$$$

Ag Decision Maker

$$$

A Business Newsletter for Agriculture

Vol. 19, No. 6 www.extension.iastate.edu/agdm April 2015

The reliability of the USDA March 31 prospective plantings report

By Steven D. Johnson, PhD, Farm Management Specialist, Iowa State University Extension and Outreach, 515-957-5790, sdjohns@iastate.edu

The much anticipated U.S. Prospective Plantings report was released on March 31, 2015. The USDA summary stated:

"**Corn** planted area for all purposes in 2015 is estimated at 89.2 million acres, down 2 percent from last year. If realized, this will be the third consecutive year of an acreage decline and would be the lowest planted acreage in the United States since 2010.

Soybeans planted area for 2015 is estimated at a record high 84.6 million acres, up 1 percent from last year. Compared with 2014, planted acreage intentions are up or unchanged in 21 of the 31 major producing States.

All wheat planted area for 2015 is estimated at 55.4 million acres, down 3 percent from last year. The 2015 winter wheat planted area, at 40.8 million acres, is down 4 percent from 2014, but up less than 1 percent from the previous estimate."

Survey procedures

The March Prospective Plantings report was compiled by the USDA National Ag Statistics Service (NASS). This report does not equate to the exact number on the June planted acreage report to be released on June 30, 2015 or the final planted acreage report released in early January 2016. It should serve as an intentions of farm operators.

The acreage estimates for this report were based primarily on surveys conducted during the first two weeks of March 2015.

continued on page 2

Handbook updates

For those of you subscribing to the handbook, the following new updates are included.

Historical Costs of Crop Production – A1-21 (2 pages)

Livestock Enterprise Budgets for Iowa – B1-21 (22 pages)

Seasonal Hog Price Patterns – B2-14 (4 pages)

Seasonal Cattle Price Patterns – B2-19 (3 pages)

Farmland Value Survey (Realtors Land Institute) – C2-75 (2 pages)

Please add these files to your handbook and remove the out-of-date material.

continued on page 6

Inside . . .

IOWA STATE UNIVERSITY
Extension and Outreach

Ag Decision Maker is compiled by extension ag economists
Ann Johanns, aholste@iastate.edu
extension program specialist

The reliability of the March 31 prospective plantings report, continued from page 1

The March Agricultural Survey is a probability survey that includes a sample of over 84,000 farm operators selected from a list of producers. The selection process ensures all operations in the United States have a chance to be asked to the survey.

These farm operators were contacted by mail, Internet, telephone, or personal interview to obtain information on crop acreage planned for the 2015 crop year. This includes over 2,900 operators in Iowa.

Estimating procedures

The national, regional and state reported data from operators were reviewed by NASS for reasonableness and consistency with historical estimates. Each NASS regional field office submits its analysis of the current situation to the Agricultural Statistics Board (ASB). Survey data are compiled at the national level and reviewed at this level independently of each state's review. Acreage estimates were then based on survey data and the historical relationship of official estimates to the survey data compiled for release on March 31.

Reliability of the report

NASS self-reports the 20-year accuracy of its report estimates (page 34 of the Prospective Plantings report). For corn, the root mean square error for this 2015 report vs. final planted acreage is 1.9 percent, with a 90 percent confidence level at a 3.3 percent margin of error. That means, on average, the March report may be 1.174 million acres "off" from what operators end up actually planting; final planted acres could be above or below the estimated 89.2 million acres.

Over the past 20 years, the March Prospective Plantings report compared to the actual plantings for corn has been too low in seven years and too high on 13 occasions when compared to the final January acreage planted total.

For soybeans, the root mean square error for the 2015 report vs. final planted acreage is 2.1 percent, with a 90 percent confidence level at 3.6 percent margin of error. This means on average this March report may be 1.264 million acres "off" from what U.S. operators end up actually planting; soybean acres could be that many planted acres above or below the estimated 84.6 million acres.

Reliability of Prospective Plantings Planted Acreage Estimates
[Based on data for the past 20 years]

Crop	Root mean square error	90 percent confidence interval	Difference between forecast and final estimate				
			Thousand acres			Years	
			Average	Smallest	Largest	Below final	Above final
	(percent)	(percent)	(1,000 acres)	(1,000 acres)	(1,000 acres)	(number)	(number)
Barley	7.1	12.2	239	31	455	4	16
Corn for grain	1.9	3.3	1,174	32	3,844	7	13
Oats	7.2	12.5	209	21	660	2	18
Sorghum for grain	9.3	16.1	638	31	2,471	13	7
Soybeans for beans	2.1	3.6	1,264	25	3,296	11	9
Upland cotton	5.9	10.2	606	6	2,115	12	8
Wheat							
Winter wheat	1.7	2.9	580	52	1,242	7	13
Durum wheat	20.3	35.1	234	15	1,028	12	8
Other spring	6.6	11.4	765	12	2,543	9	11

Source: USDA NASS, Prospective Plantings Report, March 2015

continued on page 3

The reliability of the March 31 prospective plantings report, continued from page 2

Over the past 20 years, the March Prospective Plantings report compared to the actual plantings for soybeans has been too low in 11 years and too high on nine occasions when compared to the January final acreage plantings.

