

Commodity Market Outlook

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Market Outlook Reports for April 5, 2017

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The USDA/NASS released the 2017 Prospective Plantings Report on March 31, 2017. It showed total acreage of the Principal Crops intended to be planted in 2017 dropped from 319.2 to 316.9 million acres. This indicates that lower farm incomes are taking a bit of likely marginal ground out of production. The sum of corn and soybean planting intentions will be up as prospective corn acres are down 4 million acres, but prospective soybean acres are up 6.1 million acres. This is an indication better acres are staying in production as you would expect. But for the big three, corn, wheat, and soybeans, total prospective planting acres are down, as wheat planting intentions are down 3.4 million acres, bringing the total corn, wheat, and soybean acres down from 227.6 to 225.6 million acres.

Michigan intended to plant 6.42 million acres of principal crops, only down 3,000 acres from last year and up 1,000 acres from two years ago, basically, no change.

Remember, this report is not a projection, but rather intentions as of early March. This information now gives the market and producers a change to adjust if called for. Relatively, soybean prices dropped more than corn prices as you might expect given the new information. This may cause some shift back to corn, although the corn/soybean ratio still favors soybean from a historical standpoint. And then there is planting weather still to come, which also can play a rope in the final acres planted of what.

CORN

The Prospective Planting report indicated farmers intended to plant 90 million acres of corn, down 4 million acres from last year, but up 2 million acres from 2 years ago, and down just over a half million acres from 3 years ago. The drop in prospective corn plantings is directly tied to the higher returns per acre expected growing soybeans versus corn for many growers at the time of the survey. The USDA/WASDE will release their first 2017-18 Supply/Demand Projections in their May 10 Supply/Demand update. Michigan intends to plant 2.3 million corn acres, down 100,000 acres. The Acreage Report, a survey of actual acres planted will be released June 30.

USDA/NASS also released the March 1, 2017 Quarterly Stocks Report. This report shows how much corn was in storage as of March 1, halfway through the corn marketing year. This report is important as it is the only way we have to project the amount of corn being fed, and the feeding rate. The next stocks report will be for June 1 and released June 30.

Corn stocks on March 1 were 8,618 million bushels. While within the range of trade expectations, it was 65 million bushels larger than the average trade expectation. This is an indication that Feed and Residual Use was smaller than expected in the second quarter. This is also an indication that Feed and Residual Use may be lower than previously expected for the remainder of the marketing year. I lowered my projected 2016-17 feed use based on this by 50 bushels in Table 1.

Export inspections and export sales to have been strong, so I have increased projected 2016-17 exports by 25 million bushels in Table 1. These changes increased my projected 2016-17 ending stocks by 25 million bushels. The USDA/WASDE will incorporate this stocks information in their April 11, 2017 Supply/Demand update. How does it compare to Table 1?

