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Weekly Outlook: Corn and Soybean Production Outlook in 2017-18

Todd Hubbs

Department of Agricultural and Consumer Economics
University of Illinois

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Given the price reaction, the market remains uncertain about the USDA's September forecast of 2017 corn and soybean production. November 2017 soybean futures closed at \$9.68 on September 15 down seven cents on the day but up from the \$9.61 close of a week ago. Despite the increase in corn yield, December corn futures prices stayed in a tight range between \$3.53 and \$3.55 to close out the week.

USDA's September soybean production forecast for 2017 came in at 4,431 million bushels, up 50 million bushels over the August forecast. Yield per harvested acre increased to 49.9 from the August forecast of 49.4. Compared to the August forecast, yield prospects for the top ten states in soybean acreage increased in Indiana, Iowa, Kansas, North Dakota, South Dakota, and Ohio. Yield prospects declined in Minnesota and Nebraska, while they remained the same for Illinois and Missouri.

Despite the increased production forecast, total supply for the 2017-18 marketing year increased only 24 million bushels to 4.801 billion bushels. The smaller supply increase was due to lower beginning stocks for the marketing year. Soybean crush and export estimates for the 2016-17 marketing year increased and lowered ending stocks by 25 million bushels to 345 million bushels. The USDA increased to 2017-18 soybean export forecast by 25 million bushels to 2,250 million bushels. This left the 2017-18 ending stocks forecast at 475 million bushels, the same as the August projection. The seasonal average price for soybeans projected by the USDA is down ten cents with a range of \$8.35 - \$10.05. If production issues do not materialize, the rate of consumption for this large crop will be paramount. The ample supply of soybeans places an increased emphasis on the ability to export soybeans throughout the marketing year and brings South American production prospects in focus.

South American production for the 2017-18 marketing year is forecast to be 6,570 million bushels, down 4.7 percent from last year's estimate. The projected size of the Brazilian soybean crop decreased by 257 million bushels to a production level of 3,931 million bushels. Current reports out of Brazil indicate dry weather is delaying the start of the planting season in many areas. A weather outlook for Brazil indicates continued dryness, which may delay planting even longer and have implications for second crop corn planting in the region. The soybean production forecast for Argentina decreased 1.4 percent from last year's estimate to 2,094 million bushels. Wet weather appears to be influencing Argentine soybean planting. The Rosario Grain Exchange set soybean production within the country at 2,002 million bushels, down almost five percent from last year on tight margins for Argentine producers. World soybean

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production for 2017-18 marketing year came in at 12,803 million bushels, down .9 percent from last year. World ending stocks projections decreased nine million bushels from August projections to 3,584 million bushels, but are up 58 million bushels from the 2016-17 marketing year estimate.

For corn, USDA's September production forecast for 2017 came in at 14,184 million bushels, up 31 million bushels over the August forecast. Yield per harvested acre increased to 169.9 from the August forecast of 169.5. Compared to the August forecast, yield prospects for the top ten states in corn acreage increased in Illinois, Ohio, Missouri, North Dakota, and South Dakota. Yield prospects declined in Indiana, Iowa, Minnesota, and Nebraska and remained the same for Kansas.

Total supply for corn during the 2017-18 marketing year was forecast to increase 12 million bushels to 16.585 billion bushels. The ending stocks estimate for the 2016-17 marketing year decreased by 20 million bushels to 2,350 on stronger exports and ethanol use. The USDA increased to 2017-18 feed and residual use forecast by 25 million bushels to 5,475 million bushels. Food, Seed, and Industrial consumption was lowered 75 million bushels on lower ethanol and industrial use. This left the 2017-18 ending stocks forecast at 2,335 million bushels, up from the August projection of 2,273 million bushels. USDA's forecast for the seasonal average corn price also decreased 10 cents in a range of \$2.80 -\$3.60. Production issues or sharp demand increases will need to materialize to exceed this range during the current marketing year.

World production projections for 2017-18 decreased 3.6 percent from last year estimates to 40.65 billion bushels. The September world ending stocks projection increased slightly to 7,971 million bushels for the 2017-18 marketing year and is down 964 million bushels from the 2016-17 marketing year estimate. The projected size of the Brazilian corn crop remained 3,740 million bushels, down 3.5 percent from last year. Corn production projections for Argentina during the 2017-18 marketing year currently sit at 1,653 million bushels, up five percent from August projections and 2.4 percent from this year's estimates. Chinese production is forecast at 8,464 million bushels, down 2.1 percent from last year's estimate. The reduction in production combined with a projected decrease in ending stocks in China by 787 million bushels encapsulates a majority of the ending stocks decrease forecast for the world.

The current weather outlook for the next 8-14 days projects warmer temperatures and more precipitation over many areas of the Corn Belt. The drought monitor released on September 12 indicated abnormally dry to drought conditions over large areas of Kansas, Iowa, Illinois, North Dakota and Missouri. Recent dryness may limit yield potential for soybeans and late finishing corn in these key production regions. The market now anticipates the October production forecast. Barring a significant decrease in production, both corn and soybean prices will be dependent on strong consumption throughout the marketing year.