

Commodity Market Outlook

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CORN

The corn market took the January 12 USDA/NASS and USDA/WASDE reports in stride as they showed massive 2016 U.S. corn crop was a bit smaller than the November estimate, but still massive, feed use was a bit weaker, but other uses remained strong. As of this writing March corn futures were trading near the highs of the \$3.40-\$3.70 range they have been in since the beginning of October, as heavy rains in Argentina since the reports may hurt their crop. For those with much of their 2016 corn crop remaining, consider looking at your pricing opportunities. For those who have priced a bunch already, consider watching for either a change in direction, or a breakout to the topside of the three month trading range.

The USDA/NASS 2016 Crop Production Summary showed the U.S. corn crop was 15.148 Billion Bushels! Just shy of a billion bushels larger than the previous record set in 2014, and the 4 largest corn crops on record have been in the past 4 years. The yield was 174.6 bu/ac! While this was down 7/10 of a bushel from the November estimate, it was still 3.6 bushels higher than the previous record of 171 bu/ac set in 2014. The report also lowered 2016 planted acres by a half million, but harvested acres were only lowered 100,000.

Michigan's 2016 corn crop was placed at 320.3 million bushels, the fifth largest on record. The yield was put at 157 bu/ac, the third highest on record, down 5 bu/ac from last year's record. Michigan harvested more acres in 2011 and 2013 than in 2016, and had its fourth and fifth highest yields those two years.

The December 1 Quarterly Stocks Report released January 12 was a bit bigger than expected, and projected 2016-17 feed and residual use was lowered 50 million bushels. Corn used to produce ethanol was increased 25 million bushels based on September through December use and January through August projections. Projected exports were left unchanged. In total 2016-17 projected use was lowered 25 million bushels, and given total supplies were lowered 73 million bushels this lowered projected ending stocks relative to the December projected by 48 million bushels. This puts ending stocks at 2.355 million bushels, 16.1 percent of use. USDA midpoint forecast suggests this means an annual average weighted price of \$3.40. this matches up pretty well with both mu analysis and what the market is offering. See all the numbers on Table 1.

**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	2016- 2017
														Est.	Proj.
(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
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
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
(million bushels)															
Beginning Stocks	1596	1087	958	2114	1967	1304	1624	1673	1708	1128	989	821	1232	1731	1737
Production	8967	10089	11807	11114	10531	13038	12092	13092	12447	12360	10755	13829	14216	13602	15148
Imports	14	14	11	9	12	20	14	8	28	29	160	36	32	67	55
Total Supply	10578	11190	12776	13237	12510	14362	13729	14774	14182	13517	11904	14686	15479	15401	16940
Use:															
Feed & Residual	5563	5798	6158	6155	5591	5913	5182	5125	4795	4557	4315	5040	5280	5131	5600
Food, Seed & Ind	2340	2537	2686	2981	3490	4387	5025	5961	6426	6428	6038	6493	6601	6635	6760
Ethanol for fuel	996	1168	1323	1603	2119	3049	3709	4591	5019	5000	4641	5124	5200	5206	5325
Total Domestic	7903	8335	8844	9136	9081	10300	10207	11086	11221	10985	10353	11534	11881	11766	12360
Exports	1588	1897	1818	2134	2125	2437	1849	1980	1834	1543	730	1920	1867	1898	2225
Total Use	9491	10232	10662	11270	11206	12737	12056	13066	13055	12528	11083	13454	13748	13664	14585
Ending Stocks	1087	958	2114	1967	1304	1624	1673	1708	1128	989	821	1232	1731	1737	2355
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	16.1
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	\$3.40

Source: USDA/WASDE and Jim Hilker. (1 - 12 - 17)

WHEAT

The USDA made no changes in their 2016-17 wheat supply projections in the January 12 reports, although they did make some changes in projected use. The big news was the winter wheat seedings for 2017! The USDA/NASS Winter Wheat and Canola Seedings Report showed winter wheat producers planted 32.4 million acres, down 10% from 2016 and 18% from 2015. This represents the second lowest U.S. acreage on record! Wheat seeding were ahead of the 5-year average as of mid-November.

Michigan planted 470,000 acres. This compares to 610,000 last year, and 510,000 in 2015 when planting conditions were poor. While late harvested soybeans probably cut into wheat seedings, poor wheat prices appear to have had an effect as well.

The midyear wheat stocks report indicated feed and residual use was lower than projected in the December Supply/Demand update, so 2016-17 feed and residual use was lowered 35 million bushels. Projected seed use was lowered 8 million bushles based on the lower than expected 2017 winter wheat seedings. This lowered total use 35 million bushels, which increased projected ending stocks by a like amount. This puts ending stocks as a percent of use at 53.3, over half of what we use in a year.... See Table 3.

