

# Commodity Market Outlook

*Jim Hilker*

*Professor and MSU Extension Economist  
Department of Agricultural, Food, and Resource Economics  
Michigan State University*

## **Market Outlook Reports for April 19, 2017**

(Written April 19, 2017 for release in Michigan Farm News April 30)

### **CORN**

The USDA made two significant changes to their April 11 Supply and Demand Estimates for the 2016-17 corn marketing year. Feed and Residual Use was lowered 50 million bushels, 1%, to 5,500 million bushels based on the mid-year grains stocks report that showed a bit smaller first half use than expected. At the same time, the 2016-17 projection for corn use for Ethanol was raised 50 million bushels based on the most recent data from the Grain Crushings and Co-Products Production Report. The amount of corn used to make ethanol rose to a record high for the December-February period.

With these offsetting changes, projected 2016-17 corn ending stocks were left unchanged, as well as the \$3.40 projected average weighted price. These changes are in Table 1. While the USDA made no changes in the U.S. projected exports, the WASDE report did make some meaningful changes in projected world 2016-17 production, increasing it 180 million bushels. Mexico's and Argentina's corn production were each increased 40 million bushels. And Brazil's projected corn production was increased 80 million bushels, mostly on larger second crop corn acres. The Brazil and Argentina increases are expected to affect the U.S.'s 2017-18 marketing year export competition than this year.

The USDA did not publish an updated 2017-18 corn supply and demand estimate in the April 11 update. They will make a WASDE projection in the May 10 update and thereafter. I have updated the projections for 2017-18 shown in Table 1. They are a combination of the March planting intentions, the February USDA projections, and my biases. Corn prices as of this writing were very near what fundamentals would suggest for both 2016-17 and 2017-18.

The futures are suggesting that the market will pay 7 cent to store corn from now through June, the forward cash bids are offering from 7 cents to -2 cents. Especially for those with a lot of 2016 or 2017 corn unpriced, it may be wise to keep an eye on spring/weather rallies to make pricing decisions.

SUPPLY/DEMAND BALANCE SHEET FOR CORN																	
	2002-	2003-	2004-	2005-	2006-	2007-	2008-	2009-	2010-	2011-	2012-	2013-	2014-	Est.	Proj.	Hilker	
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	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	90.0	
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	82.4	
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	170.7	
<b>(million bushels)</b>																	
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	14065	
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	16435	
<b>Use:</b>																	
Feed & Residual	5563	5798	6158	6155	5591	5913	5182	5125	4795	4557	4315	5040	5280	5120	5500	5450	
Food, Seed & Ind	2340	2537	2686	2981	3490	4387	5025	5961	6426	6428	6038	6493	6601	6646	6895	6870	
Ethanol for fuel	996	1168	1323	1603	2119	3049	3709	4591	5019	5000	4641	5124	5200	5224	5450	5400	
Total Domestic	7903	8335	8844	9136	9081	10300	10207	11086	11221	10985	10353	11534	11881	11766	12395	12320	
Exports	1588	1897	1818	2134	2125	2437	1849	1980	1834	1543	730	1920	1867	1898	2225	1900	
Total Use	9491	10232	10662	11270	11206	12737	12056	13066	13055	12528	11083	13454	13748	13664	14620	14220	
Ending Stocks	1087	958	2114	1967	1304	1624	1673	1708	1128	989	821	1232	1731	1737	2320	2215	
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	15.6	
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	\$3.40	\$3.45	

Source: USDA/WASDE and Jim Hilker. (4 - 11 - 17)

## WHEAT

The April 11 USDA WASDE Report made a couple of changes to its 2016-17 wheat marketing year (June 1-May 31) supply/demand projections. Wheat imports were trimmed a very marginal 5 million bushels. And the wheat used for feed projection was cut 35 million bushels based on the March 1 wheat stocks which showed less disappearance in the first 9 months of the year than previously projected. This led to projected ending stocks being increased 30 million bushels. The projected 2016-17 U.S. wheat ending stocks of 1.159 million bushels is near a 30 year high. These updates are in Table 2.

As with corn, the first USDA/WASDE supply/demand projections for the 2017-18 wheat marketing year will be released May 10. It will include the numbers from the March 31 Prospective Plantings Report. I have included my projections on Table 2. The Crop Progress Reports for wheat show conditions quite a bit above the five year average for the first three weeks of April, but below last year's record crop.

While new crop price bids are about where the fundamentals on Table 2 would suggest, they are still very low relative to costs. For those who have not priced any 2017 wheat, and I doubt I would have, keep an eye out for a rally into or through the mid-Feb thru mid-Mar July wheat futures level for consideration.

