



Issues Stemming from January USDA Reports

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The USDA's final estimates of 2014 U.S. production and estimates of December 1, 2014 stocks released on January 12 revealed some potentially important issues for the corn and soybean markets. Three issues are addressed here: 1) the large difference between National Agricultural Statistics Service (NASS) estimates of planted acreage and planted acreage reported to the Farm Service Agency (FSA), 2) the surprisingly small feed and residual disappearance of corn during the first quarter of the 2014-15 marketing year, and 3) the surprisingly large seed and residual disappearance of soybeans during the first quarter of the 2014-15 marketing year.

Based on survey and administrative data (including FSA acreage reports), NASS estimated that 90.597 million acres of corn were planted in 2014. On January 15, FSA indicated that producers had reported planted acres of 86.505 million. The difference of 4.092 million acres is large compared to the differences in recent history. From 2007 through 2013, the difference ranged from 2.381 million to 3.221 million acres and averaged 2.798 million acres. For soybeans, NASS estimated planted acreage at 83.701 million compared to 81.757 million acres reported to FSA. The difference of 1.944 million acres is also larger than that experienced in recent history. From 2007 through 2013, the difference ranged from 917 thousand to 1.866 million acres and averaged 1.292 million acres. Finally, for wheat, NASS estimated planted acreage at 56.822 million compared to 53.577 million acres reported to FSA. The difference of 3.245 million acres is larger than that experienced in recent history. From 2007 through 2013, the difference ranged from 1.171 to 2.447 million acres and averaged 1.994 million acres.

For the three crops combined, the difference between the NASS estimate of planted acreage and acreage reported to FSA has become larger over time. The difference ranged from 5.4 to 5.7 million acres from 2007 through 2010, increased to 6.7 million in 2011, 6.8 million in 2012, almost 7 million in 2013, and nearly 9.3 million acres in 2014. An explanation for the increase has not been offered, but the increase has important implications. From 2007 through 2013, individual crop acreage reported to FSA as early as September had been relatively close to the final acreage reported in January. In addition, acreage reported to FSA had a fairly consistent relationship with the NASS final estimate of planted

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acreage. As a result, early FSA acreage reports provided a usable forecast of the final NASS acreage estimates to be released in January. The changing relationship between NASS acreage estimates and acreage reported to FSA may make early FSA reports less useful in anticipating NASS final acreage estimates.

Based on the estimates of corn stocks, production, and imports, corn disappearance during the first quarter of the current marketing year totaled a record 4.25 billion bushels. Based on estimates of exports and domestic processing uses of corn during the quarter, feed and residual use totaled 2.198 billion bushels. That is 114 million bushels less than the revised estimate (based on a smaller 2013 corn production estimate) of use during the first quarter of last year. The smaller than expected first quarter disappearance this year, along with the smaller 2014 crop estimate, resulted in a 100 million bushel reduction in the USDA's forecast of feed and residual use for the current marketing year. The issue revealed in these estimates is the predictability of marketing year feed and residual use based on first quarter disappearance. This is not a new issue, but it has become more important because of the wider range in the ratio of first quarter use to total marketing year use experienced in recent years. For the four years from 2006-07 through 2009-10, that ratio ranged from 37.6 to 40.7 percent. In the most recent four years, the ratio ranged from 39.4 to 47.7 percent. First quarter use this year represents 41.7 percent of the USDA's forecast of use for the entire year. Considerable uncertainty about actual use will persist, with the March 1 stocks estimate to provide more additional insight.

Based on the estimates of soybean stocks, production, and imports, soybean disappearance during the first quarter of the marketing year totaled a record 2.524 billion bushels. Based on estimates of exports and domestic processing uses of soybeans during the quarter, seed and residual use totaled 281 million bushels. That is 50 million larger than the previous record use of a year ago and nearly 100 million bushels larger than the largest use prior to last year. The projection of marketing year residual use of soybeans in the January WASDE report was only one million bushels larger than in the December report. The large use in the first quarter is expected to be offset by negative use the rest of the year, as is usually the case. In addition, however, the very large first quarter residual use may signal that the 2014 soybean crop has been overestimated. Even though the soybean crop estimate has been revised in conjunction with the September 1 stocks estimate in the year after harvest in 19 of the past 24 years (as much as down 41 to up 91 million bushels), the magnitude of first quarter residual use has not provided a good indication of the direction or magnitude of the change in the production estimate. More insight may be provided by the March 1 stocks estimate.

These issues will be cleared up over time, with prices for the near term to be influenced by the on-going revealed rate of consumption.

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