

# Commodity Market Outlook

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## Market Outlook Reports For January 4, 2018

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### CORN

On January 12, 2018 USDA/NASS released the 2017 Annual Crop Report and December 1 Quarterly Stocks Reports. And while there were no super surprises, there were meaningful updates for the U.S. as a whole, and significant updates in the Michigan corn numbers. But none of the reports really changed the story, the U.S. and the world have a huge corn supply, and that is not likely to change soon. But there will be weather events over time which may give us decent pricing opportunities if we are ready. The Brazilian second season corn crop will start soon, and then we will have our planting season. What will the March survey of U.S. 2018 planting intentions report show? You saw my discussion in the December issue, and I have updated those numbers in the third column of the Balance Sheets below.

While 2017 corn production was down 3.6% from 2016, due to the larger beginning stocks, 2017-18 supplies are the same as 2017-16. The January report lowered planted acres 200,000 acres and harvested acres 400,000 acres, relative to the November report. However, yields were projected to be a record 176.6 bu/ac, up 1.2 bu/ac from the November projection and up 2 bu/ac from the record yield set last year. This put reported 2017 corn production at 14,604 million bushels 26 million bushels up from the November Projection. The U.S. has now had its four highest yields the past four years, as well as production.

Michigan's 2017 yield was projected to be 159 bu/ac, the third highest on record and up 2 bu/ac from 2016. Michigan's record yield is 162 bu/ac set in 2015. Michigan planted 2.25 million acres and harvested 1.890 million acres, both 150,000 acres less than last year. And about 200,000 acres less than the 10 year averages.

USDA/WASDE incorporated the above changes along with the information gathered from the quarterly stocks reported in the January 12 Supply/Demand monthly update and shown in the second column of Table 1. Supply was raised 25 million bushels due to the 26 million bushel increase in projected production and a slight decrease in beginning stocks. Food, seed, and industrial use was raised 10 million bushels due to more corn being used to produce glucose and dextrose. However, feed and residual use was decreased 25 million bushels based on lower than expected disappearance in the first quarter, September-November period, as reflected by the December 1 stocks report.

25 million larger supply and 15 million lower total use increased projected 2017-18 ending stocks 40 million bushels. The 2,477 million bushels ending stocks would be 17.1% of use. Higher than last year's 15.7%, and the highest since 2005-06. The midpoint of USDA's price forecast was \$3.25.

What does this say? Without a significant increase in demand or decrease in supply, prices are not likely to vary much. And even then, the movement will be much less volatile than when stocks were much tighter from 2007-2014.

## **WHEAT**

The annual crop production report did not make any changes to 2017 wheat production projections from the September Small Grains Summary. The 2017 planted acres, harvested acres, and yield are shown in the second column of Table 2. The USDA did increase the 2017-18 import projection by five million bushels, which increased projected total supply by a like amount.

However, while the 2017 production numbers remained the same, the December 1 Wheat Quarterly Stocks Report and the 2018 Winter Wheat Seeding Report differed from expectations. Based on the September-November disappearance, derived partially from the stocks report, 2017-18 feed and residual use was lowered 20 million bushels. And based on the 2018 winter wheat seeding report, which showed more acres planted than the trade expected, but less acres than the USDA seed use was based on, 2017-18 seed use was lowered 4 million bushels.

This increased the 2017-18 projected ending stocks by 24 million bushels. And put 2017-18 wheat stocks to use at 47%. However, world projected ending stocks are projected to grow. We are in a situation where pricing opportunities may be less frequent and not as pronounced as the 2007-2014 period.

The average trade expectation for winter wheat seedings was 31.4 million acres, and the survey came in showing 32.6 million, down slightly 32.7 million acres last year. So between the lower feed use, the slightly higher imports, and the larger than expected acreage futures drops around 12 cents.

However, the 32.6 million acres of winter wheat is still 100,000 acres below last year, which was the second lowest plantings since record keeping began. While the total planting did not change much, the makeup did. Hard Red Winter (HRW) wheat seeded area is expected to total 23.1 million acres, down 2 percent from 2017. Soft Red Winter (SRW) wheat seeded area totals 5.98 million acres, up 4 percent from last year. White Winter wheat seeded area totals 3.56 million acres, up 1 percent from 2017.

Michigan planted 530,000 acres of wheat, up 50,000 acres from last year when soybean harvest ran late. But down from the 610,000 acres planted for the 2016 crop.

