

Commodity Market Outlook

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Market Outlook Reports For July 11, 2017

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CORN

As I started writing this article, Dec corn futures had closed at \$4.14 3/4, beating the June 9 high, and the highest since June 17, 2016. Much of this price increase was based on actual and projected high temps and shortage of moisture in the western Corn Belt during pollination. How much of a factor did this turn out to be? And while corn futures are trading a bit lower this morning, if prices are still near this level or higher when you read this article, and you have not priced much to date, consider pricing some.

In Table 1, the Supply/Demand Balance Sheet for Corn, I have tried to incorporate the USDA June 1 Acreage and Stocks reports released June 30, along with the weather and crop condition reports since then. On June 12, tomorrow, the USDA released updated Supply/Demand Reports including the June 30 information for the first time. How do they match up with mine?

The USDA June 1 Stocks report showed corn stocks three-quarters of the way through the marketing year about 65 million bushels more than the average trade expectation, but well within the range of trade expectations. In response to that I lowered 2016-17 estimated feed use by 50 million bushels. But I also increased 2016-17 exports by 25 million bushels based on exports and exports sales to date. The net increased estimated 2016-17 ending stocks by 25 million bushels, which will increase the 2017-18 supplies by a like amount.

The USDA June Acreage Report showed U.S. producers planted 90.886 million acres of corn for 2017. While this is down about 3.1 million acres from last year, it was 890,000 acres more than

the March Prospective Planting Report indicted producers intended to plant. And is the sixth largest on record, all coming since 2007. Given the recent weather and crop condition reports, I have put the projected 2017 yield at 167.7 bu/ac. The USDA is likely to stay with their trend yield, 170.7 bu/ac, until the August crop production report when they will release the first survey based corn production projection.

I left the use projections for 2017-18 the same as the USDA June report. But given my lower yield estimate my production estimate is lower despite the million more acres to be harvested and the extra 25 million bushels of beginning stocks. With the stocks to use ratio dropping to 14.5%, I raised my average price estimate by 20 cents over the June USDA projection given these numbers. May be a bit optimistic, what is the market saying.

Michigan planted 2.5 million acres for corn for 2017, 100,000 acres more than last year. The direction differing from the U.S. as a whole, up versus down. And also interesting, is it is 200,000 acres higher than the March intentions, where producers indicated they would plant less corn than the previous year.

WHEAT

The June 1 wheat stocks figure for wheat is also the 2016-17 ending stocks figure and the 2017-18 beginning stocks figure, as the wheat marketing year runs from June 1 to May 31. The survey put wheat stocks at 1.184 billion bushels, 23 million bushels more than the June USDA estimate, and 30 million more than the average trade expectation. I decreased the 2016-17 feed and residual use by 23 million bushels.

The acreage report showed all wheat acres down about 40,000 acres, at 45.7 million acres, from both the average trade expectation and the March intentions. Winter wheat acres planted pretty much matched average trade expectations and March intentions, the decrease was all in durum and spring wheat planted. The decrease in durum and spring wheat plantings from expectations and previous intentions are due to weather. It is now very dry, so not only will planted acres be down, but harvested acres will be down as well as yields. The July 9 crop conditions reports was the worse in several years.

In Table 2, the Supply/Demand Balance Sheet for Wheat, I lowered the projected all wheat yield by 1.3 bu/ac to 45 bu/ac, due to the poorer expected Spring and Durum wheat yields. Durum and spring wheat make up 28% of the planted acres. How did that

match up to the July 12 wheat crop production report yields? I also lowered project feed use 20 million bushels based on less wheat and higher wheat prices, especially relative to corn prices. My Table 2 projections lead to ending stocks to use down to 40% versus last year's 53.4%.

This advice may come too late, but consider pricing much of your wheat as you harvest, or at least before the end of the summer.

SOYBEANS

As I write, November soybean futures are the highest they have been in the past year at \$10.42. And for those of you who have read this article regularly, you know I thought the November 2017 price was good last December, and each of the three winter highs. I have not changed my mind.

The stocks report $\frac{3}{4}$ of the way through the soybean marketing year showed soybean stocks at 963 million bushels, about 18 million less than the trade expected. I increased residual use by 16 million bushels to account for this. This lowered 2016-17 ending stocks by a like amount, which also decreases 2017-18 supply by 18 million bushels. Helping old and new crop prices.

The June acreage report showed producers planted 89.51 million acres. This is 6.1 million more acres than last year, and 200,000 more than the March intentions, but 440,000 less than trade expectation. Which helps old and new crop soybean prices. I also lowered the projected yield by a bushel relative to the USDA trend yields base on the crop conditions reports and weather expectations. And I believe the market thinks the same, and this helps old and new crop soybean prices.

On the use side, I lowered expected soybean exports for 2017-18 50 million bushels, relative to the USDA June estimate, due to higher projected process and the huge South American crop. Don't get me wrong, I still am bullish soybean demand, my new estimate of 2100 million bushels would still be 50 higher than last year despite the huge South American this past year and poorer crop they year before. As shown on Table 3, this puts projected ending stocks to use at 10.6% of use, versus the June estimate of 11.7% of use. So I have upped my projected price estimate to \$9.55 from \$9.00, and from the USDA's June projection of \$9.30.

