

# Commodity Market Outlook

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## Market Outlook Reports For August 20, 2017

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### CORN

Lots of information, from lots of directions, on what the size of the 2017 U.S. corn crop will be, my guess is the September USDA corn crop production projection will differ meaningfully from the August 10 report projection, but not because of any error on the USDA's part, but because of new information. Remember, the USDA/NASS does not make up these numbers; the reports are based on farmer surveys, farmers reporting expected yields, and an objective yield survey, where enumerators make counts and measurements, at eventual harvest sample plots across the ten major corn growing states. Early in the season the farmer surveys tend to have more weight than the sample plots. The August survey was conducted the last few days of July and the first few of August. It provides a base for the market to add information to until the next report.

On August 10 the USDA released their first survey based 2017 corn yield projection, which when combined with the June Acreage Report gave us the first USDA 2017 corn crop production projection. The report indicated a U.S. corn yield of 169.5 bu/ac. When combined with the estimated harvested acres of 83.5 million acres gives us projected corn production of 14,153 million bushels. If it happens, it will be the third largest crop on record, almost tied for second largest. The trade was expecting a yield closer to 166 bu/ac and production of 13,840 million bushels. My guess is it will end up somewhere in between, as droughty areas continued dry well into August.

Michigan's yield was projected to be what would be a record 170 bu/ac, the previous record was 162 bu/ac. Seems high given the dryness in central Michigan, and crops were pretty good over

the whole state when we set the previous record. Producers north of Lansing and through the thumb must feel they are having enormous crops for the farmer survey to show a yield of 170 bu/ac.

As shown on Table 1, the total 2017-18 total supply projection is expected to be 16,573 million bushels, second largest on record. A large part of that will be the huge beginning stocks of 2,370 left over from 2016-17. Total use is also expected to be the second highest on record at 14,300 million bushels. This should draw down stocks marginally.

If prices have remained near the level as I write, Dec futures \$3.66, or lower, consider holding off any more forward pricing unless we have a rally, especially if you have priced a bunch of corn one or more of the four periods since January we could price 2017 corn with Dec futures over \$4.00.

## **WHEAT**

As you might think, the USDA/NASS August wheat projections were much closer to expectations, as this is the third monthly crop projection for winter wheat, and second for spring and durum wheat. All wheat production, at 1,739 million bushels, is down 25 percent from 2016. Based on August 1 conditions, the United States yield is forecast at 45.6 bushels per acre, down 7 bushels from last year. All wheat planted was the lowest since records began in 1919.

Winter wheat production is forecast at 1,290 million bushels, down 23 percent from 2016. The yield is forecast at 50.0 bushels per acre, down 5.3 bushels from last year, but the second highest on record. The area expected to be harvested totals 25.8 million acres, down 15 percent from last year.

Hard Red Winter production, at 758 million bushels, is up less than 1 percent from last month. Soft Red Winter, at 306 million bushels, is up less than 1 percent from the July forecast. White Winter, at 223 million bushels, is up 3 percent from last month. Of the White Winter production, 18.8 million bushels are Hard White and 204 million bushels are Soft White.

Durum wheat production is forecast at 50.5 million bushels, down 12 percent from the July 1 forecast as the nasty drought continued and down 51 percent from 2016. The United States yield is forecast at 27.2 bushels per acre, and down 16.8 bushels from last year.

Other spring wheat production is forecast at 402 million bushels, down 5 percent from the July 1 forecast, again as the drought continued in much of the spring wheat areas, and down 25 percent from last year. The United States yield is forecast at 38.3 bushels per acre, and down 8.9 bushels from last year.

See Table 2 for the total supply and use number from the USDA/WASDE August 10 update. Production is expected to be down 570, the 25%, but total supply will only be down 330 million bushels from last year as carry in stocks will be up 209 million bushels. However, projected use is only down 78 million, so ending stocks are projected to be down 252 million bushels. This lowers ending stocks to use from last's years 53.4 % to 43.6 %. The problem is, rest of the world production is up, and projected world ending stocks are projected to be up.

