



Weekly Outlook: USDA Reports Provide Support to Soybean Prices

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On January 12, the USDA released a set of reports with major implications for corn and soybean prices in 2017. The National Agricultural Statistics Service (NASS) released the [final estimates of the 2016 U.S. corn and soybean crops](#) and [estimates of the stocks of corn and soybeans in storage](#) as of December 1, 2016. Additionally, the World Agricultural Outlook Board released new forecasts for U.S. and world supply, ending stocks, and consumption levels during the 2016-17 marketing year on both crops. These estimates and forecasts will affect corn and soybean price dynamics through the spring of 2017. The following discussion recaps corn and soybean crop estimates and the price implications associated with them.

Soybean production for the United States in 2016 is estimated at 4.307 billion bushels. Production is down one percent from the November forecast of 4.36 billion bushels but is still a record level of production. The harvested acreage estimate of 82.7 million acres is down from the November forecast of 83.0 million acres. Average soybean yield of 52.1 bushels per acre is 0.4 bushels lower than the November forecast. December 1 soybean stocks of 2.895 billion bushels came in 40 million bushels below trade expectations. The stocks estimate for the first quarter of the marketing year indicates a disappearance of 1.61 billion bushels. The December 1 soybean stocks number is a record high and 181 million bushels larger than last year.

The WASDE report maintained the forecasts for major soybean consumption categories projected in the December report. Soybean crush and exports retained the forecast levels of 1.93 and 2.05 billion bushels respectively. Total use is forecast at 4.108 billion bushels. At 420 million bushels, the ending stocks forecast decreased 60 million bushels based on lower soybean production. The U.S. marketing year average price is projected in a range of \$9.00 - \$10.00, compared to last month's projection of \$8.70 - \$10.20.

World production forecasts for the marketing year decreased from 12.4 to 12.32 billion bushels on the smaller U.S. crop. The Brazilian soybean production forecast increased by 73.48 million bushels over the December forecast to 3.79 billion bushels. The Argentinian soybean production forecast stayed at 2.08 billion bushels despite reports of delayed planting in many regions. The Brazilian soybean export forecast is raised 40 million bushels reflecting the increased crop production levels. Brazil and Argentina soybean exports are forecast to be 2.51 billion bushels over the marketing year.

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Corn production for the United States in 2016 is estimated at 15.15 billion bushels. Production is down one percent from the November forecast of 15.2 billion bushels. The harvested acreage estimate of 86.7 million acres is down from the November forecast of 86.8 million acres. Average corn yield of 174.6 bushels per acre is 0.7 bushels lower than the November forecast. December 1 corn stocks came in at 12.38 billion bushels, a record high. The estimate is 84 million bushels above trade expectations and indicates a total disappearance of 4.56 billion bushels in the first quarter of the marketing year. The lower domestic supply numbers combined with higher stocks indicating lower than expected corn use sent a mixed signal for corn prices.

The WASDE report for U.S. corn forecast during 2016-17 reflected the dichotomy of the corn reports. At 5.6 billion bushels, the forecast for corn feed use and residual moved lower by 50 million bushels. An increase in the ethanol use forecast by 25 million bushels offset the feed use forecast reduction for the marketing year. United States exports for corn maintained the 2.225 billion bushels forecast in December. Ending stocks forecast came in at 2.35 billion bushels for the 2016-17 marketing year. The ending stocks forecast is 48 million bushels lower than the December forecast. The range of the U.S. marketing year average price increased by five cents from the December projection to a projected in a range of \$3.10 - \$3.70.

World supply and demand projections for corn in the 2016/17 marketing year moved lower due to a reduction in United States production numbers. Brazil's corn production forecast stayed at 3.41 billion bushels despite numerous reports indicating the possibility of a larger crop in the country. For the marketing year, Argentinian production forecasts stayed at 1.44 billion bushels. In total, Brazil and Argentina production forecasts exceed 2015-16 production estimates by 1.07 billion bushels and signify a recovery from the poor crop last year. Argentina and Brazil are forecast to export an additional 635 million bushels each above the 2015-16 estimates. South American corn exports for the marketing year are forecast to be 2.08 billion bushels. Given the increase in South American production and exports, the evolution of crop conditions in the region will be a major driver of corn price dynamics in 2017.

The reports provide support for soybean prices in the short term and are ambivalent for corn prices. Despite lowering corn and soybean ending stocks forecasts, one cannot ignore the large crop potential currently unfolding in South America and the implications for U.S. exports in 2017. Corn and soybeans prices will reflect the pace of consumption and crop prospects in South America. Corn prices will likely average in the upper range of the USDA's projection through the spring while soybean prices show the potential for falling into the lower half of the projected range as we move through the marketing year.

References

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