Michigan planted 2.3 million acres of soybeans, 230,000 acres more than last year, although 50,000 less than Michigan's March intentions. This put combined corn and soybeans acres up 330,000 acres in Michigan. Winter wheat acres were down 130,000. All hay acres were up 30,000 acres. Sugarbeet acres were down 8,000.

HOGS

Pork production is up, and hog prices are up. Not a normal situation. The reasons are very strong export demand and lower retail prices have helped consumption. The June 1 USDA Quarterly Hogs and Pigs Report released June 29 suggested production would keep growing. But perhaps a bit slower as we enter 2018.

All hogs and pigs were up 3.4%, with the breeding herd being up 1.5% and market hogs being up 3.6%. Sows farrowed in March-May was up 3%, versus the 1% indicated in the March report. Pigs per litter were up 1%, making the March-May pig crop up 4%. June-Aug and Sep-Nov projected farrowings are both projected to be the same as last year. So projected growth would be determined by increases in pigs per litter.

The above indicates third quarter production will be up about 4%, fall production up about 3%, and first half of 2018 pork production up about 1-2%. If demand stays strong enough through the end of the year, next years projected increase hardly meet population growth. This speaks relative well for projected hog prices. The kicker could be higher feed costs.

**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	Hilker 2016- 2017	Hilker 2017- 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	90.9
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	167.7
(million bushels)																
Beginning Stocks	1596	1087	958	2114	1967	1304	1624	1673	1708	1128	989	821	1232	1731	1737	2320
Production	8967	10089	11807	11114	10531	13038	12092	13092	12447	12360	10755	13829	14216	13602	15148	14004
Imports	14	14	11	9	12	20	14	8	28	29	160	36	32	67	55	50
Total Supply	10578	11190	12776	13237	12510	14362	13729	14774	14182	13517	11904	14686	15479	15401	16940	16374
Use:																
Feed & Residual	5563	5798	6158	6155	5591	5913	5182	5125	4795	4557	4315	5040	5280	5123	5450	5425
Food, Seed & Ind	2340	2537	2686	2981	3490	4387	5025	5961	6426	6428	6038	6493	6601	6643	6920	7000
Ethanol for fuel	996	1168	1323	1603	2119	3049	3709	4591	5019	5000	4641	5124	5200	5224	5450	5500
Total Domestic	7903	8335	8844	9136	9081	10300	10207	11086	11221	10985	10353	11534	11881	11766	12370	12425
Exports	1588	1897	1818	2134	2125	2437	1849	1980	1834	1543	730	1920	1867	1898	2250	1875
Total Use	9491	10232	10662	11270	11206	12737	12056	13066	13055	12528	11083	13454	13748	13664	14620	14300
Ending Stocks	1087	958	2114	1967	1304	1624	1673	1708	1128	989	821	1232	1731	1737	2320	2074
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	15.9	14.5
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	\$3.60

Source: USDA/WASDE and Jim Hilker. (6 - 30 - 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	Hilker 2016- 2017	Hilker 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	50.2	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	45.0
(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	1715
Imports	68	71	82	122	113	127	119	97	112	123	173	151	113	117	140
Total Supply	2904	2775	2727	2501	2620	2932	2993	3279	2974	3118	3026	2768	2927	3402	3040
Use:															
Food	907	910	915	938	948	927	919	926	941	951	955	958	957	955	955
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	152	167	150
Total Domestic	1194	1169	1152	1137	1051	1260	1138	1128	1180	1388	1260	1151	1177	1183	1171
Exports	1159	1066	1003	908	1263	1015	879	1289	1051	1012	1176	864	775	1035	1000
Total Use	2353	2235	2155	2045	2314	2275	2018	2417	2231	2400	2436	2015	1952	2218	2171
Ending Stocks	546	540	571	456	306	657	976	862	743	718	590	752	976	1184	869
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	50.0	53.4	40.0
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	\$3.90	\$4.30

Source: USDA/WASDE and Jim Hilker (6 - 30 - 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	Hilker 2016-	Hilker 2017-
(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	47.0
(Million Bushels)																
Beginning Stocks	208	178	112	256	449	574	205	138	151	215	169	141	92	191	197	434
Production	2756	2454	3124	3063	3197	2677	2967	3359	3329	3094	3042	3358	3927	3926	4307	4170
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	4630
Use:																
Crushings	1615	1530	1696	1739	1808	1803	1662	1752	1648	1703	1689	1734	1873	1886	1910	1950
Exports	1045	885	1097	940	1116	1159	1279	1499	1501	1365	1317	1638	1842	1936	2050	2100
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	25	30	34
Total Use	2791	2526	2986	2873	3081	3056	3047	3361	3280	3155	3111	3478	3862	3944	4094	4185
Ending Stocks	178	112	256	449	574	205	138	151	215	169	141	92	191	197	434	445
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	10.6	10.6
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	\$9.55	\$9.55
Source: USDA/WASDE and Jim Hilker. (6 - 30 - 17)																