## **SOYBEANS**

On August 10 the USDA also released their first survey based 2017 soybean yield projection, which when combined with the June Acreage Report gave us the first USDA 2017 soybean crop production projection. The report indicated a U.S. soybean yield of 49.4 bu/ac., down from last's year's record, but would be the second highest on record. When combined with the estimated record harvested acres of 88.7 million acres, up 6 million acres, gives us projected record soybean production of 4381 million bushels. The trade was expecting a yield closer to 47.4 bu/ac and production of 4,200 million bushels, which would be the second largest crop on record. August makes soybeans, so we'll see.

Michigan's 2017 projected soybean yield from the farmer survey is 49 bu/ac. Down 1.5 bu/ac from last year's record, but tied for the second highest with the 2015/16 yield. Again, August makes soybeans, but given we planted a record 2,300,000 acres of soybeans, over 200,000 acres more than we have ever planted, we are going to have a big soybean crop in Michigan even if the final yield comes in lower.

So when you add a record crop to a huge beginning inventory, you have a huge total supply for 2017-18 as shown on Table 3. So how about projected use? The USDA/WASDE is also projecting record soybean use for 2017-18, 143 million bushels more than this marketing year which ends August 31. The problem is that total supply is projected to be up 248 million bushels. This means even larger projected ending stocks.

As with corn, soybean futures as I write are near recent lows, Nov \$9.38. At this point, consider watching for a rally for further forward pricing of 2017 soys, especially if you have priced a meaningful amount on the previously 5 price rallies since last harvest where you could price November 2017 soybean futures over \$10.25.

**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	Est. 2017	Proj. 2018
<b>(million acres)</b>																	
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	90.9	
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	83.5	
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	169.5	
<b>(million bushels)</b>																	
Beginning Stocks	1596	1087	958	2114	1967	1304	1624	1673	1708	1128	989	821	1232	1731	1737	2370	
Production	8967	10089	11807	11114	10531	13038	12092	13092	12447	12360	10755	13829	14216	13602	15148	14153	
Imports	14	14	11	9	12	20	14	8	28	29	160	36	32	68	55	50	
<b>Total Supply</b>	<b>10578</b>	<b>11190</b>	<b>12776</b>	<b>13237</b>	<b>12510</b>	<b>14362</b>	<b>13729</b>	<b>14774</b>	<b>14182</b>	<b>13517</b>	<b>11904</b>	<b>14686</b>	<b>15479</b>	<b>15401</b>	<b>16940</b>	<b>16573</b>	
<b>Use:</b>																	
Feed & Residual	5563	5798	6158	6155	5591	5913	5182	5125	4795	4557	4315	5040	5280	5113	5425	5450	
Food, Seed & Ind	2340	2537	2686	2981	3490	4387	5025	5961	6426	6428	6038	6493	6601	6650	6920	7000	
Ethanol for fuel	996	1168	1323	1603	2119	3049	3709	4591	5019	5000	4641	5124	5200	5224	5450	5500	
<b>Total Domestic</b>	<b>7903</b>	<b>8335</b>	<b>8844</b>	<b>9136</b>	<b>9081</b>	<b>10300</b>	<b>10207</b>	<b>11086</b>	<b>11221</b>	<b>10985</b>	<b>10353</b>	<b>11534</b>	<b>11881</b>	<b>11763</b>	<b>12345</b>	<b>12450</b>	
Exports	1588	1897	1818	2134	2125	2437	1849	1980	1834	1543	730	1920	1867	1901	2225	1850	
<b>Total Use</b>	<b>9491</b>	<b>10232</b>	<b>10662</b>	<b>11270</b>	<b>11206</b>	<b>12737</b>	<b>12056</b>	<b>13066</b>	<b>13055</b>	<b>12528</b>	<b>11083</b>	<b>13454</b>	<b>13748</b>	<b>13664</b>	<b>14570</b>	<b>14300</b>	
Ending Stocks	1087	958	2114	1967	1304	1624	1673	1708	1128	989	821	1232	1731	1737	2370	2273	
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	16.3	15.9	
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	\$3.35	\$3.30	

Source: USDAWASDE and Jim Hilker. (8 - 10 - 17)

