



## USDA Reports Provide Some Surprises, Particularly for Corn

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Based on the worn adage that "big crops get bigger", analysts generally expected the USDA's November *Crop Production* report to contain larger forecasts for the size of the current U.S. corn and soybean harvest. The soybean production forecast was larger, but the corn forecast was smaller than the October forecast.

The U.S. soybean crop is now forecast at 3.958 billion bushels, 31 million bushels larger than the October forecast. The U.S. average yield is forecast at 47.5 bushels, 0.4 bushel larger than the October forecast. Yield forecasts changed by a bushel or two for the majority of states, with smaller forecasts in six of the 29 states. Production forecasts were not changed for the rest of the world. In the November WASDE report, the USDA increased the forecast of both the domestic crush and exports during the current marketing year so the forecast of year-ending stocks remains at 450 million bushels, or 12.4 percent of projected consumption. The domestic crush should be supported by strong soybean meal demand, particularly in the export market, and by favorable crush margins. The pace of soybean export sales and shipments also support the larger export forecast. The marketing year average price is still forecast in a range of \$9.00 to \$11.00. Current spot prices in the Eastern Corn Belt near the mid point of that range.

The U.S. corn crop is projected at 14.407 billion bushels, 68 million bushels smaller than the October forecast. The U.S. average yield is forecast at 173.4 bushels, 0.8 below the October forecast. The yield forecasts declined by five bushels in Minnesota, three bushels in Kansas, and two bushels in Iowa. The change in the production forecast is relatively small, but is in the opposite direction of the expected change. The projection of both corn and total coarse grain production in the rest of the world was increased slightly, with declines in the projections of Chinese and Argentina coarse grain production more than offset by increases for the European Union and Mexico.

The USDA forecast of marketing year consumption of corn for ethanol production was increased by 25 million bushels, but the forecast of corn for other food and industrial uses was reduced by 20 million bushels. Marketing year consumption is forecast at 13.66 billion bushels, which would leave year-ending

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stocks at 2.008 billion bushels, or 14.7 percent of projected consumption. The projection of marketing year exports remains at 1.75 billion bushels, but as pointed out last week, the current pace of both export sales and shipments are trailing the pace needed to reach that projection. In today's WASDE report, the USDA lowered the forecast of current marketing year exports from both Argentina and Brazil by a total of 59 million bushels, but increased the export projection for the Ukraine by 20 million bushels and lowered the forecast of Chinese imports by 20 million bushels. The forecast of the marketing year average farm price was projected in a range of \$3.20 to \$3.80, \$0.10 higher than the October forecast. Current spot cash prices in the Eastern Corn Belt are near the low end of that range.

Final USDA production estimates for corn and soybeans will be released in January, while projections of marketing year consumption, ending stocks, and average price will be updated monthly through the marketing year. In addition to the final yield estimates, there will be some interest in the final estimates of harvested acreage. The difference between current NASS estimates of planted acreage of corn and soybeans and planted acreage reported by the USDA's Farm Service Agency (FSA) last month are historically large. NASS estimates are much larger than the FSA estimates, particularly for corn. The FSA will release an updated report of planted and prevented acreage on November 13. If the gap between the two estimates remains large, there will be some expectation that the final NASS acreage estimates to be released in January (based on the December Agricultural Survey) will be smaller than the current estimates.

If current production and consumption forecasts actually verify, the big story this year will be that extremely large corn and soybean crops resulted in less than burdensome year ending stocks. The modest level of stocks relative to the consumption base opens the door for a tighter supply and consumption balance for the 2015-16 marketing year, particularly for corn. If consumption next year remains near the projected level for this year, a corn crop less than 13.66 billion bushels would result in a drawdown in stocks. With a national average yield at the trend value of 163 bushels per acre, harvested acreage would have to increase by about 700,000 acres to produce a crop greater than 13.66 billion bushels. Similarly, with acreage at this year's level, the national average yield would have to be at 164.4 bushels to produce a crop of 13.66 billion bushels. The soybean picture is a little different. If soybean consumption next year continues at the level projected for this year, a crop less than 3.615 billion bushels would result in a drawdown in year ending stocks. A trend yield of 44.3 bushels per acre would require harvested acreage of only 81.6 million to produce a crop of 3.615 billion bushels. That is 1.8 million fewer acres than expected to be harvested this year.

While the large harvest this year will keep prices at relatively low levels, particularly for corn, the odds now favor prices that will be profitable for both corn and soybean producers in 2015-16.

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<http://farmdoc.illinois.edu/marketing/weekly/html/111014.html>