

Commodity Market Outlook

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Market Outlook Reports For September 6, 2017

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CORN

Has the corn market bottomed? What kind, if any, recovery can we expect in corn prices? Part of that answer came on September 12th, when the USDA/NASS released the September Crop Production Report. What did the report show about the size of the 2017 corn crop? The September report is a much larger survey of corn producers and field samples than the August report. And a lot more is known about ear size and fill. However, the corn crop is a bit behind normal, so the number could change by the October Report as more information is known.

But the September Report will likely have answered the question posed above, has the market bottomed? But perhaps not the question, what kind of recovery could we have. Unless the report showed either a corn crop much smaller, or a corn crop much larger than expected. Did it? So what was expected?

My forecast of what I thought the report would show, and I think near that of the corn market was indicating, as I wrote this article a few days before the report was released, is shown in Table 1. I lowered the corn yield over two bushels an acre from what the August report indicated. While that is quite significant on the one hand, it still indicates a massive corn supply, especially with the huge beginning stocks.

The USDA/WASDE also released an update of the U.S. and World Supply and Demand estimates on September 12. Did the world corn crop expectations change? At this point in the season, the northern hemisphere crop size could have changed. And world changes, affect U.S. demand. I will discuss both reports in the next issue.

Per usual, watch for pricing opportunities if they present themselves, ie, a move back towards \$4.00 Dec futures. But each individual will need to have a different "how close" to \$4.00 will the market need to be to price. Much of it may depend on how much new crop you have priced to date.

WHEAT

The September 12 USDA Crop Production Report will not update the 2017 U.S. Wheat Production projection, as the June through August reports did. The USDA/NASS will release the Small Grains Summary Report on September 29, which will have the final 2017 wheat production projections for the season. As with all the crops, the final 2017 projections will come in the January report.

In Table 2 below, I have left the August USDA/WASDE projections unchanged, as I don't anticipate much change. However, the USDA will update their World Supply and Demand Estimates in their September 12 report. So look for changes in the world wheat crop situation.

At this point, the Michigan wheat price picture looks terrible, and is unlikely to change in the short run. Using hindsight, selling out of the field was a "good" opportunity. The only better opportunity was if you forward priced some the few weeks before the Michigan wheat harvest was in full throttle.

At this point Wheat futures indicates a carry, but local forward pricing bids for 2017 wheat appears few and far between. If you have wheat in storage, make some phone calls. Than if you are storing wheat on farm unpriced, do some calculation's to see if the returns to storage are expected to out preform returns to corn or soybeans.

SOYBEANS

And I ask the same questions for soybeans as corn. Did the September 12 USDA/NASS Crop Production Report answer any of them? Unlike corn, there was a higher chance the report could cause a new low, or a new high. Did it? The soybean crop maturity is a bit behind normal, so how much did the huge farmer and field survey tell us about fill? I know, your question to Jim Hilker by this point is probably how about quit asking questions and answer some. I will "try" to do that in the next issue, don't let pricing opportunities pass you by.

In Table 3, I give my forecast of what I expected the report to show in the column labeled Hilker. I lowered my 2017 yield expectation from the USDA August projection of 49.4 bu/ac to 48.5 bu/acre based on my reading of the August growing conditions and other crop survey efforts. If the September 12 USDA crop production report showed a projected yield significantly different, did you see some fireworks in the market? At least for the next few days watch the soybean market closely if you haven't been, which is unlikely, to see what the market is telling you with respect to your pricing opportunities.

CATTLE

The USDA/NASS August Cattle-On-Feed Report released Friday August 25 did give a positive bounce to cattle futures on Monday August 28, but then the decline continued in the nearby contract, has held steady in the December contract, and 2018 futures contracts have been trending up. This follows the numbers seen in the report.

Total cattle on feed in feedlots over a 1000 head was up 4%, a bit lower than trade expectations. Cattle placed in July was up 3% year over year, about three percent lower than the average trade guess, which is positive for 2018 prices. And marketed in July was up 4% year to year, just lower than trade expectations, ie, weaker nearby.

The next Cattle-On-Feed Report will be released by the USDA on September 22 at three pm. Check it out, especially placements and marketing's. Placements will not only give us an estimate of beef available down the road, but over several months will also may give us some information with regards to retention plans of cow-calf producers. Along with watching the heifer versus steers placement ratio.

