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USDA Reports to Support Corn Prices

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Today, the National Agricultural Statistics Service (NASS) of the USDA released the final estimates of the size of the 2014 U.S. corn and soybean crops and estimates of the stocks of corn and soybeans in storage as of December 1, 2014. In addition, the World Agricultural Outlook Board of the USDA released new forecasts of 2014-15 marketing year U.S. and world supply, consumption, and ending stocks of these two crops (as well as for many other commodities). These estimates and forecasts may dominate corn and soybean price behavior into the spring of the year. Following is a brief discussion of the estimates and forecasts and their price implications.

The 2014 corn crop is estimated at 14.216 billion bushels, 191 million bushels less than the November forecast and 133 million bushels less than the average trade guess. The U.S. average yield is estimated at 171 bushels per acre, 2.4 bushels less than the November forecast. There were relatively large yield changes for a number of states, with large declines in Iowa, Kansas, Minnesota, South Dakota, Michigan, and Wisconsin. Somewhat surprisingly, the estimate of planted acreage in 2014 was reduced by only 288,000 acres and the estimate of harvested acreage was increased by 39,000 acres. The relatively small number of planted acres that were reported to FSA through mid-December had indicated that NASS might reduce the estimate of planted acres even more. FSA will release the final report of 2014 planted acres (which NASS has already seen) on January 15.

December 1 corn stocks were estimated at 11.203 billion bushels, 750 million larger than stocks of a year ago and 80 million bushels larger than the average trade guess. Based on Census Bureau estimates, corn exports during the first quarter of the 2014-15 marketing year totaled 408 million bushels, 58 million more than exported during the same quarter last year. Based on EIA estimates of ethanol production, total domestic processing uses of corn during the quarter totaled 1.617 billion bushels, up 71 million bushels from use of a year earlier. Implied feed and residual use of corn during the quarter totaled only 2.225 billion bushels, down 91 million bushels from the revised first quarter use of a year ago. For the year, the USDA projection of marketing year exports was unchanged at 1.75 billion bushels, with no significant changes in production estimates for the rest of the world. The projection of ethanol use of corn was increased by 25 million bushels, to 5.175 billion bushels, but the projection of feed and residual use

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was lowered by 100 million bushels, to 5.275 billion bushels. First quarter feed and residual use of corn represents 42 percent of the projected use for the year. That is well below the average of 46.9 percent in the previous two years, but above the 39.7 percent average of the six years prior to that.

Year-ending stocks of corn are projected at 1.877 billion bushels, 121 million less than last month's projection and 50 million bushels less than the average trade guess. Projected stocks represent only 13.8 percent of projected marketing year consumption. The 2014-15 marketing year average corn price is projected in a range of \$3.35 to \$3.95, \$0.15 higher than the December projection.

The 2014 U.S. soybean crop is estimated at 3.969 billion bushels, 11 million larger than the November forecast and 13 million bushels larger than the average trade guess. The estimate of 2014 planted and harvested acreage was reduced by 483,000 and 342,000 acres, respectively, but the estimate of the U.S. average yield was increased by 0.2 bushels, to 47.8 bushels. The larger production estimate was offset by a 10 million bushel increase in the export projection, so that year ending stocks are still projected at 410 million bushels, or 11.2 percent of projected consumption. The larger export projection reflects the current record pace of exports and came in spite of a 55 million bushel increase in the projected size of the current Brazilian harvest. The 2014-15 U.S marketing year average price is projected in a range of \$9.45 to \$10.95 per bushel, compared to last month's projection of \$9.00 to \$11.00.

December 1 stocks of soybeans were estimated at 2.524 billion bushels, 370 million bushels larger than the inventory of a year ago, but 66 million bushels below the average trade guess. We estimate soybean crush during the first quarter of the year at 439 million bushels, only about seven million bushels less than during the same quarter last year, while exports totaled 824 million bushels, up 147 million from exports last year. Feed, seed, and residual use of soybeans during the first quarter of the year calculates to a record 281 million bushels, 51 million more than the previous record use of last year. The large unexplained disappearance of soybeans might suggest that the 2014 crop has been overestimated. However, the large use will be partially offset by negative use the remainder of the year and we have found very little correlation to unexplained use in the first quarter and subsequent revisions in the estimated size of the crop.

Taken together, the reports are slightly supportive for corn prices and slightly negative for soybean prices. However, the nearly two million acre reduction in winter wheat seedings may point to another large increase in soybean acreage in 2015. For now, prices of corn and soybeans will reflect the ongoing pace of consumption, with corn prices likely to average in the upper half of the USDA's projected range and soybeans in the lower half of the projected range.

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