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## Grain Prices Decline Following USDA Reports

A USDA report released on July 12 provided more negative numbers for future corn and soybean prices.

The data showed high levels of projected-ending stocks for both corn and soybeans by September 1, 2018. The report also kept the expectations for the 2017 U.S. average corn and soybean yields at the same levels as previous estimates. Corn and soybean market prices dropped substantially following the release of the July 12 report (after posting some rather significant gains prior, due to deteriorating crop conditions in some areas).

Based on the July 12 report, the USDA is projecting 2017-2018 corn-ending stocks to be at 2.37 billion bushels by September 1, 2018, which is a slight increase compared to the June corn carryover level. The carryover level is based on 83.5 million harvested corn acres in the U.S. for 2017, and a U.S. corn yield of 170.7 bushels per acre, resulting in an estimated 2017 total corn production level of just over 14.2 billion bushels. This compares to recent, total U.S. corn production levels of 15.1 billion bushels in 2016, 13.6 billion bushels in 2015, and 14.2 billion bushels in 2014.

The USDA is now projecting the 2017-2018 market-year-average (MYA) corn price to be in a range of \$2.90-3.70 per bushel, or an average of \$3.30 per bushel. The marketing year for the 2017 crop year runs from September 1, 2017 through August 31, 2018. The final 2016-2017 national MYA price is now estimated at \$3.35 per bushel, compared to the final 2015-2016 MYA price of \$3.61 per bushel and the 2014-2015 MYA price of \$3.70 per bushel.

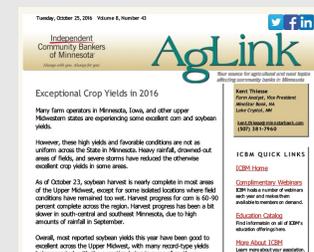
Based on the June 30 USDA Acreage Report, U.S. soybean acreage for 2017 will reach a record level of 89.5 million acres, with 88.7 million acres being harvested. In the July 12 Supply and Demand Report, the USDA is projected a U.S. soybean yield of 48 bushels per acre in 2017, resulting in a total 2017 estimated U.S. soybean production level of 4.26 billion bushels. If achieved, the 2017 production level would be just shy of the record U.S. soybean production level of 4.3 billion bushels in 2016.

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The USDA is now estimating soybean-ending stocks at the end of the 2017-2018 marketing year to be at 460 million bushels, which is slight decline from the June World Agricultural Supply and Demand Estimates (WASDE) Report, but is above the 2016-2017 carryover estimate of 410 million bushels. The soybean-ending stocks estimated for both the current and following marketing years would be considerably higher than the 197 million bushels for 2015-2016.

The USDA is estimating the national MYA soybean price for the 2017-2018 marketing year to be in a range of \$8.40-10.40 per bushel, or an average of \$9.40 per bushel. This compares to an estimated soybean MYA price of \$9.50 per bushel for the current 2016-2017 marketing year, and a final MYA price of \$8.95 per bushel for 2015-2016, and \$10.10 per bushel for 2014-2015.

One piece of good news in the July 12 report involves a projected small increase in the demand for soybeans during the 2017-2018 marketing year. Soybean demand for 2017-2018 is expected to increase to 4.23 billion bushels, with slight increases projected in both domestic usage and export demand. This compares to a total soybean demand level of 4.12 billion bushels in 2015-2016.

Total corn demand is expected to be at 14.35 billion bushels for 2017-2018, with an expected decrease in corn export demand, and slight increases in domestic usage for ethanol production and feed usage. Total U.S. corn demand was 14.57 billion bushels for 2016-2017, and 13.66 billion bushels for 2015-2016.

Both "old crop" and "new-crop" corn and soybean prices have reacted in a very "bearish" fashion to the crop acreage trends, and the identified levels of grain stocks listed in the July 12 USDA report.

Chicago Board of Trade (CBOT) December corn futures prices closed near \$4.00 per bushel on July 10, prior to the WASDE report, but dropped to \$3.53 per bushel by July 14. December 2017 CBOT corn futures closed at \$3.89 per bushel on July 14, which was close to the lowest level during the current calendar year for "new crop" 2017 corn, after trading near the highest level for the year at the beginning of the week. By comparison, CBOT December corn futures were at \$3.58 per bushel a year ago on July 15, 2016, and at \$4.45 per bushel on July 10, 2015.

Soybean futures prices on the CBOT also dropped quite dramatically following the June 12 WASDE Report, which showed record U.S. soybean acreage for 2017, along with increasing soybean-ending stocks for the 2017-2018 marketing year. The CBOT soybean futures price for "new crop" 2017 soybeans closed at \$9.89 per bushel on July 14, following the latest USDA report. This was a drop of about \$0.70 per bushel from the soybean futures prices prior the release the latest USDA report. The CBOT November soybean futures had risen from near \$9.10 per bushel in mid-June to over \$10.50 per bushel just prior to the July 12 report. The

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current CBOT November soybean futures price of \$10.01 per bushel on July 14, compares to CBOT soybean prices of \$10.57 per bushel on July 15, 2016 and \$10.22 per bushel on July 10, 2015.

Forward-cash prices for "new crop" 2017 corn have been mostly below \$3.25 per bushel in recent months at most locations in the Upper Midwest, except for a brief period in early July, prior to the WASDE report. These 2017 corn price levels are well below the breakeven level for most Midwest corn producers. The 2017 harvest price has been tracking very near the local cash-corn price for remaining 2016 unsold corn in on-farm storage at many locations in in the northern Corn Belt. The USDA does not track the percentage of bushels in storage that have been sold or not sold. However, most analysts feel that a significant amount of the 2016 corn that is still in farm storage has probably not been priced.

For some producers, it's the third year in a row that they have endured this extreme corn price drop after July 1 on their unpriced corn from the previous harvest season. For many farm operations, this is putting significant pressure on their farm financial situation. On the other hand, numerous producers also took advantage of the brief price increase in early July to sell any remaining 2016 corn and soybean inventories, as well as to forward-price a portion of the anticipated 2017 crop in the field.

For more information, contact Kent Thiesse, Farm Management Analyst and Vice President, MinnStar Bank, Lake Crystal, at: 507-381-7960 or [kent.thiesse@minnstarbank.com](mailto:kent.thiesse@minnstarbank.com).

## Farmfest Forums

A U.S. House Agriculture Committee listening session on the next Farm Bill will highlight the feature forums at Farmfest this year.

The forum schedule for 2017 will include an exciting lineup of presenters with a heavy emphasis on key topics and agricultural policy issues affecting farm families and rural communities. More information can be found [here](#).

## Volunteers Needed for Farmfest

ICBM is looking for volunteers for its booth at [Farmfest](#), August 1-3, at the Gilfillan Estate in Redwood County.

Farmfest is the largest outdoor agricultural event in the state and this year ICBM will have its own red-and-white striped tent in a prime location. Bankers are needed to staff the booth.



Please contact Kathy Burton at [kburton@icbm.org](mailto:kburton@icbm.org) to sign up for a

time slot.

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