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## June 10 USDA Report Supports Higher Crop Prices

The USDA's World Agricultural Supply and Demand Estimates (WASDE) Report released on June 10, supports the current trend of stronger grain prices in the coming months.

The June report lowered the 2015-2016 corn-ending stocks by 95 million bushels and the 2015-2016 soybean-ending stocks by 30 million bushels, compared to the May report. In addition, projected 2016-2017 ending stocks were lowered by 145 million bushels for corn and by 45 million bushels for soybeans, compared to May estimates. The 2016-2017 marketing year runs from September 1, 2016 to August 31, 2017.

The following are highlights from the latest WASDE Report:

### CORN

According to the June 10 WASDE Report, projected corn-ending stocks for the 2015-2016 year (which ends on August 31, 2016) are estimated at 1.708 billion bushels, compared to 1.803 billion bushels in the May report. The 2015-2016 level of corn-ending stocks would be just below the 1.731 billion bushels of ending stocks in 2014-2015, but much higher than the final corn-ending stocks of 1.232 billion bushels in 2013-2014, and 821 million bushels in 2012-2013. The large level of the corn supply throughout most of the 2015-2016 marketing year has put downward pressure on corn market prices. However, recent adjustments regarding the level of corn-ending stocks has helped enhance local cash-corn prices in recent weeks.

Based on the most recent WASDE Report, the USDA is projecting corn-ending stocks to be 2.008 billion bushels by the end of the 2016-2017 marketing year, which would still be at one of the highest levels since the mid-1980s. The USDA continues to estimate 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 2016 U.S. corn production level is based on an estimated, 93.6 million planted and an estimated U.S. corn yield of 168 bushels per acre in 2016. This compares to a yield of 168.4 bushels per acre in 2015 and the record U.S. corn yield of 171 bushels per acre in 2014.

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The June 10 USDA report raised the estimated average, U.S. "on-farm" corn prices for both the 2015-2016 and 2016-2017 marketing years. The 2015-2016 average "on-farm" corn price is now projected at \$3.70 per bushel, which is an increase of \$0.10 per bushel from the May 10 estimate.

The national on-farm corn price for the 2016-2017 marketing year is now estimated to be in a range of \$3.20-3.80 per bushel, or an average price of \$3.50 per bushel, which is an increase of \$0.15 per bushel from the May estimate. The most recent USDA corn price projections compare to the final national average on-farm corn prices of: \$3.70 per bushel in 2014-2015; \$4.46 per bushel in 2013-2014; and \$6.89 per bushel in 2012-2013.

## **SOYBEANS**

According to the May 10 WASDE Report, projected soybean-ending stocks for 2015-2016 are estimated at 370 million bushels. The projected 2015-2016 soybean-ending stocks level compares to carryover levels of: 191 million bushels for 2014-2015; 92 million bushels for 2013-2014; and 141 million bushels for 2012-2013.

Based on the recent WASDE Report, soybean-ending stocks for 2016-2017 were lowered to 260 million bushels, which represents a decrease of 140 million bushels in the estimated, 2016-2017 ending stocks for the past two months. This estimate is based on a slight decline in soybean acreage and total production in 2016, combined with a large increase in total soybean demand for 2016-2017.

Similar to corn, the June 10 report raised the estimated U.S. on-farm soybean price for both the 2015-2016 and the 2016-2017 marketing years. The estimated 2015-2016 final national average soybean price was raised by \$0.20 per bushel from the May estimate to \$9.05 per bushel. The 2016-2017 on-farm soybean price is now estimated to be in a range of \$8.75-10.25 per bushel, or a national average price of \$9.50 per bushel, which is up \$0.40 per bushel from the May estimate. The latest USDA soybean price projections compare to national average soybean prices of: \$10.10 per bushel in 2014-2015 and \$13.00 per bushel for 2013-2014.

## **GRAIN MARKETING IMPACTS**

The large decline in the projected soybean-ending stocks for both the 2015-2016 and 2016-2017 years in the past two WASDE reports has been significantly more than the expectations of most grain marketing analysts and traders. This has caused a major spike in nearby futures prices, as well as in "new crop" November soybean futures prices on the Chicago Board of Trade (CBOT). CBOT cash-soybean futures closed at \$11.78 per bushel on June 10, which compares to \$10.78 per bushel on May 10 and \$9.36 per bushel following the April 12 WADSE Report. CBOT November soybean futures closed at \$11.62 per bushel on June 10, which is an increase of \$2.15 per bushel since April 12. CBOT soybean futures are at their highest level in nearly two years.

The price impacts in CBOT corn-futures prices have not been as

dramatic as soybean price increases. CBOT cash-corn futures closed at \$4.23 per bushel on June 10, compared \$3.78 per bushel on May 10, and \$3.62 per bushel on April 12. CBOT December ("new crop") corn futures closed at \$4.30 per bushel on June 10, which represents an increase of \$0.56 per bushel in the past two months.

The recent rise in corn and soybean prices has provided an opportunity for farm operators to sell any remaining 2015 grain inventories and begin pricing anticipated 2016 corn and soybean crops. In the past few weeks, local cash prices in the Upper Midwest have been above \$3.60 per bushel for corn and above \$10.50 per bushel for soybeans at most local grain elevators, with slightly higher prices at processing plants.

New crop prices at local grain markets for the 2016 crop have been in a range of \$3.50-3.80 per bushel for corn, and \$10.00-11.00 per bushel for soybeans. Most farm operators in the Upper Midwest likely used 2016 estimated crop prices near \$3.50 per bushel for corn and \$8.50 per bushel for soybeans, when preparing 2016 cash-flow projections earlier this year.

For more information, contact Kent Thiesse, Farm Management Analyst at: [kent.thiesse@minnstarbank.com](mailto:kent.thiesse@minnstarbank.com) or 507-726-2137.

## 2016 Ag Conference

Join ICBM for this year's Ag Conference in Austin, MN.

Bankers will learn from ag industry experts and participate in discussions on critical ag issues and how they affect the financial industry.

The event will be held July 19-20. Registration and program information is available [here](#).

Questions? Contact Patti Coles, ICBM Meeting and Event Planner at [pcoles@icbm.org](mailto:pcoles@icbm.org) or 651-789-3987.

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