TABLE 1																	
SUPPLY/DEMAND BALANCE SHEET FOR CORN																	
	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	Est. Hilker Hilker
(million acres)																	
Acres Planted	78.9	78.6	80.9	81.8	78.3	93.5	86.0	86.4	88.2	91.9	97.3	95.4	90.6	88.0	94.0	90.0	
Acres Harvested	69.3	70.9	73.6	75.1	70.6	86.5	78.6	79.5	81.4	84.0	87.4	87.5	83.1	80.7	86.7	82.4	
Yield/Bushels	129.3	142.2	160.4	148	149.1	150.7	153.9	164.7	152.8	147.2	123.1	158.1	171.0	168.4	174.6	170.7	
(million bushels)																	
Beginning Stocks	1596	1087	958	2114	1967	1304	1624	1673	1708	1128	989	821	1232	1731	1737	2345	
Production	8967	10089	11807	11114	10531	13038	12092	13092	12447	12360	10755	13829	14216	13602	15148	14065	
Imports	14	14	11	9	12	20	14	8	28	29	160	36	32	67	55	50	
Total Supply	10578	11190	12776	13237	12510	14362	13729	14774	14182	13517	11904	14686	15479	15401	16940	16460	
Use:																	
Feed & Residual	5563	5798	6158	6155	5591	5913	5182	5125	4795	4557	4315	5040	5280	5120	5500	5450	
Food, Seed & Ind	2340	2537	2686	2981	3490	4387	5025	5961	6426	6428	6038	6493	6601	6646	6845	6870	
Ethanol for fuel	996	1168	1323	1603	2119	3049	3709	4591	5019	5000	4641	5124	5200	5224	5400	5400	
Total Domestic	7903	8335	8844	9136	9081	10300	10207	11086	11221	10985	10353	11534	11881	11766	12345	12320	
Exports	1588	1897	1818	2134	2125	2437	1849	1980	1834	1543	730	1920	1867	1898	2250	1900	
Total Use	9491	10232	10662	11270	11206	12737	12056	13066	13055	12528	11083	13454	13748	13664	14595	14220	
Ending Stocks	1087	958	2114	1967	1304	1624	1673	1708	1128	989	821	1232	1731	1737	2345	2240	
Ending Stocks, %of Use	11.5	9.4	19.8	17.5	11.6	12.8	13.9	13.1	8.6	7.9	7.4	9.2	12.6	12.7	16.1	15.8	
U.S. Loan Rate	\$1.98	\$1.98	\$1.95	\$1.95	\$1.95	\$1.95	\$1.95	\$1.95	\$1.95	\$1.95	\$1.95	\$1.95	\$1.95	\$1.95	\$1.95	\$1.95	
U.S. Season Ave																	
Farm Price, \$/Bu.	\$2.32	\$2.42	\$2.06	\$2.00	\$3.04	\$4.20	\$4.06	\$3.55	\$5.18	\$6.22	\$6.89	\$4.46	\$3.70	\$3.61	\$3.40	\$3.45	

Source: USDA/WASDE and Jim Hilker. (3 - 31 - 17)

WHEAT

The prospective plantings report showed wheat producers intended to plant 46.1 million acres of wheat for 2017 harvest, down from 50.2 million in last year, which was down from 55.0 million acres the year before. The 46.1 million acres represents the lowest total planted wheat acres for the United States since records began in 1919. Michigan planted 430,000 acres, down 30% from the 610,000 acres last year and the 510,000 acres planted after the late soybean harvest in 2015.

The USDA/WASDE will not begin making a 2017-18 Supply/Demand projection until the May 10, 2017 update. As you can see in Table 2, I do have a 2017-18 projection where I have incorporated the updated acres into basically the projections the USDA made at the February Outlook Forum.

The USDA also released the quarterly stocks report for wheat on March 31. It showed after 1,655 million bushels of wheat stocks with 3 months remaining in the wheat marketing year. This was about 30 million more bushels than the average trade expectation but well within the range of expectations. I lowered projected feed use 5 million bushels for 2016-17 in Table 2, increasing ending stocks and therefore the 2017-18 beginning stocks. What did the April 11 WASDE update show?

