



Large Corn and Soybean Stocks and Large Crop Potential

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The USDA's June *Grain Stocks* report showed much larger June 1 stocks of both corn and soybeans than had been anticipated by the market. The *Acreage* report revealed much larger acreage of soybeans than had been anticipated.

June 1 stocks of corn were estimated at 3.854 billion bushels, about 132 million bushels more than the average trade guess. The larger than expected estimate implies that feed and residual use of corn during the third quarter of the 2013-14 marketing year was about 40 million bushels less than during the same period last year. The disappointing level of use suggests that the USDA projection of feed and residual use of 5.3 billion bushels for the year may be too high. That projection will be updated in the July 11 WASDE report. The recent slowdown in the pace of corn export shipments also points to a slightly smaller total for the year than the 1.9 billion bushels currently projected by the USDA. Those declines may be partially offset by more corn than projected used for ethanol production. However, the bottom line is that old crop corn supplies are fully adequate to meet expected consumption needs through the summer, particularly with a large and early maturing corn crop coming on.

June 1 stocks of soybeans were estimated at 405.2 million bushels, 27 million bushels more than the average trade guess and 57 million bushels more than

our calculation of the likely magnitude of those stocks. Some of the surprise may have been due to larger than expected imports during May. The Census Bureau will release the estimate of May imports on July 3. Otherwise, the estimate implies that the size of the 2013 U.S. crop may have been underestimated. That will not be known until the release of the September 1 stocks estimate. Like corn, the stocks estimate means that old crop stocks of soybeans are fully adequate to meet expected consumption needs through the summer months, particularly with prospects for a very large soybean harvest this fall.

The June USDA surveys revealed that corn producers planted 91.641 million acres of corn this year, 3.7 million fewer acres than were planted last year, but essentially equal to intentions reported in March. Acreage exceeded intentions in Illinois, Indiana, Missouri, North Dakota, South Dakota, and Wisconsin, but fell short of intentions in Iowa, Kansas, Minnesota, and Nebraska. Acres of corn harvested for grain are projected at 83.839 million, 3.8 million fewer acres than harvested last year. Early season weather and crop conditions, however, point to a very high U.S. average corn yield, perhaps exceeding the record yield of 164.7 bushels of 2009. A yield of 165 bushels would result in a crop of 13.833 billion bushels, slightly less than last year's record crop of 13.925 billion bushels. A continuation of generally favorable weather conditions through July is expected, suggesting that the

average yield could be even larger than 165 bushels. Regardless, it now appears that the 2014 crop will be large enough to lead to a substantial increase in corn stocks by the end of the 2014-15 marketing year. Conditions now point to an average price near \$4.00 during the crop year ahead.

Soybean producers reported that they planted or intend to plant 84.839 million acres of soybeans this year, 8.306 million more than planted last year and 3.347 million more than revealed in the USDA's March *Planting Intentions* report. Acreage exceeded March intentions in a large number of states, with the largest difference (500,000 acres) in both Illinois and Iowa. Harvested acreage of soybeans is projected at 84.058 million acres, almost 8.2 million more than harvested last year. Current crop and weather conditions have created expectations for a record U.S. average soybean yield near 45 bushels. A yield near that level would result in a crop of 3.78 billion bushels, nearly 500 million bushels larger than the 2013 crop. There is some chance that planted and harvested acreage will

fall short of the June estimates due to extremely wet conditions in northern growing areas. USDA's reports of prevented plantings will eventually give some indication of that possibility. Still, conditions point to a very large soybean harvest and a substantial build-up of stocks during the 2014-15 marketing year. Stocks could well exceed 400 million bushels on September 1, 2015. Such a surplus points to a substantial year-over-year decline in the average price of soybeans, from over \$13 this year to perhaps \$10.50 next year.

The sharp decline in corn prices following the release of the USDA reports put December corn futures about \$0.35 (7.6 percent) below the spring crop insurance price. Crop revenue insurance will provide some revenue protection for those with high levels of coverage if prices continue to decline. Soybean prices also declined sharply following the reports, with November futures moving within about \$0.20 of the spring crop insurance price. There appears to be more downside potential for soybean prices.