Conclusion

This March 31 Prospective Plantings report does not equate to the exact June Planted Acreage report to be released on June 30 or to the final planted acreage report in early January 2016.

A major reason for having this annual Prospective Planting report is to let operators and agribusiness know what plans are for planting major crops nationwide. The futures markets adjust quickly to these acreage estimates and a great deal of price volatility can be expected this spring, likely influenced by planting conditions and weather forecasts.

Operators reported intentions to plant 89.2 million acres of corn and 84.6 million acres of soybeans. That's 1.4 million less corn acres than was planted last year, but about 470,000 more than the average trade guess prior to the report's release. The decline in corn acres is mostly offset by increased planting intentions for other feed grains (barley, wheat, grain sorghum).

Soybean planted acres in 2015 would be 934,000 more acres than were planted in 2014, yet nearly 1.3 million less than the average trade guess. Planting intentions for other oilseed crops (canola, peanuts, and sunflowers) exceed last year's plantings by about 190,000 acres.

Attention will now turn to spring weather and planting progress. Excellent planting weather conditions in April and May can result in roughly up to 1 million acre swings from corn and soybean intentions. Wet and cold weather conditions can delay plantings far enough past the optimal corn planting date that some acreage may be switched to soybeans or another later planted crop.

Acreage Living newsletter addresses April showers, May flowers and other spring issues

By Christa Hartsook, Value Added Agriculture, Small Farms Program, 515-294-4430, hartc@iastate.edu; Linda Naeve, Value Added Agriculture, 515-294-8946, lnaeve@iastate.edu

April showers bring May flowers– along with yard work, weeds and excess rainwater. Acreage owners can be proactive about managing all these spring tasks by subscribing to the electronic Acreage Living newsletter, offered free from Iowa State University Extension and Outreach Small Farm Sustainability Program. The recently published Spring 2015 e-newsletter provides readers with resources and information to manage spring home and landscaping projects.

Excess rainwater is inevitable in the spring, but can it be contained and reused?

Plan ahead to capture rain for dry summer season

"Harvesting rainwater has gained attention in recent years, especially after the Midwest experienced a couple seasons of wet springs followed by several dry weeks during the growing season," said Linda Naeve, value added agriculture specialist with Iowa State University Extension and Outreach.

In the wet season, runoff from roofs and drain pipes can create riverlets and trenches across a

continued on page 4

Acreage Living newsletter addresses April showers, May flowers and other spring issues, continued from page 3

landscape. But the dry season has homeowners wishing for a little more rain to keep plants alive. These problems can be solved with a rainwater catchment system.

"Use of collected rainwater reduces the need for potable water for outdoor water uses, such as watering landscape plants," Naeve said. The rainwater catchment article explains how to calculate the amount of water a catchment will need to hold, what to use for a catchment, different ways to use the collected water, and where to purchase the supplies needed to install a rainwater catchment system.

The Acreage Living newsletter also offers information on May flowers. Planning how to use extensive space around a rural home can be tricky, but the article on spatial design explains how to find the most aesthetically pleasing way to organize flower beds.

"By using bubble (or functional) diagrams and form composition studies, a comprehensive spatial design can be achieved that will miraculously reveal garden rooms surrounded by planting beds," said Lisa Orgler, professor of horticulture with Iowa State University.

Her article describes how to study the relationship of spaces and the visual connections between them. Once a homeowner understands how to use space efficiently, garden areas can be defined with a strong shape inspired by a particular garden style or even the architecture of the owner's home. After plans have been laid out for a beautifully designed landscape, the only thing left to do is to start digging and plant.

Additional articles featured in this issue include manure management, using riparian buffer strips, and managing thistles.

To subscribe to future issues or to view past issues, visit the Small Farm Sustainability website at www.extension.iastate.edu/smallfarms.

Value of the dollar and exports of major agricultural crops

By Daryll E. Ray, Blasingame chair, Excellence in Agricultural Policy, Institute of Agriculture, University of Tennessee, and director, UT Agricultural Policy Analysis Center (APAC), (865) 974-7407, dray@utk.edu; and Harwood D. Schaffer, research assistant professor, APAC, hdschaffer@utk.edu, www.agpolicy.org

Over the last year, the U.S.dollar has appreciated by 27 percent against the euro. For U.S. residents, this strengthening of the dollar has made traveling to European countries that use the euro a bargain. At the same time it has made imports from the Eurozone cheaper and U.S. exports more expensive.

Not only has the dollar strengthened against the euro, it has strengthened against currencies in general, making U.S.goods more expensive in most markets and imports cheaper. One important exception to this trend is the Chinese renminbi which is on a par with the U.S.dollar from a year ago. That would indicate that other things being equal, the manufacturing jobs that have returned to the U.S. from China are under no threat based on exchange rates.

