CORN SCENARIOS FOR 2022

(* in million bushels)	Scenario #1 Bad weather, low yields	Scenario #2 Normal weather, trend-line yields	Scenario #3 Good weather, high yields
Planted acres (in millions)	91.5	92.5	93
Harvested acres (in millions)	83.9	84.6	85.0
Yield (bushels per acre)	175.0	177.0	179.0
Carry-in*	1,493	1,493	1,493
Production*	14,680	14,970	15,215
Supply*	16,173	16,463	16,708
Total Use*	14,600	14,650	14,800
Carry-out*	1,573	1,813	1,908
Stocks/Use Ratio	9.2%	12.3%	12.5%

2022 ACREAGE BATTLE CONTINUES

Early estimates have U.S. farmers planting 2 million fewer corn acres and 2 million more soybean acres.

By **Al Kluis**

have written about February acreage battles several times in the past four decades. I used to title my February article, "The Acreage Battle Begins." However, this year (and for the past several years) the battle started long before February. Now it begins in the third and fourth quarter of the previous year.

Most seed companies and crop protection services offer substantial early-purchase discounts starting in late summer. One long-time customer described how difficult it is for him to buy and pay for next year's inputs before he even harvests this year's crop. However, many farmers made their planting decisions during the fall of 2021 when they bought their 2022 seed, fertilizer, and other inputs.

Over the years, I have noted that most central Corn Belt farmers tend to stay with their long-term crop rotation plan. They may make different new-crop pricing decisions based on the market outlook. However, they stick with a plan that maximizes production. If they are bearish on one crop, then they may increase the percentage they get sold ahead.

How will the 2022 acreage battle play out as we head into spring planting? I expect:

- **Farmers in the Dakotas and Minnesota to plant 1 million to 1.5 million acres more in spring wheat.**
- **A record amount of double-crop soybeans to be planted (if the weather cooperates in June and early July).**
- **Combined corn and soybean acres to be about unchanged from last year.**

In 2021, U.S. corn and soybean farmers planted 93.3 million acres of corn and 87.2 million acres of soybeans. This 180.5 million total was up 6.6 million acres from 2020 and a whopping 14.7 million from 2019 when wet weather and planting delays resulted in a near-record amount of prevent planting.

At this time, the trade estimates are for 2 million fewer corn acres and 2 million more soybean acres, with total wheat acreage to increase to 48.7 million acres, from 46.7 million. However, to me, this doesn't add up. I don't know where we're going to find another 2 million acres of cropland in 2022. In addition, odds are good that if we have a normal or wet spring, then prevent plant acres may increase this year.

Here are four key variables I'll watch over the next three to four months:

#1. What is the price ratio between new-crop November 2022 soybeans and December 2022 corn? In years when the ratio is above 2.4:1, you tend to get more soybeans. In years when the ratio is 2.2:1 or less, you get more corn. At the time of this writing, the ratio favors more corn acres in 2022.

#2. What is the Revenue Protection (RP) crop insurance price guarantee at the end of February? If the soybean-to-corn price ratio is above 2.4:1, then it will likely result in more soybean acres. A ratio below 2.2 increases corn acres. The new-crop price guarantee is signaling to U.S. farmers that we need more of both.

#3. What is the cost and availability of fertilizer at planting time? Fertilizer prices screamed higher late in 2021 as global corn and wheat prices went higher, and natural gas spiked up to more than $6.50 per MMBtu. As I look ahead at all of 2022, I am now less concerned about availability. With natural gas prices down more than 40% from the third quarter ▸

Source: Kluis Commodity Advisors

SOYBEAN SCENARIOS FOR 2022

(*in million bushels)	**Scenario #1** Bad weather, low yields	**Scenario #2** Normal weather, trend-line yields	**Scenario #3** Good weather, high yields
Planted acres (in millions)	87.5	88.2	89.0
Harvested acres (in millions)	86.4	87.1	87.9
Yield (bushels per acre)	49	50.5	52
Carry-in*	340	340	340
Production*	4,235	4,400	4,570
Supply*	4,575	4,740	4,910
Total Use*	4,380	4,380	4,380
Carry-out*	195	360	530
Stocks/Use Ratio	4.4%	8.2%	9.3%

of 2021, I think more nitrogen fertilizer will eventually be manufactured and made available. The net result will be that prices will move lower. As the OPEC cartel found out, you can try to manage supply, but you cannot manage prices.

#4. What is in store for spring planting weather? It is far too early to project a wet or dry spring. The U.S. drought monitor shows a much-improved subsoil moisture compared with last year. In years when you have an early spring and dry planting conditions, you usually get more spring wheat, more acres of corn, and less prevent plant acres.

When I am making my initial acreage and carryout projections for 2022, it becomes obvious that a 2- or 3-bushel-per-acre change in yields is as important as a 1-million- or 2-million-acre change in planted acreage. Last year I was amazed at the corn final yield. This year the world needs to see the United States produce another trend line or better yield for both corn and soybeans.

How could 2022 unfold for corn? Let's look at three scenarios of weather and yields: below average, average, and above average (see the tables). I think we have about an 80% chance that the U.S. corn yield next year will end up between 175 and 179 bushels per acre (bpa). When I look at the ending stocks, I think we have a 66% chance of having an ending stocks ratio of over 12%, which tells me new-crop corn futures are overvalued.

What about soybeans? I think we have an 80% chance of having a national yield in soybeans of between 49 and 52 bpa. When I plug in yields from my tables and make slight changes in acreage and yields, soybean ending stocks drop below 10% in every scenario. This tells me that soybeans need to bid up for more acres by the end of planting. Otherwise, the odds are good that we'll have better selling opportunities later this year. SF

Chart Source: Kluis Commodity Advisors
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