

# Commodity Market Outlook

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## **Market Outlook Reports for January 6, 2017**

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### **CORN**

Did the January 12 releases of the USDA 2016 Annual Crop Production Report or the USDA December 1 Stocks Report shake the corn market out of its March Corn Futures \$3.40-\$3.70 trading range? Given the relative calm of the corn market through January 6 it did not appear the market was expecting any surprises. But with the first stocks report, which indicates feed use, there is always the chance of a surprise.

The December 9 release of the World Agricultural Supply and Demand Estimates showed no changes in the U.S. Supply and Demand Estimates from the November Report for corn, and is shown in Table 1. There were some changes shown in the world corn supply and demand estimates. Global corn production for 2016-17 was forecast 9.2 million metric tons higher, about 370 million bushels. China corn production was increased reflecting the latest information released by the National Bureau of Statistics. Corn production for Brazil is raised this month on increases in both area and yield and if realized would be record-high. Russia corn production was higher based on harvest results to date. Canada corn production was raised based on the latest data from Statistics Canada. Did the January 12 release of the World Agricultural Supply and Demand Estimates alter world numbers much?

Consider watching for old and new crop pricing opportunities if corn futures break/broke out of the trading three month range. While the corn futures indicate they will pay about three cents per month to store corn out through July, local basis's are often telling a different story. As a general statement for Michigan, it appears the market through the basis wants the corn now, or wants you to store it at least into May. But the basis, and therefore the forward contracts, do vary by

the buyer.

## **WHEAT**

What did the January 12 USDA Reports show for wheat relative to expectations? The wheat stocks report would be for the midpoint of the wheat marketing year. The key report for wheat is the Winter Wheat Seedings Report. How many acres of winter wheat did the U.S. plant? Were acres down for the fourth year in a row? Relative and absolute prices would have suggested so at planting time, but planted winter wheat acres last year were already lower than 2010, and the lowest since many moons ago. It was last year's record yields and large world wheat crops that are keeping wheat prices low.

The December 9 release of the World Agricultural Supply and Demand Estimates showed no changes in the U.S. Supply and Demand Estimates from the November Report for wheat, and is shown in Table 2. Global wheat production for 2016-17 was raised 6.5 million tons, about 175 million bushels, led by a 4.7-million-ton increase for Australia, a 0.9-million-ton increase for China, and 0.4-million-ton increases for both the EU and Brazil. Higher area estimated by Australia combined with a USDA yield projection that reflects near ideal weather support the large Australia production increase. Prior to this change, USDA had already projected a record Australia yield. However, the new yield is up 18 percent from the previous record. Production increases for China, the EU, and Brazil are due to updated official data. Did the January 12 release of the World Agricultural Supply and Demand Estimates alter world numbers much?

March wheat futures are up over 30 cents from their December 23 contract low, and July was up 30 cents, as of this writing, has the uptrend continued? While wheat futures indicate some returns to storage into May, the local basis being offered generally tells a different story.

## **SOYBEANS**

And for soybeans... Did the January 12 USDA Reports bring any surprises? Going into the reports the soybean market seemed much less clear where it wanted to be versus corn and wheat. While the very good soybean pricing opportunities that existed from November 22 through December 19 for both old and new crop have dropped off, it is still hard to get fundamentals to today's price levels without continued strong demand

developments into the future. Which do seem to keep happening.

The December 9 release of the World Agricultural Supply and Demand Estimates showed no changes in the U.S. Supply and Demand Estimates from the November Report for Soybeans, and is shown in Table 3. The report showed a marginal increase in world production with a bit better crop in India than previously expected. Did the January 12 release of the World Agricultural Supply and Demand Estimates alter world soybean numbers much? By now we know a lot about the South American crop.

The soybean futures out through July indicate they will pay on farm storage, not commercial storage, and for the most part the forward contracts, basis, being offered do the same. If the soybean market does break out towards the previous highs and you do consider pricing some soybeans, consider checking out forward delivery prices as well.

#### **CATTLE**

Except for a down week in early December and January 3, as of this writing, live cattle futures have been in a pretty good uptrend since November 8. The nearby futures up around \$12/cwt, but the deferred's are up less. Has the uptrend continued? Consider continuing to market as current. Doesn't appear to be any good forward pricing opportunities, but we may get there...

On December 23 the USDA released the December 1 Cattle on Feed Report. Total cattle on feed December 1 at 99% of a year ago was very near, slightly above, average trade expectations, and right in the middle of the range of estimates. November placements at 115% of year ago were 2.5% above the average trade estimate, but within the range of estimates. However, it needs to be remembered that last year's November placements were a record low. If you look at the previous 5 years placements were down several percent. Marketing were slightly above the average trade expectations, but right in the middle of the range. The next cattle on feed report will be released January 27.

On January 31, the USDA will release the January 1 Cattle Inventory Report. Are we still growing the Beef Cow Herd? Cow and heifer slaughter over the past year indicates we are, and not by just a little bit.

#### **HOGS**

Lean Hog Futures had made pretty impressive gains since

hitting contract lows October 5<sup>th</sup>. With February futures being up over \$16/cwt just before the USDA release of the December 1 Hogs and Pigs Report December 23<sup>rd</sup>. As we will discuss, the report was bearish relative to trade expectations, but after some pretty big market moves in both directions, first down, the market as of this writing is just above the pre-report levels. I would consider this quite positive.

