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Surprising March 31 USDA Reports

On March 31, 2016, the USDA released its *Prospective Plantings Report*, as well as the *Quarterly Grain Stocks Report*.

These reports were highly anticipated, due to uncertainty regarding grain prices, potential increases in U.S. corn and soybean acreage in 2016, and the potential for even larger increases in USDA-estimated grain stocks in the coming year.

Typically, these late March USDA reports are very critical to farm operators and grain traders, because the documents tend to have a high impact on grain market prices in the Spring and early Summer. This is the time of the year when many farm operators try to sell remaining grain inventories from the previous growing season, as well as look for opportunities to forward-price a portion of the anticipated crop for the current year. In a majority of years, corn and soybean prices usually reach their peak price in the Spring months, from April to June.

The following are the key items from the March 31 reports:

Corn

The March reports indicate that 93.6 million acres of land has been designated for corn planting in 2016. This is an increase of 6 percent from the 88 million acres in 2015. The 2016 USDA corn acreage estimate exceeded the average grain trade estimate by over 3.6 million acres, and even exceeded the highest grain trade estimate by 2.6 million acres. If achieved, the 2016 U.S. corn acreage would be the third highest since 1944--trailing only the 95.4 million acres planted in 2013 and the 97.2 million acres planted in 2012. The 2016 corn acreage is expected to increase or remain steady in 41 states, excluding Alaska and Hawaii.

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The total U.S. corn stocks on March 1, 2016, were listed at over 7.81 billion bushels, which is up less than 1 percent, compared to the 7.75 billion bushels on March 1, 2015, but is much higher than the 5.4 billion bushels of corn stocks that existed as recently as March 1, 2013. The March 1 USDA estimate is very close to grain-trade estimates prior to the report.

Soybeans

A total of 82.2 million acres of soybeans are expected to be planted in 2016, which is down less than one percent from the 82.6 million acres of soybeans in 2015, and was below the grain-trade average estimate of 83.1 million acres. The record U.S. soybean acreage was 83.3 million acres in 2013. Soybean acreage in 2016 is expected to be steady or decline in 21 of the 31 major soybean producing states.

Soybean stocks on March 1, 2016 were listed at 1.53 billion bushels, which up 15 percent from 1.33 billion bushels on March 1, 2015, and compares to under one billion bushels as recently as March 1, 2014. The March 1 soybean stocks estimate was slightly below the pre-report estimates by grain traders.

Wheat

49.6 million acres of wheat are expected to be planted this year, which is down 9 percent from 54.6 million acres in 2015, and is much lower than the 56.8 million acres in 2014. Total wheat stocks on March 1, 2016, were listed at 1.37 billion bushels, which is up 20 percent from 1.14 billion bushels on March 1, 2015, but was close to grain trade estimates.

Cotton

A total of 9.56 million acres of cotton is expected to be planted in 2016, which is an 11 percent increase from 2015. The 2016 estimates reverse a trend in recent years of reduced cotton acres in the South being converted to extra corn and soybean acreage.

The *State by State Prospective Plantings Report* for 2016 is also rather interesting. Minnesota corn growers are expected to plant 8.2 million acres of corn in 2016, which is up slightly from the 8.1 million acres planted in 2015. Minnesota farmers are expected to decrease their planted soybean acres by 3 percent in 2016 to 7.4 million acres, which compares to 7.6 million acres in 2015.

Prospective plantings for 2016 in Iowa indicated 13.9 million acres

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of corn, which is up 3 percent from 13.5 million acres in 2015. The 2016 planted soybean acreage in Iowa is estimated at 9.7 million acres, which compares to 9.85 million acres in 2015.

Prospective corn acres for 2016 in Illinois, Indiana, and Nebraska showed a 3 percent increase, compared to 2015 corn acreage. The corn acreage in South Dakota is projected to increase by 6 percent in 2016, with a 24 percent corn acreage increase in North Dakota, compared to 2015 planted acres. Illinois is expected to have a 2 percent increase in soybean acreage in 2016, compared to 2015 acreage.

2016 soybean acreage in Indiana and Nebraska is projected to remain steady in comparison to last year. South Dakota expects soybean acreage levels in 2016 to decline by 3 percent, as compared to 2015, while North Dakota will likely see a 3 percent increase in soybean acreage in 2016. North Dakota is expected to have 3.4 million acres of corn and 5.9 million acres of soybeans in 2016, while South Dakota is projected to have 5.7 million acres of corn and 5 million acres of soybeans.

The March 31 *USDA Grain Stocks Report* indicates that as of March 1, there are over 4.33 billion bushels of corn and just over 727 million bushels of soybeans stored on farms in the U.S., which represents about 56 percent of total corn stock and 47 percent of the total soybean stock. The March 1, 2016, on-farm grain stocks compare to 4.38 billion bushels of corn and 609 million bushels of soybeans in on-farm storage on March 1, 2015.

According to the USDA report, there were 670 million bushels of corn and 99 million bushels of soybeans in on-farm storage in Minnesota on March 1, 2016, compared to 580 million bushels of corn and 72 million bushels of soybeans a year earlier in 2015. In Iowa, the USDA-estimated 930 million bushels of corn and 155 million bushels of soybeans in on-farm storage on March 1, 2016, compared to 910 million bushels of corn and 110 million bushels of soybeans on March 1, 2015.

The USDA does not survey the percentage of bushels in on-farm storage that are forward-priced for future delivery, as compared to non-priced bushels. However, many private analysts feel that a much higher percentage of the corn and soybean bushels in storage on March 1, 2016 may not be forward-priced, as compared to other recent years, due to continued, low market prices since

last year's harvest.

The large amount of corn and soybean bushels in on-farm storage, (much of which is probably not priced), will likely make the grain market trends in the next few months very important for selling the remaining inventories.

For more information, contact Kent Thiesse, Farm Management Analyst and Vice President, MinnStar Bank, Lake Crystal, MN. Thiesse is at kent.thiesse@minnstarbank.com or 507-381-7960.

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