CORN

Will U.S. producers actually plant 93.6 million acres of corn this spring? It would be 5.6 million more acres than last year, and 3.6 million more acres than trade expectations. The 93.6 million acres is the amount producers indicated they would plant in a survey taken in late February through early March. Remember, as discussed in the last issue, the Prospective Planting Report released March 31, is a piece of information to the market of producers plans, so that producers can adjust if needed, than it is a forecast of what will be planted. And adjustments in price are what give producers the new information they need to make their best decision. Of course planting weather will also be a part of the decisions.

On March 31 the USDA/NASS released the Prospective Plantings Report. It showed farmers would plant 317.6 million acres of Principle Crops, down 1.2 million acres form last years and 9.2 million from the year before. To help put the corn planting number in prospective, soybean plantings were down a 0.4 million acres, winter wheat was down 3.25 million acres, and spring wheat acres were down 1.9 million acres. And note, prevented planted acres for all crops in 2015 were reported to be 6.7 million acres.

All the major corn growing states were reported to be up, except Ohio and Wisconsin, and they were reported as no change. Michigan indicated they would plant 2.45 million acres, up 100,000 acres from last year, where we had significant prevented plantings.

Back to the question, will producers plant 93.6 million acres of corn? December corn futures have dropped 13 cents since the report was released and about 19 cents since the survey was taken. And, November soybean prices, while unchanged
from March 31, are up about 32 cents since the survey was taken. We can’t make adjustments in winter wheat plantings, but spring wheat futures are the same as when the report was released, but up 20 cents from when the survey was taken.

These changes in relative prices could, and I suspect will change planting intentions, at least on the margin. And that is before planting weather helps dictate the final number. These relative price changes indicate marginally less corn plantings, and marginally more soybean and spring wheat plantings. However, given the very significant drop in principal crops planted, when you add the prevented planted acres, 6.7 million, to the 1.2 million acres decrease, indicated to me that we likely could plant more total acres if weather allows. And I if so, I suspect the relatively larger increases will be soybeans and spring wheat. There are acres out there for 93.6 million acres of corn.

The USDA also released the midyear Stocks Report. An important use of the stocks report is to calculate the feed and residual use. The report indicated the feed and use estimate in the March 9 USDA/WASDE Supply/Demand Report appears to be on target.

In the last column of Table 1 I give my forecast of the 2016-17 supply/demand situation for corn, if we plant the 93.6 million acres of corn with a trend yield. It indicates to me that we would struggle to average $3.40/bu. At this point futures are indicating a somewhat price.

(Corn Balance Sheet on next page)
All wheat plantings were indicated to be down 5 million acres. Of that, winter wheat plantings were down 3.25 million and spring wheat 1.9 million acres. Durum wheat planting intentions were up 59,000 acres. Texas accounted for a million fewer winter wheat acres, while being up 300,000 acres of corn, 60,000 acres of soybeans, and 360 acres of cotton. Kansas planted 700,000 fewer winter wheat acres, but indicated they would plant 650,000 more acres of corn and 50,000 fewer soybeans.

Michigan planted 580,000 acres of winter wheat, up 70,000 from last year and 40,000 from 2014. But remember, the soybean harvests were very late in 2013 and 2014, making it tough to get...
the wheat planted. Michigan planted over 600,000 acres for the 2013 wheat crop when we had a more normal planting season. And we are still down from that number.

Somewhat surprising to me, North Dakota intends to plant a million less acres of spring wheat, while planting 650,000, more acres of corn, 150,000 more acres of soybeans, and 110,000 more acres of durum wheat. Will the relative price changes, change those estimates? At some point $3.40 or lower corn prices will take its toll, land rents can only get so low. While land rents could drop significantly in the corn belt if necessary.

The USDA also released the March 1 Stocks Report on March 31, ¾ of the way through the wheat marketing year, stocks were 16 million bushels higher than expected. And while this is not far off, in Table 2 I lowered seed use for 2015-16 on the lower wheat plantings, lowered feed use a bit on cheap corn, and lowered exports 5 million bushels on slow sales to date. This lowered use 12 million bushels, which increased projected ending stocks 12 million bushels.

