USDA REPORTS HAD A FEW SURPRISES

The USDA’s March 1 estimates of corn and soybean stocks were marginally smaller than expected. At 6.037 billion bushels, corn inventories were 432 million larger than last year’s stocks and the largest in 13 years, but about 30 million less than expected. While the difference is extremely small, the stocks estimate implies that feed and residual use of corn during the first half of the marketing year was up about 110 million bushels from use of a year ago. With the modest expansion in hog numbers reported in the March Hogs and Pigs report, feed and residual use of corn for the year should be record large.

March 1 stocks of soybeans were estimated at 1.405 billion bushels, about 9 million more than the inventory of a year ago, but about 15 to 20 million bushels below expectations. There is enough variation in quarterly “residual” use of soybeans that the implications of the smaller than expected inventory estimate for the 2000 crop estimate is unclear. There is no clear evidence that the current crop estimate is in error.

The USDA’s March 30 Prospective Plantings report revealed U.S. producer intentions to reduce corn plantings by 2.852 million acres in 2001, to a total of 76.693 million. That reduction is about 1 million larger than the market’s expectation and will put acreage at the lowest level since 1995. The planned reduction is distributed across most of the major corn producing states, with only Missouri, New York, and Pennsylvania not participating in the cut. The reduced corn acreage is not offset by intentions to increase acreage of other feed grain. Combined acreage of sorghum, barley, and oats (for harvest) is expected to decline by 470,000 acres.

Seeded acreage of all wheat is expected to reach only 60.299 million acres, 2.23 million less than seeded last year. Most of that decline, 2.012 million, is in winter wheat. Durum acreage is expected to decline by 475,000 acres, while seedings of other spring wheat is scheduled to increase by only 257,000 acres.

The acreage of oilseeds, particularly soybeans, is set to increase sharply. Intentions for soybeans totaled 76.657 million acres, 2.161 million more than the record acreage of last year and about 500,000 more than expected. The planned increase is widespread, but is especially large in the Dakotas. Some decline in soybean acreage is expected in Arkansas, Louisiana, Mississippi, and Virginia. Canola acreage in North Dakota is expected to increase from 1.27 million last year to 1.6 million in 2001. Nationwide, acreage is expected to increase by 325,000 acres. Plantings of sunflowers is expected to decline by 60,000 acres.
Intentions for cotton were reported at 15.614 million acres. That is an increase of only 77,500 from last year’s acreage, considerably less than the one million acre increase projected by some private analysts.

Actual acreage may differ significantly from intentions for some crops. Spring planting conditions may influence the actual acreage of corn and soybeans, for example. In addition, the total acreage of all crops (excluding hay) estimated in the March report was 3.5 million less than actual acreage of last year. On the surface, it appears that this reduction is explained by increased acreage of hay. However, the estimate for hay is only for harvested acreage. The 3.9 million acre increase projected for harvested acreage of hay does not appear to be new seedings, but mostly a rebound in harvested acreage to a more normal level after last year’s western drought. If that is the case, the June Acreage report may show more total cropland, even with some modest expansion in acreage enrolled in the Conservation Reserve Program.

With “normal” yields, the corn acreage estimate points to a 2001 crop of 9.5 to 9.6 billion bushels and would allow year ending stocks to be reduced to 1.4 to 1.5 billion bushels. Concerns about foot-and-mouth disease will provide some uncertainty about both exports and domestic feed use. It is unlikely, however, that demand will be significantly reduced. For soybeans, acreage intentions combined with normal yields point to a 2001 crop in excess of 3 billion bushels. It is unlikely that consumption will increase rapidly enough to absorb such a large crop, particularly if South America has another large crop in 2002. U.S. stocks are expected to increase to burdensome levels.

With some continued concern about delayed corn planting in the upper midwest, new crop corn prices may work back above the loan level over the next few weeks. Soybean prices are expected to continue to struggle under the weight of large U.S. and world supplies. The continued high rate of exports, however, will provide some underlying support.

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