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## Weekly Outlook: Large U.S. Corn and Soybean Production Prospects Confirmed

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Today, the USDA released the September [Crop Production](#) and [WASDE](#) reports. Market participants were mostly anticipating the new forecasts of the size of the 2016 U.S. corn and soybean crops and the implications for the level of stocks at the end of the marketing year that started on September 1. However, given the current environment of low crop prices, particularly for corn, all changes from the August forecasts of world production and consumption will be viewed with interest.

Last month, the USDA forecast the U.S. average corn yield at 175.1 bushels per acre, resulting in a production forecast of a record large crop of 15.153 billion bushels. The September forecast is for an average yield of 174.4 bushels and a crop of 15.093 billion bushels. The corn yield forecast was reduced by five bushels for South Dakota and Tennessee, but increased by six bushels for Kansas and five bushels for Michigan.

The estimated size of the 2016 Brazilian corn crop was reduced by 60 million bushels and the crop is estimated to be 710 million bushels smaller than the 2015 harvest. The 2017 Brazilian crop is projected at 3.25 billion bushels, 610 million bushels larger than the 2016 crop and 100 million bushels smaller than the 2015 crop. Argentine corn production is expected to grow by 335 million bushels (30 percent). Corn production outside the U.S is projected at 25.323 billion bushels, slightly smaller than the August forecast, but 1.17 billion larger than the previous crop.

Consistent with our analysis of last week, the estimate of 2015-16 marketing year exports of U.S. corn was reduced by 10 million bushels, to a total of 1.915 billion bushels. Year-ending stocks, to be estimated in the USDA's September 30 *Grain Stocks* report, are projected at 1.716 billion bushels, 10 million larger than last month's forecast. For the 2016-17 marketing year, the forecast of feed and residual use was lowered by 25 million bushels to reflect the smaller crop forecast. Projected feed and residual use of 5.65 billion bushels is still 450 million bushels (8.7 percent) larger than the forecast for the year just ended. The estimate of feed and residual use for the 2015-16 marketing year will be finalized with the estimate of September 1 stocks to be released on September 30.

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U.S. corn exports are expected to grow to 2.175 billion bushels during the current marketing year as the small 2016 Brazilian crop keeps U.S. corn very competitive in the world market for several more months. Stocks at the end of the current marketing year that began on September 1 are projected at 2.384 billion bushels, just 25 million bushels less than projected last month. Stocks at the projected level represent 16.5 percent of projected marketing year consumption, the largest ratio in 11 years, but still modest by historic standards. Year ending stocks last exceeded two billion bushels in 2005 and those stocks represented 19.8 percent of marketing year consumption. The USDA projects the 2016-17 marketing year average farm price in a range of \$2.90 to \$3.50, \$.05 higher than last month's projection. The average price for the 2015-16 marketing year is projected at \$3.60 per bushel.

Last month, the USDA forecast the U.S. average soybean yield at 48.9 bushels per acre, resulting in a production forecast of a record large crop of 4.06 billion bushels. The September forecast is for an average yield of 50.6 bushels and a crop of 4.201 billion bushels. The soybean yield forecast was increased by three bushels for Indiana, Kentucky, and Tennessee and by four bushels for Illinois and Kansas. The Illinois average yield is projected at 61 bushels per acre. The 2017 Brazilian soybean crop is projected at 3.711 billion bushels, 165 million larger than the 2016 crop, but about 75 million less than projected last month.

Consistent with our analysis of last week, the estimate of 2015-16 marketing year exports of U.S. soybeans was increased by 60 million bushels, to a total of 1.94 billion bushels. Year-ending stocks, to be estimated in the USDA's September 30 *Grain Stocks* report, are projected at 195 million bushels, 60 million smaller than last month's forecast. For the 2016-17 marketing year, the forecast of the domestic crush was increased by 10 million bushels, to a total of 1.95 billion, and the projection of exports was increased by 35 million bushels, to a total of 1.985 billion. Stocks at the end of the current marketing year that began on September 1 are projected at 365 million bushels, 35 million bushels larger than projected last month. At the projected level, stocks would represent nine percent of projected use, just marginally higher than the ratio for the 2015-16 marketing year. The USDA projects the 2016-17 marketing year average farm price in a range of \$8.30 to \$9.80, \$.05 lower than last month's projection. The average price for the 2015-16 marketing year is projected at \$8.95 per bushel.

The U.S. corn and soybean crops have been very large in each of the past four years (including the current year). Due in part to the shortfall in South American production in 2016, the consecutive large crops is expected to result in relatively modest inventories of U.S. corn and soybeans at the end of the current marketing year. While the build-up in stocks has pushed prices to below break-even levels for many producers (particularly for corn) prices have remained well above the levels experienced prior to 2006-07. With a return to more normal levels of production in South America in 2017, however, a supply reduction somewhere else in the world may be required to bring prices back to levels experienced prior to the decline that began in 2014-15.

## References

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