USDA’s June Acreage Surprise

USDA stunned the trade with their corn and soybean acreage estimates. Corn acreage estimate came in at 91.7 million acres, down only 1.1 million acres from planting intentions despite historic planting delays. The trade expected corn plantings near 87.0 million acres, down from intentions of 92.8 million acres, but up from 89.1 million acres a year ago. The estimate was 4.7 million acres above trade expectations, the largest deviation from trade expectations in the last 30 years. In contrast, USDA pegged soybean plantings at only 80.0 million acres, more than 4.0 million acres below trade expectations of about 84.0 million acres, down sharply from planting intentions at 84.6 million acres and down a whopping 9.2 million acres from a year ago. USDA’s estimates for both corn and soybean plantings varied widely from trade expectations. Given the wet planting conditions, most expected corn plantings to sharply decline from intentions and soybeans to increase, but that’s not what the report indicated.

Figure 1.

Normally, USDA’s June Acreage estimates serve as key benchmarks for calculating crop production and are subject to fairly modest revisions as they are trued up against the Farm Service Agency’s certified acreage totals later in the fall and winter. However, their usefulness may be limited this year. Excessive rainfall, flooding and historic planting delays left many acres still unplanted at the time the survey data was collected. Nearly 17 percent of intended corn acreage (15.5 million acres) were unplanted at the time of the survey. This compares to about 5 percent normally. As of June 2, 61 percent of intended soybean acreage was still unplanted (51.6 million acres), about 40 points below the five-year average. In light of the large number of unplanted acres at survey time, USDA will resurvey corn and soybean plantings in July for most Midwestern states including Missouri. The results will be reported in the August 12 Crop Production report. Because the wet conditions continued through much of June, USDA’s corn and soybean acreage estimates could face large revisions.
Figure 2 below depicts the acreage changes from June to the final estimate for corn. With a few exceptions, the revisions are usually small, ranging from plus or minus 1.0 million acres. Since 1990, corn plantings on average decline by nearly 400,000 acre. Downward revisions tend to be a bit larger in years with planting delays including 1990, 1993, 1995 and 1996. Planting delays were also noted in 2013, but progress improved to near average in late-May that year. Because planting delays were much more severe this year, gauging the impact on corn acreage based on historical comparisons is difficult.

Figure 2.

![Corn Acreage Changes: June to Final](source: USDA/NASS)

Figure 3.

![Soybean Acreage Changes: June to Final](source: USDA/NASS)
Implications

The larger-than-expected corn acreage figure, at 91.7 million acres, suggests that planting intentions at 92.8 million acres may have been too low to begin with. In other words, the March Prospective Plantings report simply under-estimated farmer’s corn planting intentions. The possibility now that corn plantings could wind up as low as 83 million to 85 million acres as some envisioned is less likely. Following the Acreage report, trade ideas for corn planted acreage are mostly in the 88.0 million to 90.0 million acre range. However, planted acreage concerns are giving way to harvested acreage and yield prospects as key market drivers. Typically, corn harvested acreage as a percent of planted acres is close to 92 percent. Late plantings and increased abandonment could lower that percentage to 90 percent or less this year.

Yield is also a wildcard. USDA cut their national yield estimate from 176 bushels per acre in the May World Agricultural Supply and Demand Estimates (WASDE) to 166 bushels in June. Private forecasters are lowering their yield estimates closer to 160 bushels per acre. Crops face increased weather risk through the summer so traders will be closely monitoring condition ratings as the growing season progresses. In addition to summer weather, because of the late planting and delayed development, crops face heightened risk from a freeze into the fall. Clearly, soybeans face many similar issues with respect to weather and acreage abandonment and yield.

Last month’s Acreage report will diminish the impact of USDA’s July WASDE set for release on Thursday, July 11. USDA will use the June acreage figures to calculate production, which the trade has largely discounted. Traders will be watching for possible yield revisions along with changes to demand projections. It looks like the fireworks this year are set for August 12 when USDA updates acreage and issues the first farmer-surveyed yield estimates.