

Commodity Market Outlook

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Market Outlook Reports for June 6, 2017

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CORN

For the first time in my 35 years at Michigan State University I took two weeks off to vacation with my wife AND totally turned off all work related information. When I returned the 5th of June, December corn futures were within a penny of when I left, but November soybean futures were 50 plus cents lower. Using new crop cash prices in Michigan, this put the corn/soybean price ratio at 2.45, basically, the long term average. This comes close to taking away the per acre advantage that soybeans had held for some period of time. The market works, producers adjusted with more soybean acres and fewer corn acres.

Does this mean it will stay at close to even returns per acre for the rest of the summer and forward? No, weather will for the most part dictate that, along with unexpected demand changes, because plantings, which is where farmers can adjust is over. But it does impress me every year how farmers in total make the "correct" decisions, in a return per acre sense, at planting time.

As of June 4, the percent corn planted was near the five year average and last year at 96% versus 97%. And corn emergence was only a percent behind the five year average. However, corn conditions for the good and excellent was 68% versus last year's 75%. But we also need to remember; last year we had a record corn yield. Michigan at 91% planted, was 3% behind normal, and emergence was only 66%, 14% behind the 5-year average.

These numbers, along with the market reaction, and reading about other planting issues, leads me to believe we are not likely to have a record U.S. corn yield, but there is no reason

that we shouldn't continue to use a trend yield as our best tool at this point for market analysis. As used below in Table 1.

The USDA released an updated Supply/Demand corn balance sheet on June 9, check it out. Corn exports to date for 2016-17 appear to be running ahead of expectations, and the market is expecting an update, did it happen? And two very important reports will be released June 30, the June 1 Stocks Report, and the Acreage Planted Report. The stocks report will tell us how much corn was still on hand as of June 1, and is the main tool to update the 2016-17 feed use estimate, which will be in the July 12 USDA supply/demand update, but the market will react immediately.

The corn planted acreage report will be based on a large survey done the first week of June on the acres of corn planted to date and acres of corn still planted at that time to be planted. Given the June 4 weekly estimate of corn planted, discussed above, my guess is the report will be pretty accurate, and we won't have to worry much about corn that is planned to be planted but never gets planted.

At this point, I don't see a great pricing opportunity like we did last spring, or even decent pricing opportunities like we saw for parts of February and early March. But we have been in an extremely narrow pricing range for a couple of months, have a plan for a breakout in either direction.

WHEAT

Check out the June 10, 2017 USDA/NASS Crop Production Report. While the market for winter wheat, both hard and soft red has been fairly flat, there has been some odd weather in some of the hard red wheat areas. And these updated numbers will be in the June 10 undated USDA supply/demand updates released at the same time.

The spring wheat production numbers are the ones we would even like more info on, even though we don't grow any in Michigan, because the weekly conditions reports show deterioration. And the futures are taking off as of June 6. But the monthly Crop Production Reports will not include spring wheat until the July 12 report.

If the Chicago wheat futures did jump on the June 10 info, check out forward pricing opportunities. I am talking possible a bit better here, nowhere close to even decent.

Also check out in a couple weeks the June 1 Stocks Report, and the Acreage Planted Report, both to be released on June 30, 2017. The stocks report will tell us how much wheat was still on hand as of June 1. And this number will be the ending stocks number for the 2016-17 wheat marketing year. And the planting report will tell how much wheat of all types was actually planted.

SOYBEANS

Much of the soybean story I already told in corn, with respect to relative returns per acre. It appears the markets finally believed that the soybean acres would/have been planted and the South American crop would be huge. Soybean prices are now much easier to explain using fundamental supply and demand analysis.

As of the June 4 Crop Progress Report 83% of the U.S. soybeans had been planted, 4% more than the 5-year average and 1% ahead of last year. Emergence was 1% behind the 5-year average, and 4% behind last year. However, Indiana, Michigan, and Ohio planting were 10-13% behind, and emergences 10-17% behind.

This leads us to the June 30 reports. Will the June plantings report, using the first week of June survey accurate predict the late plantings or non-plantings? My guess is it will be very close. The stocks report will be $\frac{3}{4}$ of the way through the soybean marketing year, and I don't expect any surprises.

