

# Commodity Market Outlook

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## **Market Outlook Reports for March 21, 2017**

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### **CORN**

On March 31, as you receive this issue, USDA/NASS will be releasing the 2017 Prospective Planting Report at noon. Around the first of March each year the USDA does a huge farmer planting intentions survey. This gives the market a first look at what farmers intend to plant this spring, and an update on the amount of winter wheat that was planted. The purpose of the report is not a prediction of what will be planted, but as stated, what farmers had intended to plant. This valuable information gives the market and producers time to make marginal adjustments if called for.

How the market reacts will depend on how close the numbers come to expectations. Pre-report, it appears the market is expecting the report to show prospective corn plantings to be about 90 million acres, with most estimates in the range of 89-91 million acres. This is down 4 million acres from last year as the relative price of soybeans is better than the corn prices. If we see less than 89-90 million acres of corn planted, with the extra going to soybeans, the relative corn price will increase and the relative soybean price will likely decrease and this give producers a chance to readjust some acres back to corn if called for. And vice versus, more than expected corn acres, and relative corn price will go down.

The March 9<sup>th</sup> USDA/WASDE U.S Supply and Demand Update, shown in Table 1, indicted projected corn used for ethanol production will be 5,400 million bushels, up 50 million bushels from the February projection, based on the recent data on grain crushings and co-product reports, and the strong weekly pace of ethanol production. The report also projected 2016-17 feed and residual use will be 5,550 million bushels, down 50 million bushels from

the February report and offsetting the ethanol increase. This is based on more ethanol production, thus more DDGS, and more sorghum feeding. This left projected 2016-17 ending stocks the same.

The biggest news in the March 9<sup>th</sup> USDA/WASDE U.S Supply and Demand Update was the increase of 5 million metric tons, about 200 million bushels, in the projected size of the Brazilian corn crop. The estimate was increased as Brazil is harvesting a record first season corn crop and the conditions are excellent for the second season corn crop. It was the second season corn crop shortfall last year that has led to a sharp increase in U.S corn exports this year. This will have a bigger effect on 2017-18 U.S. exports than this year, see Table 1.

However, the corn the used for feed projection could change again by the April USDA/WASDE Supply and Demand updates given what the USDA/NASS March 1 Quarterly Stocks Report shows. The mid-year stocks report will be released at the same time as the Prospective Plantings Report. This report is the best indicator of feed use.

Both reports could be surprises in either direction. Check the reports out to see if they indicate you should make adjustments in either your plantings and/or your marketing plan.

TABLE 1																	
SUPPLY/DEMAND BALANCE SHEET FOR CORN																	
	2002-	2003-	2004-	2005-	2006-	2007-	2008-	2009-	2010-	2011-	2012-	2013-	2014-	2015-	Est.	Proj.	USDA
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	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	90.0	
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	
<b>(million bushels)</b>																	
Beginning Stocks	1596	1087	958	2114	1967	1304	1624	1673	1708	1128	989	821	1232	1731	1737	2320	
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	16435	
<b>Use:</b>																	
Feed & Residual	5563	5798	6158	6155	5591	5913	5182	5125	4795	4557	4315	5040	5280	5120	5550	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	12395	12320	
Exports	1588	1897	1818	2134	2125	2437	1849	1980	1834	1543	730	1920	1867	1898	2225	1900	
Total Use	9491	10232	10662	11270	11206	12737	12056	13066	13055	12528	11083	13454	13748	13664	14620	14220	
Ending Stocks	1087	958	2114	1967	1304	1624	1673	1708	1128	989	821	1232	1731	1737	2320	2215	
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	15.9	15.6	
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	\$3.50	

Source: USDAWASDE and Jim Hilker. (3 - 09 - 17)

## WHEAT

The March 31 Prospective Plantings Report will give the market the first indication of Spring and Durum wheat acres, and will update the Winter Wheat Seeding Report released in January. We already know that winter wheat seedings will be the second lowest since reporting began in 1895. The USDA will also release the March 1 wheat stocks report, which will be nine months into the wheat marketing year. I don't expect any market jolting surprises in the two wheat reports.

The March 9 USDA Wheat Supply and Demand Report only made two minor changes. Projected 2016-17 U.S. wheat imports were lowered 10 million bushels, and that meant wheat ending stocks were lowered 10 million acres. Not much, but wheat will take all the help it can get. The report also increased expected 2016-17 wheat production in Argentina and Australia. Australia

is looking at a record wheat crop, 35 MMT, around 10 MMT more than they have produced each of the previous 4 years, and 5 MMT more than their previous record set in 2011-12. Each MMT is about 36 million bushels.

