



## Weekly Outlook: USDA Reports Have Some Surprises

**Darrel Good**

Department of Agricultural and Consumer Economics  
University of Illinois

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The much anticipated USDA Prospective Plantings and Grain Stocks reports were released this morning and contained a few important surprises. For a review of the USDA methodology for the Prospective Plantings report, see our recent [Marketing and Outlook Brief](#).

For the crops included in the report of planting intentions, total planted acreage is expected to increase by 8.276 million acres from that of 2010. That increase is in line with expectations. Harvested acreage of hay is expected to decline by 889,000 acres. Compared to last year, producers intend to plant more corn, sorghum, spring wheat other than durum, canola, and cotton. Winter wheat seedings were 3.9 million larger than acreage seeded for harvest in 2010. Fewer acres are planned for oats, rice, soybeans, sunflowers, durum wheat, and dry edible beans.

Planting intentions for corn were reported at 92.178 million acres, 3.986 million more than planted last year. Intentions are within the range of expectations. The largest increases are expected in Iowa, North Dakota, Nebraska, Kansas, Ohio, Illinois, and Minnesota. Fewer acres are expected in South Dakota and Texas. The implication of the planted acreage estimate for the size of the 2011 crop hinges on yield expectations. In general, the market may still have too high of an expectation for the trend yield in 2011 and therefore too high of an expectation about actual yield. For a discussion of yield implications for production and price, see our recent [Marketing and Outlook Brief](#).

Planting intentions for soybeans were reported at 76.609 million, 795,000 fewer than planted in 2010. Intentions are within the range of expectations. The largest declines are expected in Iowa, Kansas, Ohio, and Mississippi. More acres are planned in Missouri, Tennessee, and North and South Dakota.

The surprises in today's report were in the estimates of March 1 stocks. At 6.523 billion bushels, March 1 inventories of corn were 1.171 billion bushels smaller than last year's stocks and 167 million less than the average trade guess. In the last few days there was a lot of chatter about the corn market not having the "feel" of tight stocks and some had expected the March 1 stocks estimate to be much larger than the average guess. The stocks estimate implies a very high rate of feed and residual use of corn in the second quarter, and now, the first half of the year. Just when it looked like the rationing job had been completed, this report suggests that corn is still being used too rapidly. The weaker old crop prices going into the report may now have to be reversed.

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March 1 stocks of soybeans were reported at 1.249 billion bushels, 21 million bushels smaller than stocks of a year ago. The average trade guess was for stocks to be about 30 million larger than stocks of a year ago. The stocks estimate implies a large residual use of soybeans in the second quarter and first half of the year. Like the corn stocks estimate, the estimate of soybean stocks implies that more rationing of the 2010 crop is required.

With such tight inventories of corn and soybeans, the size of the 2011 crops takes on even more importance.