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USDA Stocks and Acreage Estimates Smaller than Expected for Soybeans and Larger than Expected for Corn

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The USDA's much anticipated March *Grain Stocks* and *Prospective Plantings* reports were released today. Those estimates allow for some tweaking of the 2014-15 marketing year corn and soybean balance sheet projections and for developing projections for the 2015-16 marketing year balance sheets.

The estimate of March 1 stocks allows for a calculation of feed and residual use of corn during the second quarter of the 2014-15 marketing year. The implied feed and residual use during the first half of the marketing year, then, allows for an evaluation of the USDA's current projection of feed and residual use for the entire marketing year. The March 1 stocks estimate of 7.745 billion bushels implied second quarter feed and residual use of 1.425 billion bushels and use during the first half of the marketing year of 3.64 billion bushels. First half use represents 69 percent of the USDA's marketing year projection of 5.3 billion bushels. That is less than the average of 74 percent in the previous four years, but is very close to the 68 percent average for the period 2006-07 through 2009-10. While the March 1 stocks estimate is 136 million bushels larger than the average trade guess, it does not imply that feed and residual use is progressing at a slower rate than implied by the USDA projection. Given the expansion that is taking place in hog, broiler, and dairy cow numbers, the projection of 5.3 billion bushels for the year still appears reasonable. Another read on feed and residual use will not be available until the June 1 stocks estimate is released on June 30.

The March 1 soybean stocks estimate allows for a calculation of seed and residual use during the second quarter and first half of the 2014-15 marketing year. Since both the size of the domestic crush and the magnitude of exports are reasonably well known, the magnitude of seed and residual use of soybeans during the first half of the marketing also provides some insight on the likely accuracy of the 2014 production estimate. The March 1 stocks estimate this year was of particular interest since the December 1 stocks estimate implied that seed and residual use during the first quarter of the marketing year was record large by a wide margin. The March 1 stocks estimate of 1.334 billion bushels was about 12 million bushels below the average trade guess and implies that seed and residual use of soybeans was -13.5 million bushels in

the second quarter of the marketing year and 263.4 million bushels during the first half of the marketing year. While there has not been a strong correlation between seed and residual use of soybeans during the first half of the year and subsequent changes in the estimated size of the previous year's harvest, the very large implied use this year hints that the 2014 soybean crop may have been overestimated.

The estimate of planting intentions allows for a projection of the magnitude of harvested acreage and in combination with a trend yield calculation allows for an initial calculation of the potential size of the 2015 harvest. Producers reported intentions to plant 89.199 million acres of corn in 2015, 1.4 million less than planted in 2014, but about 470, 000 more than the average trade guess. The decline in corn acres is mostly offset by increased planting intentions for other feed grains. Relatively small changes in corn acreage are reported for most states, with the largest change being a 600,000 acre reduction in South Dakota. Planting intentions point to acreage harvested for grain of about 81.7 million acres. The *farmdoc daily* article of February 26, 2015 developed a trend corn yield projection of 164 bushels, pointing to a 2015 crop of 13.4 billion bushels, 816 million bushels smaller than the 2014 crop. If consumption next year is equal to that projected for the current year, year ending stocks would decline from 1.777 billion bushels projected for September 1, 2015 to about 1.5 billion bushels on September 1, 2016.

Producers reported intentions to plant 84.635 million acres of soybeans in 2015, 934,000 more than planted in 2014, but nearly 1.3 million less than the average trade guess. Planting intentions for other oilseed crops (canola, peanuts, and sunflowers) exceed last year's plantings by about 190,000 acres. Relatively small changes in soybean acreage are reported for most states, with the largest change being a 300,000 acre reduction in Nebraska. Planting intentions of 84.635 million acres point to harvested acreage of about 83.7 million acres. The *farmdoc daily* article of March 19, 2015 developed a trend soybean yield projection of 44.6 bushels, pointing to a 2015 crop of about 3.733 billion bushels, about 235 million bushels smaller than the 2014 crop. If consumption next year is equal to that projected for the current year, year ending stocks would increase from 385 million bushels projected for September 1, 2015 to about 435 million bushels on September 1, 2016.

Compared to pre-report expectations, the March 1 soybean stocks and 2015 planting intentions estimates represent modestly friendly surprises. On the other hand, the stocks and planting intentions estimates represented modestly negative surprises for the corn market. Part of the negative corn price response to the estimates likely reflects inflated trend yield estimates for 2015 and perhaps an incorrect interpretation of the pace of feed and residual use during the first half of the marketing year. Attention will now turn to spring weather and planting progress.

References

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