HOGS

The next Quarterly USDA/NASS Hogs and Pigs Report will be released September 28, 2017. This report will give key information as to how tight slaughter space may be this fall, as well as expansion/reduction plans of the breeding herd down the road. The June report indicated slaughter space would be tight if the two new slaughter plants were not online in some significant way this fall.

So we have two parts, what does the report show for expected fall slaughter. And at what capacity the plants will operate at. Both plants are running at some capacity, how fast will they make it up to full capacity is hard to tell. Of course here in Michigan we are really hoping for the Clemens Foods Plant, one to the two new slaughter plants mentioned, to come on soon in a big way. And indications are they will.

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. 2017	Hilker 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	167.0	
(million bushels)																	
Beginning Stocks	1596	1087	958	2114	1967	1304	1624	1673	1708	1128	989	821	1232	1731	1737	2370	
Production	8967	10089	11807	11114	10531	13038	12092	13092	12447	12360	10755	13829	14216	13602	15148	13944	
Imports	14	14	11	9	12	20	14	8	28	29	160	36	32	68	55	50	
Total Supply	10578	11190	12776	13237	12510	14362	13729	14774	14182	13517	11904	14686	15479	15401	16940	16364	
Use:																	
Feed & Residual	5563	5798	6158	6155	5591	5913	5182	5125	4795	4557	4315	5040	5280	5113	5425	5450	
Food, Seed & Ind	2340	2537	2686	2981	3490	4387	5025	5961	6426	6428	6038	6493	6601	6650	6920	6975	
Ethanol for fuel	996	1168	1323	1603	2119	3049	3709	4591	5019	5000	4641	5124	5200	5224	5450	5475	
Total Domestic	7903	8335	8844	9136	9081	10300	10207	11086	11221	10985	10353	11534	11881	11763	12345	12425	
Exports	1588	1897	1818	2134	2125	2437	1849	1980	1834	1543	730	1920	1867	1901	2225	1850	
Total Use	9491	10232	10662	11270	11206	12737	12056	13066	13055	12528	11083	13454	13748	13664	14570	14275	
Ending Stocks	1087	958	2114	1967	1304	1624	1673	1708	1128	989	821	1232	1731	1737	2370	2089	
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	16.3	14.6	
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	\$3.35	\$3.40	

Source: USDA/WASDE and Jim Hilker. (9 - 6 - 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	Est. 2016- 2017	Proj. 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	45.6
(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	1739
Imports	68	71	82	122	113	127	119	97	112	123	173	151	113	118	140
Total Supply	2904	2775	2727	2501	2620	2932	2993	3279	2974	3118	3026	2768	2927	3403	3064
Use:															
Food	907	910	915	938	948	927	919	926	941	951	955	958	957	949	950
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	149	154	150
Total Domestic	1194	1169	1152	1137	1051	1260	1138	1128	1180	1388	1260	1151	1174	1164	1166
Exports	1159	1066	1003	908	1263	1015	879	1289	1051	1012	1176	864	778	1055	975
Total Use	2353	2235	2155	2045	2314	2275	2018	2417	2231	2400	2436	2015	1951	2219	2141
Ending Stocks	546	540	571	456	306	657	976	862	743	718	590	752	976	1184	933
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	53.4	43.6
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	\$3.89	\$4.80

Source: USDA/WASDE and Jim Hilker (8 - 10 - 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	2016- 2017	2017- 2018	Est. Hilker
(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	48.5	
(Million Bushels)																	
Beginning Stocks	208	178	112	256	449	574	205	138	151	215	169	141	92	191	197	371	
Production	2756	2454	3124	3063	3197	2677	2967	3359	3329	3094	3042	3358	3927	3926	4307	4303	
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	4529	4699	
Use:																	
Crushings	1615	1530	1696	1739	1808	1803	1662	1752	1648	1703	1689	1734	1873	1886	1890	1920	
Exports	1045	885	1097	940	1116	1159	1279	1499	1501	1365	1317	1638	1842	1942	2150	2225	
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	18	14	35	
Total Use	2791	2526	2986	2873	3081	3056	3047	3361	3280	3155	3111	3478	3862	3944	4158	4281	
Ending Stocks	178	112	256	449	574	205	138	151	215	169	141	92	191	197	371	418	
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	8.9	9.8	
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	\$9.50	\$9.30	

Source: USDA/WASDE and Jim Hilker. (9 - 6 - 17)