



Weekly Outlook: June 30 Stocks and Acreage Reports Implications for Corn and Soybeans

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On June 30, the USDA released the [Acreage](#) and [Grain Stocks](#) reports. The Acreage report surprised many observers and generated strong positive movements in corn and soybean prices. The following discussion recaps the information contained in the reports and the price implications for corn and soybean prices.

June 1 corn stocks were estimated at 5,225 million bushels, nearly 500 million bushels larger than last year and about 100 million bushels larger than the average trade guess. Total disappearance during the quarter was 3,400 million bushels. Estimates of corn exports during the quarter are at 688 million bushels. Corn used for ethanol and co-product production during the quarter totaled 1,342 million bushels. Corn processed domestically for other food and industrial products was likely near 413 million bushels.

The remaining disappearance, after adjusting for imports, is estimated at 965 million bushels, consists of the feed and residual category. Feed and residual use during the first three quarters of the marketing year is estimated at 4,757 million bushels. To reach the projected 5,500 million bushels of corn the USDA projects for feed and residual during this marketing year, feed and residual use in the fourth quarter must equal 743 million bushels. Fourth quarter feed and residual use has not exceeded 740 million bushels since the 2006-07 marketing year. Based on current stocks estimate, it appears feed and residual use this year may not reach the projection of 5,500 million bushels and could be lowered by the USDA in the next WASDE report on July 12.

The June 1 soybean stocks estimate indicated 963 million bushels. Total disappearance for the quarter was 775 million bushels. Exports during the third quarter are estimated at 257 million bushels. Soybean crush during the quarter totaled 468.5 million bushels. Seed and residual use calculations proceed from the remaining disappearance adjusted for soybean imports. Seed and residual use for the third quarter totaled 53 million bushels. June 1 soybean stocks are neutral for soybean prices as soybean consumption maintains a pace to meet USDA projections for the 2016-17 marketing year. The potential for an increase in soybean exports of 10-15 million bushels for the 2016-17 marketing year exists on stronger than expected soybean exports.

Corn producers reported they planted or intended to plant 90.886 million acres of corn this year, 3.1 million less than planted last year. Corn planted acres came in 983 thousand acres larger than the average trade

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guess and 890 thousand acres larger than March planting intentions. When compared to March planting intentions in major producing states, the June survey revealed higher corn acres in North Dakota (400,000), Iowa (200,000), and Nebraska (250,000). Acreage lower than March intentions in Illinois (200,000), Indiana (100,000), South Dakota (200,000), and Ohio (50,000) offset gains in the Western Corn Belt.

Corn acreage intended for harvest is projected at 83.5 million acres, 3.7 million less than harvested in 2016. Yield is challenging to predict due to the difficult start to the growing season in many locations. Potential yield is likely at or below the USDA's June assessment of 170.7 bushels. Corn production in the U.S. during 2017 may be in the range between 16.5 and 16.7 billion bushels.

Soybean producers planted or intended to plant 89.513 million acres of soybeans. The soybean acreage intentions came in well below market expectations. Soybean planted acres came in 237 thousand acres smaller than the average trade guess and 31 thousand acres larger than March planting intentions. At the time of the survey, producers indicated that 10.9 percent of the intended soybean acreage is yet to be planted. When compared to March planting intentions in major producing states, the June survey revealed greater soybean acres in North Dakota (400,000), Missouri (350,000), and Illinois (200,000). Acreage lower than March intentions is reported in Indiana (100,000), Kansas (250,000), and Iowa (100,000).

Soybean harvested acreage is projected at 88.7 million acres, 7.2 million more than harvested in 2016. Yield potential is highly uncertain at this point in the growing season. Favorable growing conditions throughout the summer could result in the U.S. average yield near 48.2 bushels per acre. At this yield level, 2017 soybean production would be close to 4,275 million bushels. The trade is probably skeptical of trend yield in soybeans being attainable at this point.

The USDA reports were not supportive for corn prices. Given the current pace of consumption in feed and residual now being experienced, year ending stocks for corn will likely be 75 million bushels higher than the 2,295 million bushels projected by USDA on June 9. In addition, the increase in corn acreage points to adequate supply during the 2017-18 marketing year despite the potential issues with corn yield. While soybean prices rallied on the less than expected planted acreage, the 2017 soybean acreage is still a record 89.5 million acres. This level of soybean planting follows large crops in both the U.S. and South America. Significant soybean consumption growth or poor yields this crop year would be necessary to prevent growth in soybeans stocks over the next marketing year and, with that growth, price weakness.

References

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