**TABLE 2
SUPPLY/DEMAND BALANCE SHEET FOR WHEAT**

	2003- 2004	2004- 2005	2005- 2006	2006- 2007	2007- 2008	2008- 2009	2009- 2010	2010- 2011	2011- 2012	2012- 2013	2013- 2014	2014- 2015	Est. 2015- 2016	Hilker 2016- 2017	Hilker 2017- 2018
(Million Acres)															
Acres Planted	62.1	59.7	57.2	57.3	60.5	63.2	59.2	53.6	54.4	55.3	56.2	56.8	55.0	50.2	46.1
Acres Harvested	53.1	50.0	50.1	46.8	51.0	55.7	49.9	47.6	45.7	48.8	45.3	46.4	47.3	43.9	39.3
Bu./Harvested Acre	44.2	43.2	42.0	38.6	40.2	44.9	44.5	46.3	43.7	46.2	47.1	43.7	43.6	52.6	47.1
(Million Bushels)															
Beginning Stocks	491	546	540	571	456	306	657	976	862	743	718	590	752	976	1134
Production	2345	2158	2105	1808	2051	2499	2218	2207	1999	2252	2135	2026	2062	2310	1851
Imports	68	71	82	122	113	127	119	97	112	123	173	151	113	115	120
Total Supply	2904	2775	2727	2501	2620	2932	2993	3279	2974	3118	3026	2768	2927	3400	3105
Use:															
Food	907	910	915	938	948	927	919	926	941	951	955	958	957	960	963
Seed	80	78	78	82	88	78	69	71	76	73	77	79	67	61	66
Feed and Residual	212	182	160	117	16	255	150	132	162	364	228	114	152	220	180
Total Domestic	1194	1169	1152	1137	1051	1260	1138	1128	1180	1388	1260	1151	1177	1241	1209
Exports	1159	1066	1003	908	1263	1015	879	1289	1051	1012	1176	864	775	1025	990
Total Use	2353	2235	2155	2045	2314	2275	2018	2417	2231	2400	2436	2015	1952	2266	2199
Ending Stocks	546	540	571	456	306	657	976	862	743	718	590	752	976	1134	906
Ending Stocks, %of Use	23.2	24.2	26.5	22.3	13.2	28.9	48.3	35.7	33.3	29.9	24.2	37.3	50.0	50.1	41.2
U.S. Loan Rate	\$2.80	\$2.75	\$2.75	\$2.75	\$2.75	\$2.75	\$2.75	\$2.75	\$2.75	\$2.75	\$2.75	\$2.75	\$2.75	\$2.75	\$2.75
U.S. Season Ave U.S. \$/Bu.	\$3.40	\$3.40	\$3.42	\$4.26	\$6.48	\$6.78	\$4.87	\$5.70	\$7.24	\$7.77	\$6.87	\$5.99	\$4.89	\$3.85	\$4.30

Source: USDA/WASDE and Jim Hilker (3 - 31 - 2017)

SOYBEANS

In 2016 U.S. soybean producers planted a record 83.4 million acres of soybeans. The Prospective Planting Report indicated in an early March survey that soybean producers intended to plant 89.5 million acres of soybeans. A 6.1 million acre increase! Why, as mentioned earlier, producers are going to plant the productive acres, and returns per acre were higher for soybeans than for wheat or corn.

Michigan farmers indicated they intended to plant 2.350 million acres of soybeans, 280,000 acres more than last year, up 14%. This goes along with the 100,000 acres decrease in corn acres and 180,000 acre decrease in wheat acres planted. So the net change for corn, wheat, and soybeans is 0. A couple of other crops for Michigan, hay acres intentions were 880,000 acres. Sugarbeets planting intentions for Michigan were 167,000 acres, down 5,000 acres, 3%, with the U.S. planting intentions being 1,134,800 acres, down 2%.

The March 1 Quarterly Stocks Report, halfway through the soybean marketing year, showed 1,655 million bushels on hand. This was about 30 million more than the average trade expectation. With soybeans we pretty much know how much has been used, unlike corn due to feeding. So this extra may mean the residual is smaller than previously thought, and or the crop was bigger than previously thought. It will be interesting if the USDA change their residual estimate in their April 11 supply/demand update, production generally would not be change unless the end of the year stocks reports indicated it should be. Not a big issue now, but with the ample supplies any extra soys weights on the market.

I found the Michigan stocks numbers interesting. Total midyear stock in Michigan were 43.34 million bushels, up 7 million from the same time a year ago, and given out record soybean crop, expected. But soybeans stored on farm versus off farm were down 5 million bushels. Hopefully this means producers with on farm storage took advantage of the soybean rallies. The off farm storage is harder to tell, as it can't be determined how much is owned by farmers and how much is owned by commercials. We also don't know in either case how much has been priced for later delivery.

I have incorporated both reports into the Soybean Supply/Demand projections shown in Table 3. I decreased 2016-17, the second column, residual 23 million bushels to account for the stocks report, but I raised exports, seed use, and crush an equal amount to leave projected ending stocks and price the same. What did the USDA/WASDE show in their April 11 Update?

