



Weekly Outlook: Corn and Soybean Market Prospects Following USDA Reports

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The USDA's June 1 *Grain Stocks and Acreage* reports contained estimates that were generally as expected for soybeans, but both reports contained surprises for corn. The estimates were friendly for old crop price prospects, but negative for new crop prices, at least in the short run.

June 1 stocks of soybeans were estimated at 434.5 billion bushels, very near the level that would be expected given the magnitude of March 1 stocks and estimates of use during the March-May quarter. June 1 stocks were at the smallest level in nine years and suggest that the pace of the domestic crush will have to slow substantially this summer and that year-ending stocks will be at a minimum pipeline level of about 125 million bushels.

The June survey revealed soybean planting and planting intentions of 77.728 million acres, 602,000 above March planting intentions and slightly larger than the previous record acreage of 2010. Compared to March intentions, the June estimates were smaller for Michigan, North Dakota, and Ohio and were unchanged or larger for most other major producing states. Acreage intended for harvest was estimated at 76.918 million, 814,000 more than harvested last year and 302,000 above the 2010 record. The difference between planted and harvested acreage estimates this year is only 810,000 acres, compared to the average difference of 1.114 million acres in the previous five years. Planted acreage of other oilseeds is estimated at 4.392 million acres, 561,000 below March intentions and 1.497 million less than planted last year. The survey for the current acreage estimates was conducted between May 30 and June 16. Due to the very late spring planting season in some areas and the unusually large percentage (10 percent) of the acres to be planted following another crop, more of the survey responses likely reflected planting intentions than is normally the case. The USDA indicated that producers in 14 states will be re-surveyed in July to determine if plantings deviated from intentions. The results of that survey will be included in the August *Crop Production* report.

June 1 stocks of corn were estimated at 2.764 billion bushels, about 90 million bushels less than the average pre-report guess and the smallest June 1 inventory in 16 years. The stocks estimate implied feed and residual use of about 920 million bushels during the March-May quarter, about 60 million more than use during the same quarter last year. Feed and residual use during the first three quarters of the marketing year totaled 4.06 billion bushels. To reach the USDA projection of 4.4 billion bushels for the

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year, use during the summer quarter needs to be only 340 million bushels, nearly the same as use of last summer. While the number of cattle on feed on June 1, 2013 was three percent less than the inventory of a year ago, the June 1 hog inventory of market hogs was equal that of a year earlier, broiler numbers are equal to or slightly higher than those of a year ago, and it appears that dairy cow numbers are holding steady (USDA no longer reports numbers on a monthly basis). It appears that feed use this summer could exceed that of a year ago, since large quantities of new crop corn will not be available before September 1 as was the case last year, reducing year-end stocks to a pipeline level.

The June survey revealed planted acres of corn of 97.379 million acres, 97,000 acres more than March planting intentions, slightly larger than planted acreage of a year ago, and about two million acres above the average pre-report guess. Compared to March intentions, acreage estimates were larger for Michigan, Missouri, Nebraska, and Texas and unchanged or smaller for most other major corn producing states. Acreage of corn to be harvested for grain was estimated at 89.135 million acres, 1.76 million more than harvested last year. The difference between planted acreage and acreage harvested for grain of 8.244 million acres is smaller than the difference of 9.78 million experienced after the drought of last year, but is about one million acres more than is typical following a favorable growing season. Harvested acreage of other feed grains (sorghum, barley, and oats) was estimated at 10.356 million acres, 1.112 million more than harvested last year.

The June 1 stocks estimates for corn and soybeans confirmed very small inventories and the need to continue to limit consumption until new crop supplies are available. As a result, old crop corn and soybean cash prices are expected to be well supported through the summer months. There is considerably more uncertainty about new crop production and price prospects. We expect planted and harvested acreage of both crops to be less than revealed in the June survey. However, production will be influenced more by yield prospects than by acreage estimates. The period for determining yields is just beginning, with July and August weather critical for both crops. Based on current crop condition ratings and near term weather forecasts, prospects for yields likely exceed current market expectations, particularly for corn. If weekly condition ratings remain high, new crop prices are expected to remain under pressure.