Nearby futures, other than the day before the report, has been in a general uptrend, but from very low prices. It is hard to be optimistic on old crop wheat prices. Or new crop for that matter, but I am not suggesting new crop pricing, more throwing my hands up.

**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
(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
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
(Million Bushels)														
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	125
Total Supply	2904	2775	2727	2501	2620	2932	2993	3279	2974	3118	3026	2768	2927	3411
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	61
Feed and Residual	212	182	160	117	16	255	150	132	162	364	228	114	152	225
Total Domestic	1194	1169	1152	1137	1051	1260	1138	1128	1180	1388	1260	1151	1176	1249
Exports	1159	1066	1003	908	1263	1015	879	1289	1051	1012	1176	864	775	975
Total Use	2353	2235	2155	2045	2314	2275	2018	2417	2231	2400	2436	2015	1952	2224
Ending Stocks	546	540	571	456	306	657	976	862	743	718	590	752	976	1186
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	53.3
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	\$3.80
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 (1 - 12 - 2017)														

SOYBEANS

As of this writing, the soybean market was once again offering the pricing opportunities for both old and new crop than quickly came and left in December. Could the market continue up, of course, but for at least those who have priced little, either old or new crop, check your pricing opportunities out if they are still there. The recent price increases have been driven by a bit smaller 2016 U.S soybean crop than previously expected, recent rains in Argentina that may have hurt their crop, and continued overall strong demand. But as shown below, there are likely to be plenty of soybeans to be around all year.

The USDA/NASS 2016 Crop Production Summary showed the U.S. soybean crop was a record of record 4,307 million bushels, 380 million more than the nearly identical record soybean crops set the past two years, which blew away the previous record by 568 million bushels. However, the 4,307 million bushels was 54 plus million bushels less than the November projection, which is significant. Expected imports were also lowered by 5 plus million bushels. This lowered projected 2016-17 total supply by 60 million bushels (notices the pluses, wink).

Michigan's 2016 soybean production was a record 104 million bushels. This was 5 million more bushels than the previous record set last year, which was 10 million more bushels than the previous to that record set in 2010. The 2016 record Michigan soybean crop was made up of both a record yield, 50.5 bu/ac, up from last year's record of 49, and record acres planted and harvested.

The USDA did not make any changes to their previous use projections. This lead to projected ending stocks being lowered the same 60 million bushels as the lower total supply, from 480 million to 420 million. This compares to ending stocks of 197 and 191 million bushels the past two years. The 420 million bushel ending stocks and the ending stocks as a percent of use of 10.1%, are both the highest by far since 2006-7. And yet the annual 2016-17 projected price is about \$9.50, 55 cents higher than last year. See Table 3 for all the numbers. Thank goodness for strong demand and whatever else it is that is holding up the market.

**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
(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
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
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
(Million Bushels)															
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	4307
Imports	5	6	6	3	9	10	13	15	14	16	41	72	33	24	25
Total Supply	2969	2638	3242	3322	3656	3261	3185	3512	3495	3325	3252	3570	4052	4140	4529
Use:															
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	33
Total Use	2791	2526	2986	2873	3081	3056	3047	3361	3280	3155	3111	3478	3862	3943	4108
Ending Stocks	178	112	256	449	574	205	138	151	215	169	141	92	191	197	420
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	10.2
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	\$9.50

Source: USDAWASDE and Jim Hilker. (1 - 12 - 17)

CATTLE

At \$120/cwt, February 2017 Live Cattle Futures are at the highest level since March of 2016. And have been in an uptrend since the middle of October when it hits its low at \$98/cwt. Granted, there have been several dollar swings back down at times, but overall pretty impressive. The feedlot industry is actually making some money this month for the first time since around the middle of 2015. While some short term forward pricing may be called for, the out months are lagging behind, both in price and locking in any profit.

USDA/NASS will release the semi-annual Cattle Inventory Report January 31 based on the January 1 numbers. Given the low heifer and cow slaughter over the past year most are calling for an increase in the beef cow herd. Check it out. Last year due to budgets, the July Cattle inventory Report was not released, however, it is on the USDA Calendar for this year.

HOGS

After making a pretty impressive rally since October, nearly \$20, February Lean Hog Futures, at \$65 as of this writing, has been trading sideways since the December 23 release of the Quarterly Hogs and Pigs Report. Out months took more of a dip on the release, but have also gained back the losses. This shows me demand and expected demand is pretty good given the report.

The January 12 USDA/WASDE Supply/Demand Update pork production for 2017 is raised based on estimates from the December *Quarterly Hogs and Pigs* report. The 5 percent year-over-year increase in the September-November pig crop will be slaughtered largely in the second quarter of 2017. Producers indicated intentions to farrow 1 percent more sows in the first half of 2017 which, coupled with expected growth in pigs per litter, will support a higher level of slaughter during the second half of the year.