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Weekly Outlook: Prospects for Corn and Soybean Production Estimates

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Current corn and soybean prices reflect, in part, the large U.S. crops just harvested. The USDA's National Agricultural Statistics Service (NASS) will release the final estimates of the size of those crops in the second week of January. Those estimates will reflect acreage and yield information collected in the large scale December Agricultural Survey. Any changes from the November acreage and yield forecasts that substantially alter the production estimates would influence price prospects into the spring of 2016.

As we have discussed previously, some hint about the magnitude of the final planted acreage estimates is provided by the planted acreage reports provided by producers to the USDA's Farm Service Agency (FSA). For the period 2007 through 2013, the final NASS estimate of planted corn acreage exceeded the final FSA acreage report by 2.6 to 3.5 percent (average 3.2 percent). That percentage increased to 4.7 percent last year. For soybeans, the final NASS estimate of planted acreage during the period 2007 through 2014 ranged from 1.2 to 3.0 percent (average 1.8 percent) larger than the final FSA report. For 2015, FSA has released the summary of planted acreage reports as of November 1. The November NASS estimate of planted acreage of corn was 3.9 percent larger than the November FSA report of acreage. That is higher than the final margin for the period 2007 through 2013, but lower than the final margin of a year ago. For soybeans, the November NASS estimate of planted acreage was 2.4 percent larger than the FSA report of planted acreage. That is within the range of final margin in the previous eight years.

The FSA will release an updated report of planted acreage on December 14 and a final report about January 15. Those reports will likely show slightly larger acreage than reported as of November 1. In the previous three years, for example, the final FSA report of corn acreage was 42,000 to 663,000 larger than the November report. For soybeans, the final report was 20,000 to 365,000 larger than the November report. Larger FSA acreage reports would lower the current NASS/FSA acreage margins, making those margins very consistent with historical final margins. The bottom line, then, is that FSA acreage reports to date and the recent historical relationship of November and final FSA acreage reports suggest that the final NASS estimates of 2015 planted acreage of corn and soybeans to be reported in January will be

very close to the current estimates. Estimates of harvested acreage could change marginally based on the December Agricultural Survey results.

Expectations about the final NASS corn and soybean yield estimates to be released in January reflect a combination of individual assessments of actual yields in 2015 and the historical pattern of NASS yield estimates through the August to January forecast cycle. As a result, expectations for the final estimates vary considerably, as they always do. Based on both of those considerations, we do not anticipate the final yield estimates to be below the November forecasts. In the 40 years from 1975 through 2014, the NASS November corn yield forecast exceeded the October forecast (September forecast in 2013) as it did this year, in 25 years. In 17 of those 25 years, the January yield estimate equaled or exceeded the November forecast. For soybeans, the NASS November yield forecast exceeded the October (September for 2013) forecast in 24 of the previous 40 years. In 19 of those 24 years, the January yield estimate equaled or exceeded the November forecast. Our expectations about final NASS acreage and yield estimates suggest the final production estimates will be close enough to the November forecasts that price prospects will not be altered.

As the new calendar year approaches, the market will begin to give some consideration to 2016 U.S. corn and soybean production prospects. Those prospects will begin with expectations about planted acreage intentions to be reported by NASS at the end of March. Some private forecasts have already been released, but factors influencing planting decisions will continue to unfold over the next several months. Several factors will contribute to a wide range of expectations about the magnitude of planted acreage. The large prevented acreage in 2015 (2.366 million acres of corn and 2.231 million acres of soybeans) results in a wide range of estimates of the magnitude of crop land acreage that will be available for row crop planting in 2016. In addition, the level of corn and soybean prices near planting time may also influence the amount of total crop land that is planted. Our current expectation is that a persistence of low prices into planting time might result in a marginal increase in corn acreage and a marginal decline in soybean acreage. We will provide more detailed analysis of 2016 planted acreage prospects following the release of NASS final 2015 acreage estimates in January.

Small acreage changes and yields in 2016 that are near trend value (as opposed to above trend in 2015) would result in smaller crops than harvested in 2015. Smaller crops would likely allow for some draw down in corn stocks, but soybean stocks would likely remain historically large.