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	2016-2017	2017-2018	Est. Hilker
<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	46.1	
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	39.3	
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	47.1	
<b>(Million Bushels)</b>																
Beginning Stocks	491	546	540	571	456	306	657	976	862	743	718	590	752	976	1159	
Production	2345	2158	2105	1808	2051	2499	2218	2207	1999	2252	2135	2026	2062	2310	1851	
Imports	68	71	82	122	113	127	119	97	112	123	173	151	113	110	120	
<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>3395</b>	<b>3130</b>	
<b>Use:</b>																
Food	907	910	915	938	948	927	919	926	941	951	955	958	957	960	963	
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	190	180	
<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>1177</b>	<b>1211</b>	<b>1209</b>	
Exports	1159	1066	1003	908	1263	1015	879	1289	1051	1012	1176	864	775	1025	990	
<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>2236</b>	<b>2199</b>	
Ending Stocks	546	540	571	456	306	657	976	862	743	718	590	752	976	1159	931	
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	51.9	42.3	
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	\$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	\$3.85	\$4.30	

Source: USDA/WASDE and Jim Hilker (4 - 11 - 2017)

## SOYBEANS

The USDA made two very small but important changes to their 2016-17 supply/demand updates in their April 11 update based on the March 31 release of the Prospective Planting and Grain Stocks Reports. The residual use was lowered from 33 to 14 million bushels based on more soybean stocks than expected on March 1. Sometimes this is a hint the size of the crop was underestimated. But again, this is relatively small. The second change was a projected increase in seed use from 95 to 104 million bushels, based on the record soybean planting suggested by the 2017 soybean planting intentions.

This led to a 10 million bushel increase, to the already huge, projected 2016-17 ending stocks. And this and recent prices led the USDA to lower the midpoint of their annual average weighted price by 5 cents to \$9.55. The above changes in projections are in Table 2. While the USDA did not make any changes to 2016-17 projected exports, they did make significant changes to world production estimates, which like corn, will affect the 2017-18 U.S. soybean marketing year versus this year.

The 2016-17 world production projection was raised by 5.18 MMT, about 190 million bushels. Brazil's projected 2016-17 production was raised 3 MMT, up 14 MMT from last year and 14 MMT more than its previous record crop two years ago. Another 2 MMT of the increase in the projection came from Argentina, Paraguay, and Uruguay. While imports were raised for China and the EU, projected 2016-18 were raised to a record 87.4 MMT.

While November futures combined with offered basis have finally moved 2017-81 forward contracts down to what fundamentals would suggest on Table 3, the good pricing opportunities have disappeared. And I suspect it will take a weather event, which is fairly likely, to move futures in one direction of the other.

**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	2016- 2017	2017- 2018	Est. 2015	Proj. 2016	Hilker 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	83.4	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	88.8			
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	48.0			
<b>(Million Bushels)</b>																			
Beginning Stocks	208	178	112	256	449	574	205	138	151	215	169	141	92	191	197	445			
Production	2756	2454	3124	3063	3197	2677	2967	3359	3329	3094	3042	3358	3927	3926	4307	4260			
Imports	5	6	6	3	9	10	13	15	14	16	41	72	33	24	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>4140</b>	<b>4528</b>	<b>4730</b>			
<b>Use:</b>																			
Crushings	1615	1530	1696	1739	1808	1803	1662	1752	1648	1703	1689	1734	1873	1886	1940	1950			
Exports	1045	885	1097	940	1116	1159	1279	1499	1501	1365	1317	1638	1842	1936	2025	2125			
Seed	89	92	88	93	80	93	90	90	87	90	89	97	96	97	104	95			
Residual	41	19	105	101	77	0	16	20	43	-2	16	10	50	25	14	35			
<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>4083</b>	<b>4205</b>			
Ending Stocks	178	112	256	449	574	205	138	151	215	169	141	92	191	197	445	525			
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	10.9	12.5			
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	\$8.90			

Source: USDA/WASDE and Jim Hilker. (4 - 11 - 17)

## CATTLE

As of this writing, live cattle futures are rallying, April futures jumped from \$118.80 on April 6 to \$127.60 at noon on April 19. June futures made a \$6.00 rally over the same period, but with over a \$10 discount. While I expect some seasonal drop-off from this point on, the discount seems steep, and pricing as current is about all you can justify other than perhaps some very short term risk reducing moves.

Check out the cattle on feed report that was released April 21. The trade is expecting on feed number April 1 to be about the same as a year ago. But that comes from an expected sharp increase in March placements offset by strong March marketings.

## HOGS

While we discussed the national numbers for the March Hogs and Pigs Report in the last issue, we did not look at the Michigan numbers. Hogs kept for breeding on March 1 for Michigan were 110,000, the same as they have been in each quarterly report for many years, the no change Michigan breeding numbers is relative to breeding numbers being up 1% for the U.S. as a whole. Market hogs on hand in Michigan March 1 were down 6% at 1,000,000 head. But most of the decrease was in the heavier weights, pigs under 50 pounds were just less than a year prior.

Sows farrowing in Dec-Feb were down 2% at 50,000 head, versus up 3% for the U.S. Pigs per liter in the same period were 10.4, about the U.S. average. Mar-May farrowing intentions for Michigan were 53,000 head, up 10%, versus the U.S. being up 1%. Jun-Aug farrowing intentions for Michigan were 53,000 head, up 6%, versus the U.S. being the same as the previous year.

Futures tanked starting over a week before the report as production numbers went up, but the report confirmed the large numbers. About all that can be done is to keep current as the market appears to be trying, with weights being down 1-2 pounds relative to a year earlier.