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May 10 USDA Report Moves Soybean Prices Higher

The USDA's World Agricultural Supply and Demand Estimates (WASDE) Report released on May 10 was regarded as mainly neutral to "bearish" for the corn market and "bullish" for the soybean market in the coming months.

The May report shows slightly lower corn-ending stocks for 2015-2016 and significantly lower soybean-ending stocks, compared to the April report. Corn stocks are expected to show a 19 percent increase by the end of the 2016-2017 marketing year, while the ending stocks for soybeans are expected to decrease by 24 percent during that time. The 2016-2017 marketing year runs from September 1, 2016 to August 31, 2017.

The following are some highlights of the latest WASDE report:

CORN

According to the WASDE report, projected corn-ending stocks for the 2015-2016 year (which ends on August 31, 2016), are estimated at 1.803 billion bushels, which is a decrease of 59 million bushels compared to the April report. The 2015-2016 level of corn-ending stocks would be at the highest level since the carryover of 1.97 billion bushels for 2005-2006. The 2015-2016 level of corn-ending stocks compares to: 1.731 billion bushels in 2014-2015; 1.232 billion bushels in 2013-2014; and 821 million bushels in 2012-2013.

The USDA is projecting that total U.S. corn usage for 2015-2016 will be 13.585 billion bushels for livestock feed, ethanol, food products, seed, exports, etc., which is up slightly from 13.454 billion bushels in 2013-2014. The large level of the corn supply in the 2015-2016 marketing year has put downward pressure on corn

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market prices. However, there has been some recent improvement in respect to cash-corn prices.

Based on the most recent WASDE report, the USDA is projecting corn-ending stocks to be 2.153 billion bushels by the end of the 2016-2017 marketing year, which is an increase of 105 million bushels over 2015-2016 levels, and would be the highest level since the mid 1980's. The important ending stocks-to-use ratio for corn is projected to increase 15.2 percent by the end of 2016-2017, compared to: 13.3 percent for 2015-2016; 12.6 percent for 2014-2015; and 9.2 percent for 2013-2014.

The USDA is projecting total corn usage for 2016-2017 to be at 14.12 billion bushels, which is an increase of 535 million bushels from 2015-2016 usage levels. This increase is mainly driven by an expected increase in feed usage and export demand.

Corn usage for ethanol production in 2016-2017 is estimated at 5.3 billion bushels.

The USDA is estimating total U.S. corn production for 2016 to be at 14.43 billion bushels, which would be an increase from 13.601 billion bushels in 2015. The report indicates that an estimated 93.6 million acres were planted with corn this year, compared to: 88 million acres in 2015; 90.6 million acres in 2014; and 95.4 million acres in 2013.

The USDA is estimating an average U.S. corn yield of 168 bushels per acre in 2016, compared to 168.4 bushels per acre in 2015, and the record U.S. corn yield of 171 bushels per acre in 2014.

Some analysts are questioning the 2016 yield projection, given delayed corn planting scenarios in portions of the Western Corn Belt and forecasts of a dry weather pattern to develop by late Summer in some portions of prime growing areas.

The USDA is now estimating the average U.S "on-farm" corn price for the 2016-2017 marketing year to be in a range of \$3.05 to \$3.65 per bushel or an average price of \$3.35 per bushel. This is a decrease from the current 2015-2016 estimated average "on-farm" price of \$3.60 per bushel or the 2014-2015 final national average price of \$3.70 per bushel.

SOYBEANS

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According to the May 10 WASDE report, projected soybean-ending stocks for 2015-2016 are estimated at 400 million bushels, which is a large figure, but represents a decrease of 45 million bushels from the April soybean carryover estimate. The projected 2015-2016 soybean-ending stocks level compares to carryover levels of: 191 million bushels for 2015-2016; 92 million bushels for 2013-2014; and 141 million bushels in 2012-2013.

Based on the recent WASDE report, soybean-ending stocks for 2016-2017 are estimated at 305 million bushels, which would be a decrease of 95 million bushels below the estimated 2015-2016 ending stocks. The soybean-ending, stocks-to-use ratio for 2016-2017 is projected to decrease approximately 7.8 percent. This estimate is based on a slight decline in soybean acreage and estimated production in 2016, combined with a projected increase of 175 million bushels in total soybean demand in 2016-2017. The increased demand is mainly due to higher, projected export levels and increased levels of soybean processing.

Total U.S. soybean production in 2016 is estimated at 3.8 billion bushels, which compares to slightly over 3.9 billion bushels in both 2015 and 2014, and 3.6 billion bushels in 2013.

Planted-soybean land for 2016 is estimated at 82.2 million acres, compared to: 82.7 million acres in 2015; 83.3 million acres in 2014; and 76.8 million acres in 2013. The USDA is estimating a national average soybean yield of 46.7 bushels per acre in 2016, which compares to the record U.S. soybean yield of 48 bushels per acre in 2015 and soybean yields of 47.8 bushels per acre in 2014, and 44 bushels per acre in 2013.

The USDA is estimating the U.S "on-farm" soybean price for the 2016-2017 marketing year to be in a range of \$8.35 to \$9.85 per bushel, or an average price of \$9.10 per bushel, which compares to a current, estimated average farm price of \$8.85 per bushel for 2015-2016.

GRAIN MARKETING IMPACTS

The large, projected decline in the soybean-ending stocks for both the 2015-2016 and 2016-2017 years in the latest WASDE report is significantly greater than the expectations of most grain marketing analysts and traders.

This caused a major spike in both nearby futures prices and "new

crop" November soybean futures prices on the Chicago Board of Trade (CBOT), with prices increasing by over \$0.50 per bushel on the day of the WASDE report. CBOT cash-soybean futures closed at \$10.84 per bushel on May 10, which was the highest closing price since late 2014. The cash-soybean futures price returned to \$10.61 per bushel by the opening of the grain markets on May 16.

The May 10 USDA report did not have much impact on the corn futures prices.

The recent rise in soybean prices has provided an opportunity for farm operators to sell any remaining inventories of 2015 soybeans, as well as to begin pricing the anticipated 2016 soybean crop. In the past few weeks, local soybean prices in the Upper Midwest have been above \$9.50 at soybean processing plants and between \$9.00 and \$9.50 per bushel at most local grain elevators.

One challenge in marketing soybeans has been the extremely wide "basis" level, which is the difference between the CBOT futures prices and the local cash price. The current soybean basis at local grain elevators in the Upper Midwest has been running \$0.80 to over \$1.00 per bushel below the CBOT soybean price. By comparison the basis level was only \$0.20 to \$0.40 per bushel below CBOT prices in May 2014.

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Questions? Contact Patti Coles, ICBM Meeting and Event Planner at pcoles@icbm.org or 651-789-3987.

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