But what does this mean for U.S.agricultural exports? Many agricultural economists have long argued that a strong dollar has a negative impact on exports. So what can we expect this time around?

Let's start with a discussion of the major exportable bulk commodities, corn, soybeans, wheat, and rice and the dynamics of those markets. To start, soybeans are in a class by themselves. The major growth in world soybean exports over the last decade has come from one customer: China.

continued on page 5

Value of the dollar and exports of major agricultural crops, continued from page 4

In 1994, China imported just under 6 million bushels of soybeans. Twenty years later China is projected to import 2.7 billion bushels, an average increase of 136 million bushels a year. The rest of the world has increased soybean imports by 556 million bushels or 28 million bushels a year, so China is responsible for the lion's share (83 percent) of the growth in this important export market for the U.S., Brazil, and Argentina.

With the U.S. dollar and the Chinese renminbi on a par with each other over the last year, the strengthening of the U.S. dollar is likely to have little impact on total U.S. soybean exports to China. Normally, Argentina and Brazil tend to float exportable soybean surplus out their ports rather use storage, even if they have to discount their prices to do so. (As noted below, this year the farmer strikes in Argentina are disrupting the Argentine export pattern, which in turn affects the intra-year price pattern and intra-year timing of exports by U.S. and other soybean exporters.)

In addition, to the extent that farmers in Argentina and Brazil have to purchase their inputs denominated in U.S. dollars, they are affected by the stronger U.S. dollar in the same way as U.S. farmers.

For soybeans, U.S. farmers face a greater risk than a strong dollar. And that risk is a decision by Chinese officials to level off on their imports of soybeans. They do not even have to reduce their imports to cause havoc for soybean producers worldwide. Without the average increase of 136 million bushels a year from China, producers will face a glut of soybeans on the world market and the strong U.S. dollar will have little to do with that.

And sooner or later there will be a price-hiccup in world soybean markets when Argentine farmers and their government come to an agreement over export taxes on soybeans. The USDA projects that at the end of the 2014 marketing year, Argentina will have a carryover 685 million bushels of soybeans, compared to a more normal 150 to 200 million bushels, as farmers hold soybeans off the market as a part of their tax protest. Those 400 to 500 million extra bushels of carry-over will be a headache for everyone once they come on the market and again a strong U.S. dollar will have little to nothing to do with that problem.

Looking at the three grains—corn, wheat, and rice—the U.S. is the residual supplier of these crops, with the trend over the last 20 years being flat to down. Most countries generally only import the difference between what they need and what they produce. If production is up elsewhere, imports are down no matter what the price. If production is up among our export competitors, our exports are down and vice versa.

The value of the dollar may speed up the exports of a given year's exportable surplus but it does not have that much effect on short-term total exports because most of our grain export competitors do not want to carry much stock from year to year. Over time, the exchange rate could/would affect the amount that is produced in competitor countries; that is, it could/would change the amount of exportable surplus in a given competitor country in the future moderately reducing production when the value of the dollar is down and increasing production when the value of the dollar is high and the reverse for the U.S.

But even then, it must be remembered that additional acreage comes into production much faster than those same acres leave production. And the addition of acres happened most quickly in response to a strong price increase. With prices down significantly this year, the impact of the strong dollar is unlikely to be enough to pull additional acreage into production in the U.S. or elsewhere.

For U.S. farmers a product likely to be significantly affected by the strong dollar is beef exports. People do move away from beef when the price is high and go to lower priced protein

continued on page 6

Value of the dollar and exports of major agricultural crops, continued from page 5

sources. That is to say, if the demand is highly influenced by price, the value of the dollar is very important because it affects the price (the foreign) customer sees and pays. The current cyclical increase in beef production, along with reduced exports due to the strong U.S. dollar, could put a downward pressure on cattle prices.

So what does that mean for U.S. crop farmers? The greatest worry should be the political decisions that are made in China with regard to soybean imports; the strong U.S. dollar pales in comparison because in the case of a leveling off of Chinese soybean imports some of those soybean acres will be shifted to other crops, negatively affecting all crops. For cattle producers there will certainly be some impact as the result of the strong U.S. dollar.

Updates, continued from page 1

Internet Updates

The following Decision Tools have been updated on www.extension.iastate.edu/agdm.

Farm Machinery Selection – A3-28 (8 pages)

Estimating the Number of Field Days Required – A3-28 (Decision Tool)

How Often Can Cattle Feeders Hedge a Profit with Futures? – B2-54 (4 pages)

Current Profitability

The following tools have been updated on www.extension.iastate.edu/agdm/info/outlook.html.

Corn Profitability – A1-85

Soybean Profitability – A1-86

Iowa Cash Corn and Soybean Prices – A2-11

Season Average Price Calculator – A2-15

Ethanol Profitability – D1-10

Biodiesel Profitability – D1-15