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	Proj. 2016-2017	USDA 2017-2018	
<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	46.0	
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	39.0	
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	
<b>(Million Bushels)</b>																
Beginning Stocks	491	546	540	571	456	306	657	976	862	743	718	590	752	976	1129	
Production	2345	2158	2105	1808	2051	2499	2218	2207	1999	2252	2135	2026	2062	2310	1837	
Imports	68	71	82	122	113	127	119	97	112	123	173	151	113	115	120	
<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>3400</b>	<b>3086</b>	
<b>Use:</b>																
Food	907	910	915	938	948	927	919	926	941	951	955	958	957	960	960	
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	225	190	
<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>1177</b>	<b>1246</b>	<b>1216</b>	
Exports	1159	1066	1003	908	1263	1015	879	1289	1051	1012	1176	864	775	1025	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>1952</b>	<b>2271</b>	<b>2191</b>	
Ending Stocks	546	540	571	456	306	657	976	862	743	718	590	752	976	1129	895	
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	49.7	40.9	
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 - 09 - 2017)

## SOYBEANS

Think back to the corn discussion above. Any surprise in the prospective corn plantings will mean a surprise in the prospective soybean plantings for 2017. The market is expecting the Prospective Plantings Report to show 87-89 million acres of soybeans are intended to be planted, with a few saying 90 million acres. At this point the projected per acre return for soybeans is significantly higher than for corn. Did the report change that?

The USDA increased projected 2016-17 Brazilian soybean production based on excellent growing weather, record planted acres, and harvest results to date in their March 9 Supply and Demand Reports. Projected production is now 108 MMT, up from the 96.5 MMT last year, and the record 97.2 the previous year. Each MMT is about 36 million bushels. So 108 MMT would be about 3.9 billion bushels, compared to the U.S. this year of 4.3 billion, or 117 MMT.

The USDA WASDE report also made some changes in the 2016-17 U.S balance sheet projections, Table 3. Crush was increased 10 million bushels on strong crush and demand to date. But projected 2016-17 exports were lowered 25 million bushels based on the increased Brazilian crop and projected exports. The bottom line is ending stocks were increased by 15 million bushels. The price and demand for soybeans continues to surprise me, hopefully my surprise continues to be unjustified.

	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	Proj. 2016- 2017	USDA 2017- 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	88.0
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	87.1
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
<b>(Million Bushels)</b>																
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	4180
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>4528</b>	<b>4640</b>
<b>Use:</b>																
Crushings	1615	1530	1696	1739	1808	1803	1662	1752	1648	1703	1689	1734	1873	1886	1940	1945
Exports	1045	885	1097	940	1116	1159	1279	1499	1501	1365	1317	1638	1842	1936	2025	2125
Seed	89	92	88	93	80	93	90	90	87	90	89	97	96	97	95	97
Residual	41	19	105	101	77	0	16	20	43	-2	16	10	50	25	33	38
<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>4093</b>	<b>4205</b>
Ending Stocks	178	112	256	449	574	205	138	151	215	169	141	92	191	197	435	435
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	10.3
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
<b>U.S. Season Ave</b>																
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	\$9.60

Source: USDA/WASDE and Jim Hilker. (3 - 09 - 17)

## **CATTLE**

Cattle slaughter is up over 4.5 percent year to date with beef production up 3.7 percent for the year to date. Carcass weights for steers are down 12 pounds from the same date a year ago with heifer carcasses down 13 pounds last year at this time. Even given growing feedlot placements in recent months, feedlot marketings have kept feedlots current with beef moving quickly through market pipelines. This has led to the recent rally, along with what may be interrupted as increasing demand.

Check out the March 1 Cattle on Feed report released March 24. The market was expecting placements to be down a percent from last February, and for February marketings to be up about 3%. This would leave the total on feed March one about the same as a year ago. Did the report help continue the rally, or.... Regardless, I am cautiously optimistic.

## **HOGS**

On March 30 the USDA/NASS will release the March 1 Quarterly Hogs and Pigs Report. This report will give us the likely production for the next 3 quarters by giving the market hogs available by weight, the Nov-Feb pig crop, and the farrowing intension for the next two quarters. What did it show?

The USDA lowered the 2017 projected pork production slightly in their March 9 Supply/Demand update. This was due to lighter carcass weights the first half of the year. The results of the March Hogs and Pigs Report will be included in the Aril 11 Supply/Demand update.