**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	2015- 2016	2016- 2017	Est.	Proj.
<b>(Million Acres)</b>																
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	45.7	
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	38.1	
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	45.6	
<b>(Million Bushels)</b>																
Beginning Stocks	491	546	540	571	456	306	657	976	862	743	718	590	752	976	1184	
Production	2345	2158	2105	1808	2051	2499	2218	2207	1999	2252	2135	2026	2062	2310	1739	
Imports	68	71	82	122	113	127	119	97	112	123	173	151	113	118	140	
<b>Total Supply</b>	<b>2904</b>	<b>2775</b>	<b>2727</b>	<b>2501</b>	<b>2620</b>	<b>2932</b>	<b>2993</b>	<b>3279</b>	<b>2974</b>	<b>3118</b>	<b>3026</b>	<b>2768</b>	<b>2927</b>	<b>3403</b>	<b>3064</b>	
<b>Use:</b>																
Food	907	910	915	938	948	927	919	926	941	951	955	958	957	949	950	
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	149	154	150	
<b>Total Domestic</b>	<b>1194</b>	<b>1169</b>	<b>1152</b>	<b>1137</b>	<b>1051</b>	<b>1260</b>	<b>1138</b>	<b>1128</b>	<b>1180</b>	<b>1388</b>	<b>1260</b>	<b>1151</b>	<b>1174</b>	<b>1164</b>	<b>1166</b>	
Exports	1159	1066	1003	908	1263	1015	879	1289	1051	1012	1176	864	778	1055	975	
<b>Total Use</b>	<b>2353</b>	<b>2235</b>	<b>2155</b>	<b>2045</b>	<b>2314</b>	<b>2275</b>	<b>2018</b>	<b>2417</b>	<b>2231</b>	<b>2400</b>	<b>2436</b>	<b>2015</b>	<b>1951</b>	<b>2219</b>	<b>2141</b>	
Ending Stocks	546	540	571	456	306	657	976	862	743	718	590	752	976	1184	933	
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	50.1	53.4	43.6	
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	\$3.89	\$4.80	

Source: USDA/WASDE and Jim Hilker (8 - 10 - 2017)

**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	2015- 2016	2016- 2017	2017- 2018	Est. 2017	Proj. 2018
<b>(Million Acres)</b>																		
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	88.7		
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	49.4		
<b>(Million Bushels)</b>																		
Beginning Stocks	208	178	112	256	449	574	205	138	151	215	169	141	92	191	197	371		
Production	2756	2454	3124	3063	3197	2677	2967	3359	3329	3094	3042	3358	3927	3926	4307	4381		
Imports	5	6	6	3	9	10	13	15	14	16	41	72	33	24	25	25		
<b>Total Supply</b>	<b>2969</b>	<b>2638</b>	<b>3242</b>	<b>3322</b>	<b>3656</b>	<b>3261</b>	<b>3185</b>	<b>3512</b>	<b>3495</b>	<b>3325</b>	<b>3252</b>	<b>3570</b>	<b>4052</b>	<b>4140</b>	<b>4529</b>	<b>4777</b>		
<b>Use:</b>																		
Crushings	1615	1530	1696	1739	1808	1803	1662	1752	1648	1703	1689	1734	1873	1886	1890	1940		
Exports	1045	885	1097	940	1116	1159	1279	1499	1501	1365	1317	1638	1842	1942	2150	2225		
Seed	89	92	88	93	80	93	90	90	87	90	89	97	96	97	104	101		
Residual	41	19	105	101	77	0	16	20	43	-2	16	10	50	18	14	35		
<b>Total Use</b>	<b>2791</b>	<b>2526</b>	<b>2986</b>	<b>2873</b>	<b>3081</b>	<b>3056</b>	<b>3047</b>	<b>3361</b>	<b>3280</b>	<b>3155</b>	<b>3111</b>	<b>3478</b>	<b>3862</b>	<b>3944</b>	<b>4158</b>	<b>4301</b>		
Ending Stocks	178	112	256	449	574	205	138	151	215	169	141	92	191	197	371	475		
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	8.9	11.1		
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	\$9.50	\$9.30		

Source: USDA/WASDE and Jim Hilker. (8 - 10 - 17)