All Hogs and Pigs were up year to year 3.7% compared to average trade expectations of 101.7%, and above the range of expectations, 100.7-102.9%. Breeding hogs were 101.5%, both above the average trade expectation of 100.2%, and the range of expectations. And market hogs followed the same pattern, 104% versus 102%. The Sept-Nov pig crop was up 4.8%, again, way above the 1.5% expectations. This goes along with sows farrowed being up close to 4% and pigs per litter being up 1%, and being a record for Sep-Nov at 10.63 pigs per litter.

As we look down the road, Dec-Feb farrowing intentions are up 1.4% compared to average trade expectations of down 0.4%, and the range of expectations being 97-102% of last year. Mar-May farrowing intentions are up 1%, very close to average trade expectations of up a half percent.

Michigan numbers didn't follow the national patterns. Breeding numbers were 110,000, the same as they have been as long as I can remember. Market hogs at 1,000,000 head and total hogs at 1,110,000 head were both down 1% from a year ago. Michigan sows farrowing in the Sep-Nov quarter were down 4%. Pigs per litter in the quarter were 10.6, down from last year's 10.7. this put the Michigan pig crop for the quarter down 5%.

**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	Est. 2015- 2016	Proj. 2016- 2017
<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	94.1
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	80.7	86.8
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	175.3
<b>(million bushels)</b>															
Beginning Stocks	1596	1087	958	2114	1967	1304	1624	1673	1708	1128	989	821	1232	1731	1738
Production	8967	10089	11807	11114	10531	13038	12092	13092	12447	12360	10755	13829	14216	13601	15226
Imports	14	14	11	9	12	20	14	8	28	29	160	36	32	67	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>15400</b>	<b>17013</b>
<b>Use:</b>															
Feed & Residual	5563	5798	6158	6155	5591	5913	5182	5125	4795	4557	4315	5040	5314	5192	5650
Food, Seed & Ind	2340	2537	2686	2981	3490	4387	5025	5961	6426	6428	6038	6493	6567	6573	6735
Ethanol for fuel	996	1168	1323	1603	2119	3049	3709	4591	5019	5000	4641	5124	5200	5206	5300
<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>11764</b>	<b>12385</b>
Exports	1588	1897	1818	2134	2125	2437	1849	1980	1834	1543	730	1920	1867	1898	2225
<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>13662</b>	<b>14610</b>
Ending Stocks	1087	958	2114	1967	1304	1624	1673	1708	1128	989	821	1232	1731	1738	2403
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	16.4
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
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	\$3.30

Source: USDA/WASDE and Jim Hilker. (12 - 9 - 16)

**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	Est. 2015- 2016	Proj. 2016- 2017
<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	50.2
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
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
<b>(Million Bushels)</b>														
Beginning Stocks	491	546	540	571	456	306	657	976	862	743	718	590	752	976
Production	2345	2158	2105	1808	2051	2499	2218	2207	1999	2252	2135	2026	2062	2310
Imports	68	71	82	122	113	127	119	97	112	123	173	151	113	124.9
<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>3410</b>
Use:														
Food	907	910	915	938	948	927	919	926	941	951	955	958	957	963
Seed	80	78	78	82	88	78	69	71	76	73	77	79	67	69
Feed and Residual	212	182	160	117	16	255	150	132	162	364	228	114	152	260
<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>1176</b>	<b>1292</b>
Exports	1159	1066	1003	908	1263	1015	879	1289	1051	1012	1176	864	775	975
<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>1952</b>	<b>2267</b>
Ending Stocks	546	540	571	456	306	657	976	862	743	718	590	752	976	1143
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	50.4
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
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	\$3.70
Michigan \$/Bu.	\$3.35	\$3.01	\$3.13	\$3.41	\$5.01	\$5.63	\$4.25	\$5.72	\$6.70	\$7.75	\$6.70	\$5.60	\$5.00	\$3.75

Source: USDA/WASDE and Jim Hilker (12 - 9 - 2016)

**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	Est. 2015- 2016	Proj. 2016- 2017
<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	83.7
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	83.0
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	52.5
<b>(Million Bushels)</b>															
Beginning Stocks	208	178	112	256	449	574	205	138	151	215	169	141	92	191	197
Production	2756	2454	3124	3063	3197	2677	2967	3359	3329	3094	3042	3358	3927	3926	4361
Imports	5	6	6	3	9	10	13	15	14	16	41	72	33	24	30
<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>4140</b>	<b>4588</b>
<b>Use:</b>															
Crushings	1615	1530	1696	1739	1808	1803	1662	1752	1648	1703	1689	1734	1873	1886	1930
Exports	1045	885	1097	940	1116	1159	1279	1499	1501	1365	1317	1638	1842	1936	2050
Seed	89	92	88	93	80	93	90	90	87	90	89	97	96	97	95
Residual	41	19	105	101	77	0	16	20	43	-2	16	10	50	24	32
<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>3943</b>	<b>4108</b>
Ending Stocks	178	112	256	449	574	205	138	151	215	169	141	92	191	197	480
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	11.7
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
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	\$9.45
Source: USDA/WASDE and Jim Hilker. (12 - 9 - 16)															