I adjusted the total wheat planted for the 2018-19 season in last column of Table 2 to reflect the new information. Even with the increase in expected plantings, my analysis shows ending stocks will drop significantly. And while 41% of use is still quite high, coming down from 47% is meaningful.

## **SOYBEANS**

The Annual Crop Production Report did make some changes in the 2017 projections for planted an acres, and the yield which gave the futures around an 11 cent boost. The 2017 planted acres were lowered 100,000 acres to 90.1 million acres, although projected harvested acres were up fractionally at 89.5 million acres. The 2017 projected yield was lowered from 49.5 bu/ac to 49.1 bu/ac. The net was 2017 soybean production was lowered 34 million bushels, and the market liked it along with a few other things.

While the 49.1 bu/ac was lower than the November survey showed, and down from last's year's record of record yield of 52 bu/ac, it is still the second highest yield on record by 1.1 bu/ac. Like corn, the past four years have both the four highest yields on record, as well as the four largest soybean crops on record.

Michigan planted 2.28 million acres and harvested 2.27 million acres. Michigan's yield was not terrible, but was a disappointing 42.5 bu/acre, the August drought hurt. The trend yield would have been near 46.5 bu/ac.

Exports to date and export sales to date have been running significantly below what was needed to meet the 2017-18 soybean export projections. The USDA lowered their export projection by 65 million bushels based on that information. They also raised projected crush 10 million bushels and lowered projected seed use 3 million bushels. The net of all this was projected ending stocks going up 24 million bushels. So what is bullish about that? Well, the trade was expecting projected ending stocks to be even higher...

**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	Est. 2016- 2017	Proj. 2017- 2018	Hilker 2018-
<b>(million acres)</b>																	
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	90.2	90.1
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	80.8	86.7	82.7	82.5
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	176.6	171.4
<b>(million bushels)</b>																	
Beginning Stocks	1596	1087	958	2114	1967	1304	1624	1673	1708	1128	989	821	1232	1731	1737	2293	2477
Production	8967	10089	11807	11114	10531	13038	12092	13092	12447	12360	10755	13829	14216	13602	15148	14604	14140
Imports	14	14	11	9	12	20	14	8	28	29	160	36	32	68	57	50	50
<b>Total Supply</b>	<b>10578</b>	<b>11190</b>	<b>12776</b>	<b>13237</b>	<b>12510</b>	<b>14362</b>	<b>13729</b>	<b>14774</b>	<b>14182</b>	<b>13517</b>	<b>11904</b>	<b>14686</b>	<b>15479</b>	<b>15401</b>	<b>16942</b>	<b>16947</b>	<b>16667</b>
<b>Use:</b>																	
Feed & Residual	5563	5798	6158	6155	5591	5913	5182	5125	4795	4557	4315	5040	5280	5114	5467	5550	5600
Food, Seed & Ind	2340	2537	2686	2981	3490	4387	5025	5961	6426	6428	6038	6493	6601	6648	6889	6995	7020
Ethanol for fuel	996	1168	1323	1603	2119	3049	3709	4591	5019	5000	4641	5124	5200	5224	5439	5525	5540
<b>Total Domestic</b>	<b>7903</b>	<b>8335</b>	<b>8844</b>	<b>9136</b>	<b>9081</b>	<b>10300</b>	<b>10207</b>	<b>11086</b>	<b>11221</b>	<b>10985</b>	<b>10353</b>	<b>11534</b>	<b>11881</b>	<b>11763</b>	<b>12356</b>	<b>12545</b>	<b>12620</b>
Exports	1588	1897	1818	2134	2125	2437	1849	1980	1834	1543	730	1920	1867	1901	2293	1925	1935
<b>Total Use</b>	<b>9491</b>	<b>10232</b>	<b>10662</b>	<b>11270</b>	<b>11206</b>	<b>12737</b>	<b>12056</b>	<b>13066</b>	<b>13055</b>	<b>12528</b>	<b>11083</b>	<b>13454</b>	<b>13748</b>	<b>13664</b>	<b>14649</b>	<b>14470</b>	<b>14555</b>
Ending Stocks	1087	958	2114	1967	1304	1624	1673	1708	1128	989	821	1232	1731	1737	2293	2477	2112
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	17.1	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	\$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	\$3.25	\$3.45

Source: USDA/WASDE and Jim Hilker. (1 - 12 - 18)

