



## Weekly Outlook: Corn and Soybean Acreage in 2020

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The planting season begins another year under considerable uncertainty. While trade issues remain, the continued spread of the coronavirus and the ensuing market collapse complicates an already difficult decision. Projections from many market observers indicate increases in corn and soybean acreage in 2020. The March 31 Prospective Plantings report provides the initial indication of potential acreage allotments for spring crops and sets the tone for corn and soybean production potential in 2020.

In considering the planting decision this year, recent market developments require consideration. The potential for lost demand for corn from ethanol production looks certain. A pronounced drop in gasoline consumption due to measures put in place to address the coronavirus spread may last for a considerable time. On a positive note, Chinese purchases of 29.8 million bushels of corn last week for the current marketing year hold the promise of more exports if supply chains remain intact. The current forecast of marketing year ending stocks for corn sits at 1.892 billion bushels. The potential for ending stocks to climb near 2.05 billion bushels on lower corn use for ethanol seems high. Stronger feed use and a more robust export pace may blunt higher ending stocks.

Last week saw a rally in soybean and soybean meal prices. The jump in soybean meal prices bodes well for crush prospects as we move into the latter half of the marketing year. The spread of the virus into major competitors in South America may see supply chains disrupted and provide needed support for soybean exports as well. While China got off to a slow start in meeting commitments associated with the Phase 1 trade deal, an increase in U.S. soybean exports to China appears feasible despite a strong dollar. Substantial deviation from the 425 million bushels projected for ending stocks rests on export potential. At present, the pace of soybean sales and exports sits below the USDA projection of 1.825 billion bushels.

Anticipating planted acreage of corn and soybeans begins with considering the amount of acreage available for planting this spring. Over the 2017 – 2019 period, total acreage for principal crops tracked by the USDA came in at 318.3, 319.3, and 302.6 million acres, respectively. When one considers the Conservation Reserve Program (CRP) acreage and prevent plant acres during the period, acreage totaled 343.5, 343.6, and 344.2 million acres. Prevent plant acreage in 2019 came in at 19.6 million acres. Corn and soybeans totaled approximately 15.9 million acres of the prevent plant total. Spring weather conditions influence the acreage of spring-planted crops and the size of prevent plant acres. The

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weather forecast for parts of the Midwest indicates wet conditions this spring, which may slow planting and impact acreage allotments. It seems unlikely that 2020 witnesses a similar prevent plant total as 2019. A change in acreage in CRP during 2020 due to increased enrollment may occur due to lower prices. The current cap on acreage sits at 24.5 million acres, 2.5 million above 2019 levels. The impact on corn and soybean acreage may be limited due to limits on rental payments in key growing areas.

The competition among individual crops points toward more acreage available for corn and soybean planting. Winter wheat seedings reported by the USDA in January came in slightly down from last year at 30.8 million acres, 355 thousand acres lower than a year ago. Lower cotton acreage in the Mid-South and parts of the Southeast could result in an expansion of corn and soybean acreage in those regions. Currently, cotton acreage is projected by the USDA to decrease by 9 percent to 12.5 million acres in 2020. While rice acreage is expected to increase from 2.54 to 3.07 million acres, the total increase does not offset the loss of cotton acreage. As a result, corn and soybeans are expected to gain a portion of the acreage allotment in those areas. Spring wheat, corn, soybeans, and other oilseed crops compete for acreage in the northern Plain states. At 14 million acres, planted spring and durum wheat in 2019 fell 1.2 million acres from the previous year. Recent strength in wheat prices may incentivize expanded wheat planting this spring, but weather issues may impact spring wheat acreage.

Total corn and soybean acreage came in between 177.4 and 180 million acres from 2016 – 2018. Last year's total acres of 165.8 million must account for the massive number of prevent plant acres. Corn and soybean acreage in 2020 looks to return to pre-2019 levels barring planting difficulties. Early trade surveys placed corn acreage in a range between 93.5 – 96 million acres. USDA projections place corn acreage at 94 million acres with a trend yield of 178.5 bushels per acre. If these projections come to fruition and ending stocks expand due to lower demand, the total supply of corn in the 2020-21 marketing year may eclipse 17.45 billion bushels. Corn supply at this level surpasses the 16.94 billion bushel totals seen in the 2015-16 and 2016-17 marketing years when seasonal average corn prices came in at \$3.36.

Soybean acreage expectations fall in a wide range with trade survey projections between 80.3 – 86 million acres. USDA's soybean acreage forecast sits at 85 million acres with a trend yield of 49.8 bushels per acre. If these projections come to fruition and ending stocks remain at 425 million bushels, soybean supply comes in at 4.64 billion bushels. An expectation of increased consumption for both crush and exports next marketing year lower ending stocks. The soybean-to-corn harvest cash price ratio in central Illinois sits near 2.43 at many locations. The present ratio does not indicate a strong preference for corn acres.

The USDA reports the results of the spring planting survey in the *Prospective Plantings* report released on March 31. The uncertainty associated with the coronavirus spread and its impact on agricultural prices looks to stay in place for the foreseeable future. Weather, price relationships between crops, and planting progress require scrutiny as the planting season develops to evaluate potential changes in spring acreage allotments for 2020.