Again, I doubt a record yield given info to date, but the trend would still be a good tool. The first Crop Production Report for Corn and Soybeans will be August 10, 2017. So for now we need to depend on the weekly crop progress reports, which tend to do a reasonable job most years.

CATTLE

The May 1 Cattle-on-Feed Report released May 26 was quite negative for differed live cattle futures that Friday and early on the next Monday. However, the markets had already discounted for some negative news. And the market has more than fully recovers as of June 6. What happened? Cattle on feed as of May 1 were 102% of last year, 1% above average expectations, and near the high side of expectations. They were higher than

expected due to April placements being 11% higher than last year versus the expectation of 6.5% higher. The positive part of the report was April marketings, they were up 3% versus the 1% expectation.

The June 1 cattle on Feed Report will be released June 23, check it out. And hopefully the demand for U.S. beef, domestic and foreign will continue to be strong. At this point consider continuing to move when current.

HOGS

Higher production, higher prices, that is a nice combination, even if it does seem puzzling a first glance. Given constant demand, the key to prices is domestic per capital consumption. To get that number, you take U.S. production, add imports, subtract exports, and divide by the U.S. population.

U.S. production is up 2.3 % to date, but imports of pork are down 10%, and exports of pork are up 17%. And given population is up a bit over 1%, the bottom line is 1.7% less pork is available per person in the U.S. Porks exports to date are 22% of available U.S. production.

**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	Est. 2016- 2017	Proj. 2017- 2018
(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	2295
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	16410
Use:																
Feed & Residual	5563	5798	6158	6155	5591	5913	5182	5125	4795	4557	4315	5040	5280	5123	5500	5425
Food, Seed & Ind	2340	2537	2686	2981	3490	4387	5025	5961	6426	6428	6038	6493	6601	6643	6920	7000
Ethanol for fuel	996	1168	1323	1603	2119	3049	3709	4591	5019	5000	4641	5124	5200	5224	5450	5500
Total Domestic	7903	8335	8844	9136	9081	10300	10207	11086	11221	10985	10353	11534	11881	11766	12420	12425
Exports	1588	1897	1818	2134	2125	2437	1849	1980	1834	1543	730	1920	1867	1898	2225	1875
Total Use	9491	10232	10662	11270	11206	12737	12056	13066	13055	12528	11083	13454	13748	13664	14645	14300
Ending Stocks	1087	958	2114	1967	1304	1624	1673	1708	1128	989	821	1232	1731	1737	2295	2110
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	15.7	14.8
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	\$3.40

Source: USDA/WASDE and Jim Hilker. (5 - 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	Est. 2016- 2017	Proj. 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	38.5
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	47.2
(Million Bushels)															
Beginning Stocks	491	546	540	571	456	306	657	976	862	743	718	590	752	976	1159
Production	2345	2158	2105	1808	2051	2499	2218	2207	1999	2252	2135	2026	2062	2310	1820
Imports	68	71	82	122	113	127	119	97	112	123	173	151	113	115	125
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	955	955
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	190	170
Total Domestic	1194	1169	1152	1137	1051	1260	1138	1128	1180	1388	1260	1151	1177	1206	1191
Exports	1159	1066	1003	908	1263	1015	879	1289	1051	1012	1176	864	775	1035	1000
Total Use	2353	2235	2155	2045	2314	2275	2018	2417	2231	2400	2436	2015	1952	2241	2191
Ending Stocks	546	540	571	456	306	657	976	862	743	718	590	752	976	1159	914
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	51.7	41.7
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	\$3.90	\$4.25

Source: USDA/WASDE and Jim Hilker (5 - 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	Est. 2017	Proj. 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	88.6	
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	4255	
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	4715	
Use:																	
Crushings	1615	1530	1696	1739	1808	1803	1662	1752	1648	1703	1689	1734	1873	1886	1925	1950	
Exports	1045	885	1097	940	1116	1159	1279	1499	1501	1365	1317	1638	1842	1936	2050	2150	
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	25	14	34	
Total Use	2791	2526	2986	2873	3081	3056	3047	3361	3280	3155	3111	3478	3862	3944	4093	4235	
Ending Stocks	178	112	256	449	574	205	138	151	215	169	141	92	191	197	435	480	
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	11.3	
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	\$9.55	\$9.30	

Source: USDA/WASDE and Jim Hilker. (5 - 10 - 17)