

Commodity Market Outlook

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Market Outlook Reports For November 15, 2017

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CORN

The November USDA/NASS Crop Production Report released November 9 projected the 2017 U.S. Corn Yield would set a new record, if realized. Corn futures set new contract lows, dropping over six cents on the new information, and then a few days later, as I write, dropped over four cents again. Has there been any recovery in futures? The basis is relatively strong in many areas, helping local cash prices a bit.

Last's year's record of 174.6 bu/ac smashed the previous 2014 record of 171 by a whopping 3.6 bushels! And then this year's projected 175.4 bu/ac beats that by close to a bushel! The four highest U.S. corn yields have been in the past four years. The final 2017 Corn Production projection will be released January 12, 2018, could it be different? Yes, mostly likely with new information it will be different. But even if the final corn yield turns out to be 2-3 bu/ac lower, it will still be a massive corn crop.

Michigan's projected 2017 corn yield was put 167 bu/ac, down one bushel from the October estimate. This would still be a record yield by 5 bushels per acre. Hard to fathom this year's Michigan corn yield being 5 bushels higher than 2015.

Projected 2017 corn production at 14,578 million bushels was increased 2%, 298 million bushels, from the October report. And while down 571 million bushels from last year due to 3.6 million less acres being planted and harvested, total corn supplies for 2017-18 will only be down 20 million bushels, at 16,922 million bushels, due to the massive beginning stocks.

On the positive side, projected feed use for 2017-18 was increased 75 million bushels. Projected exports were also raised 75 million bushels based on some projected production declines in Eastern Europe. This increased projected total use 150 million bushels. However, this was not enough to offset the increase in production and projected ending stocks were increased 147 million bushels. Ending stocks at 2,487 million bushels, means an ending stocks to use ratio of 17.2%, up from last year's 15.7%.

The market appears willing to pay for on farm storage based on both the futures and the basis being offered in out months, but doesn't really indicate a return to commercial storage. Have we hit our seasonal lows? Or close? I suspect so, if you agree, should we be speculating on some on farm stored corn? Probably higher odds of a return on storage sometime over the next 9 months than a negative return on storage. The key word being sometime.

WHEAT

Wheat futures hit their lowest levels in over a year on October 31, and after recovery less than a dime, have stagnated. Global wheat supplies were lowered fractionally in the November 9 USDA/WASDE World Supply and Demand updates based on lower projected beginning stocks. Global production was raised close to a million tons, but was partially offset by increased projected use. The bottom line is while projected global ending stocks were lowered about a half million tons, 20 million bushels, world ending stocks are projected to remain at record levels.

The USDA increased projected U.S. exports 25 million bushels based on recent sales of hard red winter wheat to Iraq. This lowered projected ending stocks a like amount. Projected 2017-18 U.S. ending stocks are projected to be down 245 million bushels from last year at 935 million, 43.8% of use, but still above the 5 year average. Yes, we are expected to have 43.8% of what we use in a year left over at the end of this year. But that is an improvement from the 53% at the end of last year.

Check out your local bids, but it appears that the market is willing to pay storage for on farm stored wheat into the January, but not much beyond. And at this point, I don't really see any compelling reason to price new crop. Not that I expect a big rally in the near term, or longer term.

SOYBEANS

While soybean futures are trading in about the middle of their range over the past year, they have given up the 26 cent gain right after the October 12 crop production report. The November Crop Production Report did not bring many changes, but that in itself plus the huge corn supplies kept a negative outlook. Mere confirmation that we are having a massive record soybean crop is negative enough.

The November 9 report showed projected yield at 49.5 bu/ac, down a tenth of a bushel. This lowered projected 2017 production by 5 million bushels from the October report. On average the trade was expected a bit more of a decrease. While the 49.5 bu/ac is 2.5 bushels below last year's record of records, it is still the second highest on record, beating the third highest on record, set the year before, by a bushel and a half. The U.S. has had its four best soybean yields the past four years.

Michigan's projected 2017 yield was lowered 4 bushels to 45 bu/ac in the November report versus the October report. This is down a significantly from last's years record 50.5 bu/ac, and about 2 bushel under trend. But would still be the fourth best yield on record.

When you combine the 49.5 bushel yield with 89.5 million harvested acres, 6.8 million acres more than last year, which was the previous record, you have a lot of soybeans. The 2017 soybean production is projected to be 4,425 million bushels, up 129 million from last's year's record production. And when you combine that with 105 million more bushels of beginning stocks, total supplies are up 237 million bushels at 4,752 million.

