



Weekly Outlook: USDA Grain Stocks and Acreage Estimates Supportive for Corn and Soybean Prices

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The just-released USDA [Grain Stocks](#) and [Acreage](#) reports provide some important fundamental information for the corn and soybean markets going into the most critical part of the growing season.

The estimate of June 1 stocks is most important for corn since it reveals the magnitude of feed and residual use during the previous quarter. This year, however, the soybean stocks estimate is of more interest than usual since both the December 1, 2014 and March 1, 2015 stocks estimates revealed an unusually large residual disappearance in the first half of the year and hinted that the 2014 crop may have been overestimated. The June acreage estimates are always important since they differ from intentions in the March [Prospective Plantings](#) report and provide an update of production prospects. The estimates are of extreme interest this year due to the seeming under-statement of total crop acreage in the March intentions report and the delay in soybean planting. That delay, however, also creates more than the usual uncertainty about how final planted and harvested acreage estimates will compare to June intentions.

June 1, corn stocks were estimated at 4.447 billion bushels, 595 million larger than stocks of a year earlier, but 108 million less than the average trade guess. The stocks estimate implies that feed and residual use of corn during the third quarter of the marketing year totaled 1.148 billion bushels, 289 million more than during the same quarter last year and the most since 2010. Use during the fourth quarter needs to total only 434 million bushels in order for use for the year to reach the current USDA projection of 5.25 billion bushels. That is only 23 million more than use in that quarter last year and less than use during that quarter in 2010 and 2011. Even with an increase in wheat feeding this summer, the larger inventory of broilers, dairy cows, and hogs suggests that feed and residual use could be 50 million bushels larger than currently projected by the USDA, resulting in slightly smaller year ending inventories.

June 1 stocks of soybeans were estimated at 625 million bushels, 220 million larger than stocks of a year ago, but 45 million bushels less than the average trade guess. The stocks estimate means that seed and residual use of soybeans during the first three quarters of the marketing year was about 300 million bushels, which is about 100 million bushels above the average of the past five years. The stocks estimate, then, reaffirms expectations that the 2014 crop was overestimated and that year end stocks will be much lower than the current 330 million bushel USDA projection.

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Planted and intended acreage of corn is now estimated at 88.897 million acres, 302,000 less than March intentions and 395,000 less than the average trade guess. The forecast of acreage harvested for grain is at 81.101 million acres, about 600,000 acres less than forecast in the June WASDE report and 2.035 million less than harvested last year. With a U.S. average yield near our current expectation of 165 bushels, the 2015 crop would total 13.382 billion bushels, 834 million bushels smaller than the 2014 harvest. A crop of that size would point to 2015-16 marketing year ending stocks of about 1.4 billion bushels, 400 million less than likely stocks at the end of the current marketing year. The stocks-to use ratio, then would decline to about 10 percent. Obviously, the size of next year's surplus could deviate substantially from this projection depending on the strength of demand, the actual U.S. average yield, and the final estimates of harvested acreage. It is useful to note that the final estimate of planted acreage was less than the June estimate in 14 of the past 19 years. Even in years when acreage exceeded the June estimate, the largest deviation was only 886,000 acres.

Planted and intended acreage of soybeans is estimated at 85.139 million acres, 504,000 larger than March intentions and 1.438 million more than planted last year. The estimate was very close to the average trade guess. Harvested acreage is forecast at 84.449 million acres, 749,000 more than projected in the June WASDE report and 1.388 million more than harvested last year. The forecast reflects a relatively small acreage abandonment of only 690,000 acres. Because considerable soybean acreage was not yet planted at the time of the survey for the June acreage estimates, the soybean estimate likely reflects a larger percentage of intentions than is normally the case. Several million acres still remain unplanted. Extremely wet weather in many areas also has raised the potential for more abandoned acres than normal. Finally, the final estimate of planted acreage has been less than the June estimate in 12 of the past 19 years. All of these factors suggest that harvested acreage of soybeans could be considerably less than the current forecast. Harvested acreage of 83.5 million acres and a national average yield near our current expectation of 45 bushels would point to a 2015 soybean harvest of 3.758 billion bushels, 212 million smaller than the 2014 harvest. Stocks at the end of the 2015-16 marketing year near 375 million bushels, however, would still represent a year-over-year increase.

While considerable uncertainty will persist for the next three months, today's USDA reports substantially increase the odds that the average farm price will be above \$4.00 for the 2015-16 marketing year and that the average soybean price will once again be near \$10.00.

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