

Commodity Market Outlook

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Market Outlook Reports For September 20, 2017

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CORN

As most of us have figured out by now, this fall's corn crop will be huge across the U.S. And the USDA/NASS September 12 Crop Production Report confirmed it again. The report, which uses farmer surveys and field surveys to come up with projected production, showed more corn than expected. And while the report surprised the market, and even if the corn crop may not be as big as the September report indicated, it will still be huge.

The report showed U.S. corn producers will harvest 14,184 million bushels of corn this fall, and while this is down a billion bushels from last year's record of record corn crops, it will still be the third largest corn crop on record. The yield is projected to be 169.9 bu/ac, up 0.4 bu/ac from the August projection, and the third highest yield on record. Last year the yield was a record 174.6 bu/ac, and the second highest yield occurred in 2014, 171 bu/ac.

It isn't as if farmers didn't react to last year's low prices, they cut corn acres by 3.1 million acres. But when you have the five largest corn crops ever in the past five years, you have a lot of corn. When the huge carryover projected from the 2016-17 marketing year is added, we are projected to have the second largest supply on record for the 2017-18 year.

On the positive side, domestic use is expected to stay strong. Feed use is expected to be up 50 million bushels from last year. And corn used to make ethanol is expected to be up 40 million bushels. Other uses are projected to be up 15 million bushels. Projected exports are expected to be down 445

as the spring 2017 Brazilian croon crop recovered from the very poor spring 2016 corn crop. This will put total corn use for 2017-18 at 14,250 million bushels, down 340 million bushels from last year, but the second highest on record.

The net of supply and use is projected ending stocks, and they are projected to be 2,335 million bushels, down 15 million from last year. However, the stocks to use ratio is expected to be higher at 16.4 %, thus the lower price expectation. See Table 1 for all the updated numbers.

All the information on the size of the 2017 corn crop and total supply is not in. And use, especially exports could vary greatly from projections as we learn more about the world crop and world demand. Keep an eye out for better pricing opportunities, but keep an eye out for downside. We could have a 15-40 cent improvement in a short time period, which could only last a short time. Any move of Dec corn futures back close to \$4.00 should be strongly considered.

On September 29 at noon, the USDA/NASS releases/ed the Quarterly Stocks Report. This report shows how much corn is on hand September 1, adjusted down for any 2017 corn (not much this year). And this quarterly report's corn stocks are used as the ending stocks for the 2016-17 corn marketing year. So how close was the September 1 corn stocks to the USDA/WASDE estimate of 2,335 million bushels? This report has been surprising at times in the past.

WHEAT

There was not a 2017 wheat production update in the September 12 crop production report. And the September 12 USDA/WASDE Supply/Demand update showed no changes. So Table 2 stayed basically the same. And December wheat futures at \$4.43 are the same as when I wrote the last issue.

However, keep an eye on the September stocks report. For wheat is shows stocks 3 months into the 2016-17 wheat marketing year. This helps show use to date, especially feed use.

Perhaps even more important, will be the September 29 release of the USDA/NASS Small Grains Summary. This report will be the final projections of 2017 small grains, including wheat, until the January 2018 final numbers.

Is Michigan going to have enough moisture to get planted

wheat off to a good start this fall?

SOYBEANS

Are you tired of the word "record" yet in this issue? We are not done yet.... The U.S. is set to harvest a record soybean crop this fall. The September 12 USDA/NASS Crop Production Report showed the 2017 soybean yield is expected to be 49.9 bu/ac, up a half bushel from the August projection. And while this is 2.2 bu/acre below last year's record yield, it will still be the second best yield on record. So what makes this year's production a record? Remember we planted six million more acres of soybeans this year, and last year's planted acres was a record.

And then add the projected carryin of 345 million bushels to get supply. We will still have a lot of soybeans even if the yield comes in a bushels or two lower. Again, check out the September 29 release of the September Stocks Report. As with corn, this stock figure will become the ending stocks for the 2016-17 year. How close is the stocks number to 345 million? And on the supply side, also watch out for the October 12 release of the USDA/NASS Crop Production Report for an updated projection of 2017 soybean production.

Talk about strong demand and we are talking about soybean use. Use is expected to be a record 4,326 million bushels, with projected significant increases in both crush and exports. China's demand for soybeans continues to grow. China continues to take about 63% of the world soybean exports each year, and that is of continuing growing exports and rest of world demand. They also take about that percentage of our exports, and the same percent of larger exports shows increasing demand.

The problem is, projected supply is expected to grow more than projected use. And projected ending stock are expected to grow by 130 million bushels. With projected ending stocks as a percent of use growing from 8% to 11%. Thus lower projected prices.

This does not mean prices will not continue to jump around. At least not until the October 12 report confirms the size of the crop, or doesn't. It would not surprise me if November futures didn't either test August lows or the July highs by the time we know the actual crop size. And then the South America soybean growing season will be in full swing.

