



## USDA Estimates Reasonably Close to Expectations

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The USDA's much anticipated estimates of March 1 grain stocks and 2014 planting intentions released today contained a few surprises, but no major shocks. March 1 corn stocks and planting intentions are a bit smaller than the average trade guess. March 1 soybean stocks were almost equal to the average trade guess, while planting intentions are slightly larger than expected.

March 1 stocks of corn were estimated at 7.006 billion bushels, about 100 million less than the average trade guess. The stocks estimate implies that feed and residual use of corn in the domestic market during the first half of the current marketing year totaled 3.851 billion bushels. The question is whether that level of use will result in a change in USDA's projection of use for the year. The implied use accounts for 72.7 percent of the USDA's most recent projection of feed and residual use for the year of 5.3 billion bushels. Use during the first half of the marketing year averaged 74 percent of the marketing year total in the previous three years. However, first half use in the four years from 2006-07 through 2009-10 averaged 68 percent of the marketing year total. In the 10 years before that, first half use averaged 64 percent of the marketing year total. First half use this year relative to the USDA projection is consistent with the pattern of the past three years, but is large relative to the pattern before that. Given the most recent seasonal pattern of feed and residual use, along with the decline in the number of hogs and the number of cattle on feed, it seems unlikely that USDA will change the projection of feed and residual use for the year in the April WASDE report. However, reduced wheat feeding this summer along with a late corn harvest this fall might result in slightly larger use.

March 1 stocks of soybeans were estimated at 992 million bushels, about equal to both the average trade guess and the level of stocks a year earlier. The stocks estimate implies that feed, seed, and residual use of soybeans during the first half of the marketing year totaled 145 million bushels. That magnitude of use is within the range of use in the previous five years and should not generate any speculation about the accuracy of the USDA's 2013 production estimate. Over the past 10 years, there has been no correlation between the magnitude of seed, feed, and residual use of soybeans during the first half of the marketing year and the size of any subsequent revision in the soybean production estimate.

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Producers reported intentions to plant 91.691 million acres of corn in 2014, 3.674 million fewer acres than planted last year and about 1.2 million less than the average trade guess. The largest declines are planned in North Dakota (900,000), Nebraska (550,000), and South Dakota (400,000). Intentions in Iowa are for a 400,000 acre increase in corn acreage. Compared to last year's plantings, intentions are down 100,000 acres in Illinois and 200,000 acres in Indiana and Ohio. Planting intentions point to harvested acreage for grain of about 84.4 million acres. A trend yield of 163.2 bushels, then, would result in a crop of 13.775 billion bushels, 150 million bushels smaller than the 2013 crop. A crop of that size would likely lead to only a small build-up of inventories by the end of the 2014-15 marketing year and suggests that the average corn price next year might be only slightly less than the average of \$4.50 projected for the current year.

Producers reported intentions to plant a record 81.493 million acres of soybeans in 2014, 4.96 million more than planted last year and about 300,000 more than expected. More acres are planned in all major states, with North Dakota leading the way with a one million acre increase. Intentions exceed last year's plantings by 700,000 acres in Minnesota and by 600,000 acres in North Dakota. Of the major production states, intentions are less than last year's plantings only in Missouri. Planting intentions point to harvested acreage near 80.7 million. A trend yield of 44.5 bushels, then, would point to a crop of 3.59 billion bushels, 300 million bushels larger than the 2013 crop. A crop of that size would likely lead to inventories in excess of 300 million bushels by the end of the 2014-15 marketing year and suggests that the average soybean price next year will be sharply lower than the average of \$12.95 projected for the current year.

Planting intentions for all grains are 6.148 million acres less than last year's plantings, including a 1.38 million acre reduction in sorghum. Planting intentions for oilseeds are 5.82 million larger than last year's plantings. Intentions for all crops reported in the March survey, including harvested acreage of hay, are only 650,000 acres greater than last year's plantings when an unusually large 8.3 million acres were reported as prevented plantings. Some northern producers may have factored in some prevented plantings for 2014 when responding to the survey, but there is some likelihood that total crop acreage will exceed intentions. Weather permitting, larger feed grain acreage seems most likely.

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