**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	Hilker 2018- 2019
<b>(Million Acres)</b>																
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	45.9
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	39.1
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	52.7	46.3	46.9
<b>(Million Bushels)</b>																
Beginning Stocks	491	546	540	571	456	306	657	976	862	743	718	590	752	976	1181	989
Production	2345	2158	2105	1808	2051	2499	2218	2207	1999	2252	2135	2026	2062	2309	1741	1835
Imports	68	71	82	122	113	127	119	97	112	123	173	151	113	118	155	135
<b>Total Supply</b>	<b>2904</b>	<b>2775</b>	<b>2727</b>	<b>2501</b>	<b>2620</b>	<b>2932</b>	<b>2993</b>	<b>3279</b>	<b>2974</b>	<b>3118</b>	<b>3026</b>	<b>2768</b>	<b>2927</b>	<b>3402</b>	<b>3076</b>	<b>2959</b>
Use:																
Food	907	910	915	938	948	927	919	926	941	951	955	958	957	949	950	950
Seed	80	78	78	82	88	78	69	71	76	73	77	79	67	61	62	64
Feed and Residual	212	182	160	117	16	255	150	132	162	364	228	114	149	157	100	130
<b>Total Domestic</b>	<b>1194</b>	<b>1169</b>	<b>1152</b>	<b>1137</b>	<b>1051</b>	<b>1260</b>	<b>1138</b>	<b>1128</b>	<b>1180</b>	<b>1388</b>	<b>1260</b>	<b>1151</b>	<b>1174</b>	<b>1167</b>	<b>1112</b>	<b>1144</b>
<b>Exports</b>	<b>1159</b>	<b>1066</b>	<b>1003</b>	<b>908</b>	<b>1263</b>	<b>1015</b>	<b>879</b>	<b>1289</b>	<b>1051</b>	<b>1012</b>	<b>1176</b>	<b>864</b>	<b>778</b>	<b>1055</b>	<b>975</b>	<b>960</b>
<b>Total Use</b>	<b>2353</b>	<b>2235</b>	<b>2155</b>	<b>2045</b>	<b>2314</b>	<b>2275</b>	<b>2018</b>	<b>2417</b>	<b>2231</b>	<b>2400</b>	<b>2436</b>	<b>2015</b>	<b>1951</b>	<b>2222</b>	<b>2087</b>	<b>2104</b>
Ending Stocks	546	540	571	456	306	657	976	862	743	718	590	752	976	1181	989	870
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	47.4	41.4
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	\$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	\$4.75

Source: USDA/WASDE and Jim Hilker (1 - 12 - 2018)

**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	Est. 2016- 2017	Proj. 2017- 2018	Hilker 2018- 2019
<b>(Million Acres)</b>																	
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	90.1	91.0
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	90.0
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	49.1	48.3
<b>(Million Bushels)</b>																	
Beginning Stocks	208	178	112	256	449	574	205	138	151	215	169	141	92	191	197	302	470
Production	2756	2454	3124	3063	3197	2677	2967	3359	3329	3094	3042	3358	3927	3926	4296	4392	4347
Imports	5	6	6	3	9	10	13	15	14	16	41	72	33	24	25	25	25
<b>Total Supply</b>	<b>2969</b>	<b>2638</b>	<b>3242</b>	<b>3322</b>	<b>3656</b>	<b>3261</b>	<b>3185</b>	<b>3512</b>	<b>3495</b>	<b>3325</b>	<b>3252</b>	<b>3570</b>	<b>4052</b>	<b>4141</b>	<b>4515</b>	<b>4718</b>	<b>4842</b>
<b>Use:</b>																	
Crushings	1615	1530	1696	1739	1808	1803	1662	1752	1648	1703	1689	1734	1873	1886	1899	1950	1965
Exports	1045	885	1097	940	1116	1159	1279	1499	1501	1365	1317	1638	1842	1942	2174	2160	2250
Seed	89	92	88	93	80	93	90	90	87	90	89	97	96	97	105	106	104
Residual	41	19	105	101	77	0	16	20	43	-2	16	10	50	18	36	33	33
<b>Total Use</b>	<b>2791</b>	<b>2526</b>	<b>2986</b>	<b>2873</b>	<b>3081</b>	<b>3056</b>	<b>3047</b>	<b>3361</b>	<b>3280</b>	<b>3155</b>	<b>3111</b>	<b>3478</b>	<b>3862</b>	<b>3944</b>	<b>4213</b>	<b>4248</b>	<b>4352</b>
Ending Stocks	178	112	256	449	574	205	138	151	215	169	141	92	191	197	302	470	490
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	7.2	11.1	11.3
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	\$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	\$9.25

Source: USDA/WASDE and Jim Hilker. (1 - 12 - 18)