



USDA Grain Stocks and Acreage Reports – No Big Surprises

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Today, the USDA released the quarterly *Grain Stocks* report that contains estimates of June 1 inventories of corn, soybeans, and wheat, as well as the annual *Acreage* report containing estimates of planted and harvested acreage of these and other crops. Following is a summary of these estimates and the general implications for near-term price prospects.

Corn

Stocks of corn on June 1, 2012 are estimated at 3.149 billion bushels, compared to 3.67 billion on June 1, 2011. The estimate was close to the average trade guess and implies third quarter feed and residual use of about 850 million bushels, a reasonable estimate based on historic consumption levels for the quarter and livestock production during the quarter. To reach the USDA projection of 4.55 billion bushels for the year, feed and residual use during the last quarter of the year needs to total only 334 million bushels. Even with an early harvest of the 2012 crop, use during the quarter is likely to exceed that very small level.

Planted acreage of corn is estimated at 96.405 million acres, 541,000 more than indicated in March and 4.484 million more than planted last year. Compared to March intentions, acreage is larger in Illinois, Indiana, Kentucky, Missouri, Ohio, and Wisconsin. Acreage is down in Iowa, Nebraska, and South Dakota. Acreage to be harvested for grain is estimated at 88.851 million acres, 4.87 million more than harvested in 2011. Planted and harvested acreage estimates are near the expected levels.

Soybeans

Stocks of soybeans on June 1 are estimated at 667.5 million bushels, 48.2 million bushels larger than the inventory of a year earlier and nearly 30 million bushels larger than the average pre-report trade guess. The estimate implies an unusually small level of feed, seed, and residual use during the quarter.

Planted acreage of soybeans is estimated at 76.080 million acres, 2.178 million more than indicated in March and 1.104 million more than planted in 2011. Compared to March intentions, acreage is larger in Iowa, Minnesota, Mississippi, Missouri, Nebraska, North Carolina, and the Dakotas. Acreage is smaller in Illinois, Indiana, and Kansas. Acreage to be harvested is estimated at 75.315 million acres, 1.679 million more than harvested last year. The difference between estimated planted and harvested acreage is only

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765,000 acres, very small by historic standards. The planted acreage estimate is about 500,000 acres larger than the average pre-report guess.

Wheat

Stocks of wheat on June 1 are estimated at 742 million bushels, 120 million bushels smaller than stocks of a year ago. The estimate is 16 million bushels larger than the pre-report guess and 14 million larger than projected in the USDA's May WASDE report.

Planted acreage of wheat is estimated at 56.017 million acres, 109,000 more than indicated in March and 1.608 million more than planted in 2011, but 830,000 acres less than the average pre-report guess. The larger acreage relative to the March estimate was mostly for winter wheat. Acreage harvested or to be harvested in 2012 is estimated at 48.826 million acres, 3.121 million more than harvested last year.

Implications

Unlike some recent USDA reports, particularly stocks reports, today's reports contained no major surprises. Soybean stocks and acreage are a bit larger than the average expectation, but within the range of expectations. Corn and wheat estimates are all relatively close to the expected level. The USDA may increase the forecast of marketing year feed and residual use of corn in the July WASDE report, but that could be partially offset by lower expectations for exports. The major focus will now be on the prospective average yield of the U.S. corn, soybean, and spring wheat crops. Recent and near-term weather prospects suggest that corn and soybean yield prospects will continue to deteriorate. Those markets have rallied sharply over the past two weeks as crop conditions have deteriorated and further strength is expected.