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Weekly Outlook: June Acreage Report Heightens Uncertainty

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On June 28, the USDA released the *Acreage* and *Grain Stocks* reports. While the *Grain Stocks* report provided support for both corn and soybeans, the *Acreage* report indicated higher than expected corn acres and lower than expected soybean acres. The acreage numbers injected a substantial amount of uncertainty into both markets that appears set to stay in place throughout the summer.

A dramatic drop in principal crop acreage provided one of the many surprises in the *Acreage* report released on Friday. Driven by much lower soybean and wheat acreage, total principal crop acreage came in at 309.3 million acres, down 6.1 million acres from the March Prospective Planting report. Principal crop acreage estimates decreased by 10.3 million acres from 2018 totals. Significant increases over last year’s acreage occurred in corn (2.57 million acres) and barley acreage (314,000 acres). The vast majority of crops witnessed acreage decreases from last year. Soybean acreage led the way with a 9.2 million acre decrease. Wheat acreage came in down 2.19 million acres.

An extraordinary year for corn production took another unexpected turn on Friday. Corn producers reported they intended to plant 91.7 million acres of corn this year. Corn planted acres came in 1.1 million acres lower than March planting intentions, but well above expectations due to delayed planting. When compared to March planting intentions in major producing states, the June survey revealed higher corn acres in Kentucky (220,000 acres), Kansas (200,000 acres), and Nebraska (300,000 acres). Acreage lower than March intentions in South Dakota (1.2 million acres) and North Dakota (350,000 acres) offset gains seen in other areas of the western Corn Belt. Surprisingly, the major producing states in the eastern Corn Belt saw slight to no changes from the March intentions.

The USDA reported 16.7 percent of the corn acreage (15.3 million acres) remained unplanted as of the survey period and indicated an intention to re-interview 13 of the 18 major corn-producing states in July for the August production report. The prospect of considerable prevented planting acreage in the eastern Corn Belt places the 91.7 million acres reported in the June report in question. The shift out of soybeans and most feed grains may indicate an expansion of the base corn acreage intended for planting in 2019.

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A lack of clarity about prevented planting acreage reported in the June survey window remains a concern and points toward further downward revisions in the August Crop Production report.

The corn stocks report provided some positive news for corn use. June 1 corn stocks came in at 5.2 billion bushels, nearly 103 million bushels lower than last year and 130 million bushels smaller than the average trade guess. Estimation of total disappearance during the quarter is 3.41 billion bushels. Estimated third quarter feed and residual use come in at 1.13 billion bushels. Estimates of feed and residual use during the first three quarters of the marketing year sits at 4.615 billion bushels. To reach the projected 5.3 billion bushels of corn projected for feed and residual this marketing year, feed and residual use in the fourth quarter must equal 685 million bushels. Based on current stocks estimate, it appears feed and residual use this year is on track to hit the current USDA projection.

Soybean producers intended to plant 80 million acres of soybeans. The soybean acreage intentions came in below market expectations. Soybean planted acres fell by 4.6 million acres from the March planting intentions. At the time of the survey in early June, producers indicated that 41.2 percent of the intended soybean acreage (33 million acres) remained unplanted. Soybean acreage came in lower than last year's totals in every state that reported in the June survey. The most substantial adjustments came in South Dakota (1.25 million acres), North Dakota (1 million acres), Iowa (900,000 acres), and Minnesota (900,000 acres). The substantial drop in soybean acreage may indicate issues with planting, but the large totals left to plant place the soybean acreage estimate in question as well. USDA plans to re-interview 14 of the 18 major soybean-producing states in July.

The June 1 soybean stocks estimate indicated a record 1.79 billion bushels, up 571 million bushels from last year. The stocks estimate came in 71 million bushels below market expectations. To meet the current USDA projection for soybean ending stocks, 720 million bushels of use is necessary for the fourth quarter. Despite the continued uncertainty in trade negotiations and record stocks, June 1 soybean stocks are neutral for soybean prices as soybean consumption maintains a pace to meet USDA projections for the marketing year.

Corn futures prices saw a dramatic drop with the release of the Acreage report. Soybean prices drove higher on the lower supply expected under reduced acreage. Uncertainty regarding corn and soybean acreage looks to continue through the August production report. If the corn acreage total ends up at the reported level in the June Acreage report, the prospect for corn yield moves to the forefront of supply expectations this year. By re-interviewing many major producing states for both corn and soybean acreage, USDA may be signaling revisions to come.

YouTube Video: Discussion and graphs associated with this article at <https://youtu.be/Z65gHyjUzH0>

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