipated at this point. Either corn will have to pull acres away from the other crops, or possibly gain some winter wheat acres if that crop comes out of dormancy in as poor condition as it went in earlier this winter. Second, average yield will need to increase dramatically over what has been produced in recent years. If average yield comes in at 168 bushels per acre, ending stocks could increase to 1 billion bushels.

Soybeans, wheat and cotton can all make the same argument that each needs increased acres and better yields in 2011. Time and weather will be the deciding factor, but the opening volley in this battle will be fired at the end of this month.



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