On the projected 2017-18 use side, the USDA did not make any changes. However, projected use is at record levels, up 113 million bushels from last year's record use. But this still leaves ending stocks up 124 million bushels, at 425 million. This would be 10.2% of use, the highest since the 18.6% in 2006-07. While world use is strong, world projected ending stocks are expected to grow.

Both the futures and forward contract bids in some areas are suggesting the market will pay 4-5 cents per month for storage. While this will pay for most producers on farm storage costs, largely opportunity costs, it doesn't suggest you should pay for commercial storage.

**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
(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	90.4	
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	83.1	
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	175.4	
(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	14578	
Imports	14	14	11	9	12	20	14	8	28	29	160	36	32	68	57	50	
Total Supply	10578	11190	12776	13237	12510	14362	13729	14774	14182	13517	11904	14686	15479	15401	16942	16922	
Use:																	
Feed & Residual	5563	5798	6158	6155	5591	5913	5182	5125	4795	4557	4315	5040	5280	5114	5463	5575	
Food, Seed & Ind	2340	2537	2686	2981	3490	4387	5025	5961	6426	6428	6038	6493	6601	6648	6891	6935	
Ethanol for fuel	996	1168	1323	1603	2119	3049	3709	4591	5019	5000	4641	5124	5200	5224	5439	5475	
Total Domestic	7903	8335	8844	9136	9081	10300	10207	11086	11221	10985	10353	11534	11881	11763	12354	12510	
Exports	1588	1897	1818	2134	2125	2437	1849	1980	1834	1543	730	1920	1867	1901	2293	1925	
Total Use	9491	10232	10662	11270	11206	12737	12056	13066	13055	12528	11083	13454	13748	13664	14647	14435	
Ending Stocks	1087	958	2114	1967	1304	1624	1673	1708	1128	989	821	1232	1731	1737	2295	2487	
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	17.2	
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	\$3.36	\$3.20	

Source: USDA/WASDE and Jim Hilker. (11 - 9 - 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	50.1	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	37.6
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	52.7	46.3
(Million Bushels)															
Beginning Stocks	491	546	540	571	456	306	657	976	862	743	718	590	752	976	1181
Production	2345	2158	2105	1808	2051	2499	2218	2207	1999	2252	2135	2026	2062	2309	1741
Imports	68	71	82	122	113	127	119	97	112	123	173	151	113	118	150
Total Supply	2904	2775	2727	2501	2620	2932	2993	3279	2974	3118	3026	2768	2927	3402	3071
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	157	120
Total Domestic	1194	1169	1152	1137	1051	1260	1138	1128	1180	1388	1260	1151	1174	1167	1136
Exports	1159	1066	1003	908	1263	1015	879	1289	1051	1012	1176	864	778	1055	1000
Total Use	2353	2235	2155	2045	2314	2275	2018	2417	2231	2400	2436	2015	1951	2222	2136
Ending Stocks	546	540	571	456	306	657	976	862	743	718	590	752	976	1181	935
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	53.2	43.8
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 (11 - 9 - 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	90.2		
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	89.5		
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	52.0	49.5		
(Million Bushels)																		
Beginning Stocks	208	178	112	256	449	574	205	138	151	215	169	141	92	191	197	301		
Production	2756	2454	3124	3063	3197	2677	2967	3359	3329	3094	3042	3358	3927	3926	4296	4425		
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	4141	4515	4752		
Use:																		
Crushings	1615	1530	1696	1739	1808	1803	1662	1752	1648	1703	1689	1734	1873	1886	1899	1940		
Exports	1045	885	1097	940	1116	1159	1279	1499	1501	1365	1317	1638	1842	1942	2174	2250		
Seed	89	92	88	93	80	93	90	90	87	90	89	97	96	97	105	101		
Residual	41	19	105	101	77	0	16	20	43	-2	16	10	50	18	36	35		
Total Use	2791	2526	2986	2873	3081	3056	3047	3361	3280	3155	3111	3478	3862	3944	4214	4326		
Ending Stocks	178	112	256	449	574	205	138	151	215	169	141	92	191	197	301	425		
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	7.1	9.8		
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	\$9.47	\$9.30		

Source: USDA/WASDE and Jim Hilker. (11 - 9 - 17)