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## USDA Projects Record Corn and Soybean Crops for 2016

In most instances, when the USDA projects a large crop for a given year, the prediction increases as the crop is being harvested.

This is certainly the case with the November 9 USDA Crop Report, which featured major increases in both U.S. corn and soybean production levels for 2016. The agency increased its projected corn production mark by 169 million bushels over the October estimate, while 2016 soybean production was increased by 92 million bushels, compared to a month earlier. The record estimates involve both Minnesota and Iowa.

The latest USDA report predicts that the total U.S. corn production level for 2016 will be at a new record of over 15.2 billion bushels. This far exceeds recent U.S. corn production levels of: 13.6 billion bushels in 2015; the previous record level of 14.2 billion bushels in 2014; 13.8 billion bushels in 2013; and 10.8 billion bushels in the drought year of 2012.

The USDA is now estimating the 2016 national average corn yield at 175.3 bushels per acre, which is an increase of 1.9 bushels from the October yield estimate and well above most grain trade estimates. The 2016 corn yield estimate exceeds the previous record U.S. corn yield of 171 bushels per acre in 2014 and compares to U.S. corn yields of: 168.4 bushels per acre in 2015; 158.1 bushels per acre in 2013; and 122.3 bushels per acre in 2012.

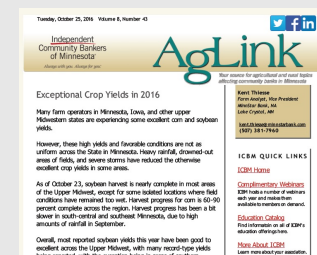
The November 9 USDA report estimates total 2016 U.S. soybean production at a record level of 4.36 billion bushels--surpassing the previous record production of nearly 3.93 billion bushels in both 2014 and 2015. This compares to U.S. soybean production levels of: 3.36 billion bushels in 2013 and 3.03 billion bushels in 2012.

The USDA is now estimating the average 2015 U.S. soybean yield at a record level of 52.5 bushels per acre, which is an increase of 1.1 bushels above the October estimate. The 2016 expected U.S. soybean yield compares to the previous record yield of 48 bushels per acre in 2015.

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Based on the latest USDA report, Minnesota is projected to have a record 2016 corn yield of 190 bushels per acre, which compares to the previous record yield of 188 bushels per acre in 2015.

The USDA is also estimating a record 2016 corn yield in Iowa at a level of 199 bushels per acre, which compares to the previous record yield of 192 bushels per acre in 2015.

Illinois is projected to have a record 2016 corn yield of 202 bushels per acre, compared to 175 bushels per acre in 2015.

Other estimates for 2016 average corn yields include: Indiana at 177 bushels per acre, compared to 150 bushels in 2015; Nebraska at 184 bushels per acre, compared to 185 bushels per acre in 2015; South Dakota at 148 bushels per acre, compared to 159 bushels per acre in 2015; and North Dakota at a record level of 154 bushels per acre, compared to 128 bushels per acre in 2015.

The USDA is estimating the 2016 Minnesota soybean yield at a record level of 52 bushels per acre, which would exceed the previous record yield of 50 bushels per acre in 2015.

The 2016 Iowa soybean yield is estimated at a record level of 59 bushels per acre, compared to the previous record of 56.5 bushels per acre in 2015.

Other projected state soybean yields for 2016 include: Illinois at a record level of 62 bushels per acre, which compares to 56 bushels per acre in 2015; Indiana at 59 bushels per acre, compared to 50 bushels per acre in 2015; and Nebraska at 62 bushels per acre, compared to 58 bushels per acre in 2015.

Record 2016 soybean yields are projected in South Dakota at 48 bushels per acre and in North Dakota at 41 bushels per acre, which compare to 46 and 32.5 bushels per acre in 2015.

### **USDA Supply and Demand Report**

The monthly USDA Supply and Demand Report (released on November 9) was viewed as bearish for both corn and soybean market prices in the coming months. The document indicated a significant increase in overall U.S. corn supply estimates for 2016-2017, compared to 2015-2016, due much higher corn production levels this year.

Total demand for corn usage in 2016-2017 was increased from the October estimate and is projected to increase significantly from the total corn usage prediction for 2015-2016, primarily due to projected increases in both corn exports and feed usage in the coming year, as well as a slight increase in corn used for ethanol production.

The USDA is now estimating 2016-2017 U.S. corn ending stocks at just over 2.4 billion bushels, which would be at the highest level in

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nearly two decades. The estimated 2016-2017 corn supply levels compare to supply levels of: 1.74 billion bushels in 2015-2016; 1.73 billion bushels in 2014-2015; and 1.23 billion bushels for 2013-2014. The large, projected 2016-2017 corn carryover stocks will likely prevent significant rallies in the corn market during the next few months, unless some other factors emerge.

The projected, soybean-ending stocks in the November report were estimated at 480 million bushels, which is an increase from the October estimate of 395 million bushels, due to increases in the estimated 2016 U.S. soybean yield and total production. This compares to ending stocks of: 197 million bushels for 2015-2016; 191 million bushels for 2014-2015; and 92 million bushels for 2013-2014.

The projected, 2016-2017 soybean-ending stocks would be at the highest level in the past decade, with the soybean stocks-to-use ratio now estimated at 11.7 percent, compared to only five percent in 2015-2016. Soybean demand is estimated to increase in 2016-2017, compared to a year earlier, due to estimated increases in both soybean crush and export levels. This combination will likely help ease the downward pressure on soybean market prices as we move into next year.

The USDA is currently estimating the U.S. average, on-farm, cash-corn price for 2016-2017 to be in a range of \$3.00-\$3.60 per bushel, or an average of \$3.30 per bushel, which is an increase of \$0.05 per bushel from the October estimated average price.

The USDA is projecting the U.S. average soybean price for 2016-2017 to be in a range of \$8.45-\$9.95 per bushel, resulting in an average soybean price of \$9.20 per bushel, which is up \$0.15 per bushel from the October estimate. It is important to remember that the 2015-2016 USDA price estimates are the expected-average, farm-level prices for the 2016 crop from September 1, 2016 to August 31, 2017, and are not estimated prices for the 2016 or 2017 calendar year.

The projected, USDA average on-farm corn price of \$3.30 per bushel for 2016-2017, compares to an average corn price of: \$3.61 per bushel for 2015-2016, \$3.70 per bushel for 2014-2015; and \$4.46 per bushel for 2013-2014.

The USDA soybean price estimate of \$9.20 per bushel for 2016-2017, compares to: \$8.95 per bushel for 2015-2016; \$10.10 per bushel for 2014-2015; and \$13.00 per bushel for 2013-2014.

The projected increases in demand for both corn and soybeans should help offset the rather large projected increases on the supply side, which may help temper sharp corn and soybean price declines in the coming year.

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