In Table 2 I also show my expectations for 2016-17 given the prospective planting numbers and a trend yield. The analysis indicates to me that wheat prices will average $4.70, even with the fewer acres.

(Wheat Balance Sheet on next page)
SOYBEANS

Will the U.S. really plant 400,000 fewer soybeans as the Prospective Planting Report indicated? After accounting for prevented plantings, that is down closer to 2.0 million acres than what was intended to be planted last year. Michigan producers reported they will plant 2.1 million acres, 70,000 acres more than last year, but nearer last year’s intentions.

As stated earlier, both the absolute price of soybean futures and the relative price of soybean/corn futures has increased since the survey was taken. And while the price changes would not indicate a huge increase in soybeans planted acres, a 1-2 million acre increase, with or without that big a decrease in corn acres, would not be overly surprising. And
yes, the relative prices may well adjust again. But at that point, after planting, weather is the controlling factor, through the summer, and then we get to watch South American plantings, and then South American weather.

The USDA March 1 Stocks Report, halfway through the soybean marketing year showed 68 million bushel fewer soybeans than the average trade expectations, at the very low end of the range of expectations. At this point it may not mean a lot, but generally we can follow soybean use closer than corn, as not a lot of soybeans are fed on farm. So this size of miss does send up a red flag. It could indicate that 2015 production was less than reported, or residual use is up, although history tells us, it is probably too early to tell.

Watch for the April 12 USDA Soybean Supply/Demand update to see what WASDE thinks. While they will not change 2015 production at this point, they could change feed and residual use projection. In my 2015-16 estimates shown on Table 2, I increased projected residual use 11 million bushels, decreasing ending stocks a like amount. I also updated my 2016-2017 projections using the planted acres indicated in the report and a trend yield. I come up with a 2016-17 annual average price projection of $8.50 cents, up 10 cents from my previous thoughts.

(Soybean Balance Sheet on next page)
CATTLE

(no cattle update this issue)

HOGS

On March 25 USDA/NASS released the March 1 Hogs and Pigs Report. It was viewed as neutral to bullish, with the bullishness being out 4-9 months. For the first few trading days after the report release, the market did trade up, with the more deferred futures outdoing the nearby contracts. However, the first week of April lost those gains.

All hogs and pigs were even with a year ago, a half percent below the average expectation, but well within expectations. Kept for breeding was also even with last year, at the low end of expectations. Kept for marketing was 100% of last year, as

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TABLE 3
SUPPLY/DEMAND BALANCE SHEET FOR SOYBEANS

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<td>(Million Acres)</td>
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<tr>
<td>Acres Planted</td>
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<td>75.2</td>
<td>72.0</td>
<td>75.5</td>
<td>64.7</td>
<td>75.7</td>
<td>77.5</td>
<td>77.4</td>
<td>75.0</td>
<td>77.2</td>
<td>76.8</td>
<td>83.3</td>
<td>82.7</td>
<td>82.2</td>
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<td>Acres Harvested</td>
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<td>72.3</td>
<td>74.0</td>
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<td>74.6</td>
<td>64.1</td>
<td>74.7</td>
<td>76.4</td>
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<td>82.6</td>
<td>81.8</td>
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<td>Yield/Bushels</td>
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<td>43.0</td>
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<td>41.7</td>
<td>39.7</td>
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<td>41.9</td>
<td>40.0</td>
<td>44.0</td>
<td>47.5</td>
<td>48.0</td>
<td>45.9</td>
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| (Million Bushels)|         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |
| Beginning Stocks| 208.0    | 178.0   | 112.0   | 256.0   | 449.0   | 574.0   | 205.0   | 138.0   | 151.0   | 215.0   | 169.0   | 141.0   | 92.0    | 191.0   | 439.0   |
| Production      | 275.6    | 245.4   | 312.4   | 306.3   | 319.7   | 267.7   | 296.7   | 335.9   | 332.9   | 309.4   | 304.2   | 335.8   | 392.7   | 393.0   | 374.0   |
| Imports         | 5.0      | 6.0     | 6.0     | 3.0     | 9.0     | 10.0    | 13.0    | 15.0    | 14.0    | 16.0    | 41.0    | 72.0    | 33.0    | 30.0    | 30.0    |
| Total Supply    | 296.9    | 263.8   | 324.2   | 332.2   | 365.6   | 326.1   | 318.5   | 351.2   | 349.5   | 332.5   | 325.2   | 357.0   | 405.2   | 415.0   | 420.8   |

