



USDA Reports Sink The Corn Market

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A year ago, the USDA's June Grain Stocks and Acreage reports provided bullish surprises for the corn market and triggered a year long rally in prices. The same two reports released today provided a lot of bearish information. June 1 stocks of corn were estimated at 3.67 billion bushels. While that estimate is 640 million bushels smaller than stocks of a year ago, it is about 350 million bushels larger than expected. The stocks estimate implies feed and residual use of corn during the third quarter of the marketing year of about 750 million bushels, a figure that is too low to be believed. In retrospect, the estimate of March 1 stocks of corn was smaller than expected, implying a high rate of feed and residual use of corn during the second quarter of the marketing year. Still, total use from September 2010 through May 2011 appears small in relation to the number of livestock being fed. Like last year, the estimate of September 1 stocks will likely reconcile these inconsistencies.

Planted acreage of corn in 2011 is estimated at 92.3 million acres, about 100,000 more than revealed in the March Prospective Plantings report and about 1.5 million above the average trade guess. While corn acreage was below intentions in areas of delayed planting, acreage was well above intentions in several western Corn Belt states where planting was more timely. Acreage harvested for grain is forecast at 84.9 million acres. The difference between planted and harvested acreage of 7.4 million is larger than normal, reflecting acreage lost to flooding, but the difference is not as large as expected. Using the yield forecast of 158.7 bushels in the WASDE report released earlier this month, the harvested acreage forecast implies a 2011 crop of 13.474 billion bushels, 219 million larger than projected consumption during the 2011-12 marketing year. Taken together, the estimates of June 1 stocks and 2011 acreage imply a more abundant supply situation than has been anticipated.

The estimate of June 1 stocks of soybeans, at 619 million bushel, was nearly 30 million bushels larger than expected. The stocks estimate implies that seed, feed, and residual use of soybeans during the March-May quarter was much smaller than expected. Planted acreage of soybeans is estimated at 75.2 million acres, 1.4 million less than indicated in the March Prospective Plantings report and 1.3 million below the average trade guess. Acreage is well below intentions in the western Corn Belt, but well above intentions in Ohio where corn planting was delayed. Harvested acreage of soybeans is forecast at 74.26 million acres, 2.36 million fewer than harvested last year. Using the yield forecast of 43.4 bushels in the WASDE report released earlier this month, the harvested acreage forecast implies a 2011 crop of 3.223 billion bushels, 67 million less than projected consumption during the 2011-12 marketing year. The

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acreage estimate implies a potentially tighter supply situation for the 2011-12 marketing year than has been anticipated.

June 1 stocks of wheat were estimated at 861 million bushels, 36 million above the average trade guess and 52 million larger than projected in the USDA's WASDE report released earlier this month. Planted acreage of all wheat is estimated at 56.433 million, 1.588 million less than indicated in March. The shortfall was primarily in spring wheat acreage. Harvested acreage of all wheat is forecast at 47.2 million acres, about 460,000 less than harvested last year. Using the yield forecast of 43.1 bushels in the WASDE report released earlier this month, the harvested acreage forecast implies a 2011 crop of 2.034 billion bushels, 256 million less than projected consumption during the 2011-12 marketing year. The acreage estimate implies a potentially tighter supply situation for the 2011-12 marketing year than has been anticipated.

Today's reports reflect a fundamental shift in the corn market, suggesting that corn prices will come under considerable pressure. The estimates of planted and harvested acreage paint a more constructive picture for soybeans and wheat, so that price declines may be less severe. For corn and soybeans, crop progress will now become the primary market focus.