For 2017-18, I adjusted for increased planted acres indicated in the prospective planting report, increasing projected supply. This increased projected 2017-18 ending stocks from 435 to 515 million bushels. This will increase the stocks-to-use ratio from 10.3% to 12.3 %. And this led me to

decrease the price projection from the USDA's February projection of \$9.60 (mine closer to \$9.00), to \$8.90, about where the market was as of this writing. The USDA/WASDE will not have a 2017-18 supply/demand update until May 10.

TABLE 3																	
SUPPLY/DEMAND BALANCE SHEET FOR SOYBEANS																	
	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	Est. 2015-2016	Hilker 2016-2017	Hilker 2017-2018	
(Million Acres)																	
Acres Planted	74	73.4	75.2	72	75.5	64.7	75.7	77.5	77.4	75.0	77.2	76.8	83.3	82.7	83.4	89.5	
Acres Harvested	72.5	72.3	74.0	71.3	74.6	64.1	74.7	76.4	76.6	73.8	76.1	76.3	82.6	81.7	82.7	88.8	
Yield/Bushels	38.0	33.9	42.2	43.0	42.9	41.7	39.7	44.0	43.5	41.9	40.0	44.0	47.5	48.0	52.1	48.0	
(Million Bushels)																	
Beginning Stocks	208	178	112	256	449	574	205	138	151	215	169	141	92	191	197	435	
Production	2756	2454	3124	3063	3197	2677	2967	3359	3329	3094	3042	3358	3927	3926	4307	4260	
Imports	5	6	6	3	9	10	13	15	14	16	41	72	33	24	25	25	
Total Supply	2969	2638	3242	3322	3656	3261	3185	3512	3495	3325	3252	3570	4052	4140	4528	4720	
Use:																	
Crushings	1615	1530	1696	1739	1808	1803	1662	1752	1648	1703	1689	1734	1873	1886	1945	1950	
Exports	1045	885	1097	940	1116	1159	1279	1499	1501	1365	1317	1638	1842	1936	2040	2125	
Seed	89	92	88	93	80	93	90	90	87	90	89	97	96	97	98	95	
Residual	41	19	105	101	77	0	16	20	43	-2	16	10	50	25	10	35	
Total Use	2791	2526	2986	2873	3081	3056	3047	3361	3280	3155	3111	3478	3862	3944	4093	4205	
Ending Stocks	178	112	256	449	574	205	138	151	215	169	141	92	191	197	435	515	
Ending Stocks, %of Use	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	5.0	10.6	12.3	
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	\$5.00	
U.S. Season Ave Farm Price, \$/Bu.	\$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	\$8.95	\$9.60	\$8.90	

Source: USDA/WASDE and Jim Hilker. (3 - 31 - 17)

HOGS

The Quarterly March 1 Hog and Pigs Report released March 30th was near trade expectations and considered neutral to slightly friendly. But it was not friendly enough to reverse the March 24, March 27 and 28 sharp price declines. The recent large slaughter numbers are not helping, even though they were somewhat expected.

The report showed all hogs and pigs 4% higher than a year ago, with hogs kept for breeding being up 1%. Hogs kept for marketing were up 4%. For the 180#'s and over, the hogs we are

seeing now were up 5%, as were the market hogs weighting between 120-179#'s, which we will see shortly. Market hogs in the next two weight categories, 50-119 and under 50#'s were each up 4%.

Dec-Feb farrowings were up 3% which matches up with the winter pig crop being up 3% and Dec-Feb pigs per liter being up 1%. The Dec-Feb pigs per liter of 10.43 are a new record, so that part is normal, up from 10.3 a year ago. An estimate of futures production can be made by looking at the farrowing intentions. Mar-May intentions are up 1%, and Jun-Aug farrowing intentions are even with year ago numbers. You than add 1 to 2% to each of those intention numbers, due to expected increases in pigs per litter year to year, to calculate expected production.