Use:

 Crushings       | 1615     | 1530    | 1696    | 1739    | 1808    | 1803    | 1662    | 1752    | 1648    | 1703    | 1689    | 1734    | 1873    | 1880    | 1905    |
 Exports         | 1045     | 885     | 1097    | 940     | 1116    | 1159    | 1279    | 1499    | 1501    | 1365    | 1317    | 1638    | 1843    | 1690    | 1750    |
 Seed            | 89.0     | 92.0    | 88.0    | 93.0    | 80.0    | 90.0    | 90.0    | 87.0    | 90.0    | 89.0    | 97.0    | 96.0    | 92.0    | 90.0    | 90.0    |
 Residual        | 41.0     | 19.0    | 105.0   | 101.0   | 77.0    | 0.0     | 16.0    | 20.0    | 43.0    | -2.0    | 16.0    | 10.0    | 49.0    | 50.0    | 38.0    |
 Total Use       | 2791     | 2526    | 2986    | 2873    | 3081    | 3056    | 3047    | 3361    | 3280    | 3155    | 3111    | 3478    | 3862    | 3712    | 3783    |
 Ending Stocks   | 178.0    | 112.0   | 256.0   | 449.0   | 574.0   | 205.0   | 138.0   | 151.0   | 215.0   | 169.0   | 141.0   | 92.0    | 191.0   | 439.0   | 425.0   |
 Ending Stocks,  | 6.4      | 4.4     | 8.6     | 15.6    | 18.6    | 6.7     | 4.5     | 4.5     | 6.5     | 5.4     | 4.5     | 2.6     | 4.9     | 11.8    | 11.2    |         |
 %of Use         | $5.00    | $5.00   | $5.00   | $5.00   | $5.00   | $5.00   | $5.00   | $5.00   | $5.00   | $5.00   | $5.00   | $5.00   | $5.00   | $5.00   | $5.00   |
 U.S. Loan Rate  | $5.00    | $5.00   | $5.00   | $5.00   | $5.00   | $5.00   | $5.00   | $5.00   | $5.00   | $5.00   | $5.00   | $5.00   | $5.00   | $5.00   | $5.00   |
 U.S. Season Ave | $5.53    | $7.34   | $5.74   | $5.66   | $6.43   | $10.10  | $9.97   | $9.59   | $11.30  | $12.50  | $14.40  | $13.00  | $10.10  | $8.80   | $8.50   |
 Source: USDA/WASDE and Jim Hilker. (3-31-16)
was the average trade expectation. The market weights coming to the market today about even with last year, but the batch coming soon are up 1%. The 50-119 pound weight category, this summer’s production, was up 1% as well, 1% higher than expectations.

Hogs under 50 pounds were even with last year, and just under expectations. The larger than expected Dec-Feb farrowings were offset by 1% smaller than expected pigs per litter, up 1% versus the 2% guess, at 10.3 pigs per liter. The Mar-May farrowing intentions, next fall’s production, were down 1% from last year and expectations. The Jun-Aug farrowing intentions, next winter’s production, were 3% below last year and below 2% below the lowest trade estimate.

The survey showed Michigan breeding numbers at 110,000 hogs, the same as it has been for years. However, market hogs on March 1 were up 2% relative to March 1, 2015, at 1,050,000 head, which put Michigan total hog numbers up 2% as well. Michigan’s pigs per litter for the Dec-Feb period were 10.6, up from 10.50 the previous year. Michigan’s Mar-May farrowing intentions are down 2% and the Jun-Aug farrowing intentions are even, counter to the U.S. intentions.