CATTLE

So what did the September 1 Cattle-on-Feed Report released September 22 show? The trade was expecting on feed to be up just shy of 3%. With placements in August being down about 3%. And August marketing projected to be up about 6%. You also might want to check out heifer placements relative to steers for possible signs of slowing expansion.

Feeder cattle futures continue their nice uptrend that started late August, as feedlot return remain good, no longer great, for the U.S. as a whole. And other the nearby October futures, live cattle futures have continue the uptrend which began with the August Cattle-on-Feed Report. Has it continued?

Consider watching for pricing opportunities for cattle that will be ready in the near term. And maybe longer term if we see a sharp increase. The big problem for much of the Michigan feedlots continues to be the very variable and much weaker than normal Holstein steer basis.

HOGS

On September 28, about the time you receive this issue the USDA/NASS will release the September 1 Quarterly Hogs and Pigs Report, based on a survey of producers. The report provides information such as hogs and pigs kept for breeding, number of market hogs, weights of market hogs, summer farrowings, summer pig crop, and pigs per litter. This catches the market up on what has happened since the June report was released. How does it match up with trade expectations and weekly slaughter data?

This information will be key in determining expectations for fall slaughter totals as well as peak time. My guess is that the two new plants, one being Clements Food in Michigan, will need to be operating at some significant capacity by November to numbers under total slaughter capacity.

The report also reports farrowing intentions for the next two quarters. And then we know pigs per litter will grow 1-2%. So does the report show expansion, contraction, or about the same, relative to future pork 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-	Proj. 2017-
(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	90.9
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	169.9
(million bushels)																
Beginning Stocks	1596	1087	958	2114	1967	1304	1624	1673	1708	1128	989	821	1232	1731	1737	2350
Production	8967	10089	11807	11114	10531	13038	12092	13092	12447	12360	10755	13829	14216	13602	15148	14184
Imports	14	14	11	9	12	20	14	8	28	29	160	36	32	68	55	50
Total Supply	10578	11190	12776	13237	12510	14362	13729	14774	14182	13517	11904	14686	15479	15401	16940	16585
Use:																
Feed & Residual	5563	5798	6158	6155	5591	5913	5182	5125	4795	4557	4315	5040	5280	5114	5425	5475
Food, Seed & Ind	2340	2537	2686	2981	3490	4387	5025	5961	6426	6428	6038	6493	6601	6648	6870	6925
Ethanol for fuel	996	1168	1323	1603	2119	3049	3709	4591	5019	5000	4641	5124	5200	5224	5435	5475
Total Domestic	7903	8335	8844	9136	9081	10300	10207	11086	11221	10985	10353	11534	11881	11763	12295	12400
Exports	1588	1897	1818	2134	2125	2437	1849	1980	1834	1543	730	1920	1867	1901	2295	1850
Total Use	9491	10232	10662	11270	11206	12737	12056	13066	13055	12528	11083	13454	13748	13664	14590	14250
Ending Stocks	1087	958	2114	1967	1304	1624	1673	1708	1128	989	821	1232	1731	1737	2350	2335
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	16.4
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	\$3.20

Source: USDA/WASDE and Jim Hilker. (9 - 12 - 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. 2017	Proj. 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	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	
(Million Bushels)																
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	
Total Supply	2904	2775	2727	2501	2620	2932	2993	3279	2974	3118	3026	2768	2927	3403	3064	
Use:																
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	
Total Domestic	1194	1169	1152	1137	1051	1260	1138	1128	1180	1388	1260	1151	1174	1164	1166	
Exports	1159	1066	1003	908	1263	1015	879	1289	1051	1012	1176	864	778	1055	975	
Total Use	2353	2235	2155	2045	2314	2275	2018	2417	2231	2400	2436	2015	1951	2219	2141	
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	\$4.60	

Source: USDA/WASDE and Jim Hilker (9 - 12 - 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.	Proj.
(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	88.7		
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	49.9		
(Million Bushels)																		
Beginning Stocks	208	178	112	256	449	574	205	138	151	215	169	141	92	191	197	345		
Production	2756	2454	3124	3063	3197	2677	2967	3359	3329	3094	3042	3358	3927	3926	4307	4431		
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	4801		
Use:																		
Crushings	1615	1530	1696	1739	1808	1803	1662	1752	1648	1703	1689	1734	1873	1886	1895	1940		
Exports	1045	885	1097	940	1116	1159	1279	1499	1501	1365	1317	1638	1842	1942	2170	2250		
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		
Total Use	2791	2526	2986	2873	3081	3056	3047	3361	3280	3155	3111	3478	3862	3944	4183	4326		
Ending Stocks	178	112	256	449	574	205	138	151	215	169	141	92	191	197	345	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	8.3	11.0		
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	\$9.20		

Source: USDA/WASDE and Jim Hilker. (9 - 12 - 17)