



Weekly Outlook: Corn Acreage and Stocks

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Corn futures prices rallied about \$0.90 per bushel since the beginning of May. The rally reflects expectations that planted acreage will fall well short of March intentions and on yield concerns associated with wide-ranging late planting. Demand weakness continues to emerge in the export market, but supply issues look to overwhelm any decrease in demand. The release of USDA’s *Grain Stocks and Acreage* reports on June 28 looks to set the tone for summer corn prices.

The reduction in corn planted acreage by three million acres and corn yield by 10 bushels per acre in the June WASDE appears to be a harbinger of things to come this year. The June estimate of planted acreage of corn is generally expected to be far less than intentions of 92.8 million acres reported in March. The only question remaining is the scale of acreage loss. The magnitude of prevented planting acres this year looks to eclipse the previous record of 3.6 million acres in 2013 by a wide margin. As of June 9, 14.5 million acres remained unplanted in the 18 states reported in the Crop Progress report. The amount of prevented planted acreage in those estimates remains uncertain, but the prospect of planting more than 14 million acres of corn after June 10 seems daunting.

Additionally, some acreage may have been switched to soybeans due to delayed corn planting over large areas of the Corn Belt. Recent wet weather brings soybean acreage planting into question as well. However, the prospect of a new round of Market Facilitation Payments provides a strong incentive to plant soybeans in the second half of June if weather permits. The June acreage estimate will probably not be changed until FSA certified acreage data becomes available in October. The final acreage estimate released in January tends to be less than the June estimate. Since 1996, the final estimate averaged 626 thousand acres less than the June acreage report in years when prevented planting acreage exceeded one million acres. This year may see a substantial drop from the June acreage estimate due to the uncertainty about planting during the survey period.

While the supply situation looks increasingly supportive of corn prices, current levels of corn use show weakness; particularly in the export market. The estimate of June 1 corn stocks will reflect the recent decrease in consumption and reveal the pace of feed and residual use during the third quarter of the marketing year. The expected size of June 1 stocks can be calculated based on consumption data that

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are currently available and on the assumption that feed and residual use is on pace with the USDA projection of 5.3 billion bushels for the year. Based on the USDA's *Grain Crushings and Co-Products Production* reports for March and April and on the EIA weekly estimates of ethanol production during May, corn used for ethanol production during the third quarter of the marketing year is estimated at 1.347 billion bushels. Corn used for other domestic industrial products is estimated at 362 million bushels.

Cumulative export inspections during the first three quarters of the marketing year totaled 1.549 billion bushels. Through April, Census export estimates exceeded export inspections by 149 million bushels. If that margin continued through May, exports during the first three quarters of the year totaled 1.698 billion bushels and indicated exports during the third quarter at 566 million bushels.

For the marketing year, the USDA projects feed and residual use of corn at 5.3 billion bushels. Feed and residual use during the first half of the year totaled 3.487 billion bushels. Use during the last half of the year needs to equal 1.813 billion bushels for total use to reach the USDA projection. Third and fourth quarter feed and residual use vary substantially over time. Feed and residual use near 954 million bushels during the third quarter this year sits close to the center of the range based on the historical data. With March 1 stocks of 8.605 billion bushels and imports during the quarter of 8 million bushels, the estimates of consumption during the quarter point to June 1 stocks of 5.384 billion bushels, 79 million larger than stocks of a year ago. A deviation from June 1 stocks less than 100 million bushels from the current estimate will not engender much price movement. The *Acreage* report on June 28 should overwhelm any information in the stocks report.

Uncertainty about corn acreage looks to remain in place through the summer. Weakening demand should not be a hindrance to a continued price rally since the supply situation is quite dismal. Strengthening corn basis and futures prices point to marketing strategies involving delayed pricing of the new crop. Price objectives need to be set to take advantage of current corn market dynamics. Managing crop price risk can be accomplished with a variety of marketing strategies. It is essential to have a marketing strategy since supply shocks provide a limited time frame to take advantage of pricing opportunities. The strategy probably should include plans for pricing some of the 2020 crop.

YouTube Video: Discussion and graphs associated with this article at <https://youtu.be/84rdlo1-wQQ>