



Weekly Outlook: 2017-18 Market Prospects for Corn and Soybeans

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In the [May 10 WASDE report](#), the USDA released the first projections for U.S. corn and soybean supply and demand in the 2017-18 marketing year. While the projections on crop production received quite a bit of the focus, the projections for marketing year consumption levels provide essential information in forming expectations for corn and soybean prices in the 2017-18 marketing year. The consumption projections for both crops reflect the potential market size under a scenario consisting of substantial supplies and lower prices.

The U.S average corn yield is projected at 170.7 bushels per acre, and production is projected at 14.06 billion bushels. The U.S. average soybean yield is projected at 48 bushels per acres. Soybean production is projected at 4.255 billion bushels. The currently projected corn yield maintains the previous projections from USDA presentations and does not reflect, as of yet, any of the potential issues associated with the cold and wet spring experienced by large portions of the Corn Belt. Yield potential for both crops will unfold over the next few months and will be determined by weather conditions. Additionally, planted acreage levels are yet to be determined and still have a significant amount of uncertainty due to planting conditions. The USDA's June Acreage report will provide more clarity as of June 30.

In the corn market, corn use for ethanol is forecast at 5.5 billion bushels, 50 million bushels above the revised projection for the current year. The corn use for ethanol projection is a record consumption level for a marketing year and reflects the strong levels of domestic ethanol production thus far in the 2016-17 marketing year. The importance of ethanol exports and continued growth in gas demand are key variables in meeting this projection. Corn exports are projected at 1.875 billion bushels, 350 million bushels lower than the revised projection of 2.25 billion bushels for the current marketing year. Export projections sit at levels between 1.8 to 2.0 billion bushels that was common before the 2016-17 marketing year. Lower prices may help to stimulate exports, but the large crops of South American corn are expected to limit demand growth in export markets and generate significant competition for U.S. corn.

Feed and residual use of corn is projected at 5.425 billion bushels, 75 million bushels lower than the 5.5 billion bushels projected for the current marketing year. Despite growth in livestock production, the projection represents a lower level of consumption and reflects the impact of distiller's grains and ample supplies of other feed grains on corn use in feed. The feed and residual projection is below the peak consumption of 6.15 billion bushels in 2004-05 and 2005-06 when distillers' grains supplies were still small.

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Consumption for all uses, including non-ethanol domestic processing, is projected at 14.30 billion bushels, 345 million bushels less than projected for the current marketing year.

For the soybean market, the domestic crush is projected at 1.950 billion bushels, 25 million bushels above the projection for the current year and constitutes a record projected crush level. Exports are projected at 2.15 billion bushels, 100 million bushels above the projection for the current marketing year. The record level of soybean exports in the presence of a large world soybean crop reflects an expectation of a 5 percent increase in global soybean imports. This growth in world demand for soybeans is dependent on continued demand growth in Asian markets. Total consumption, including seed and residual use, is projected at 4.235 billion bushels, 142 million bushels above use during the current year. Projections reflect expectations of continued demand growth both domestically and in foreign markets.

Ending stocks of U.S. corn for the 2017-18 marketing year are projected at 2.110 billion bushels, down 185 million bushels from current marketing year ending stock projections. The reduction in ending stocks is directly related to the expectation of significantly lower production levels and reduced growth in corn consumption. Ending stocks of U.S. soybeans are projected at 480 million bushels, up 45 million bushels from current marketing year ending stock projections. The increase in ending stocks is directly related to the expectation of significantly higher production levels.

The 2017-18 marketing year average farm price of corn is projected in a range of \$3.00 to \$3.80. Current bids for harvest delivery in much of Illinois are slightly above the middle of that range. If there are substantial planting delays and slow progress through mid-May, production and acreage concerns may increase and create a stronger price response. The 2017-18 average price for soybeans is projected in a range of \$8.30 to \$10.30, with harvest bids in much of Illinois currently below the middle of the range. It is still too early for significant production concerns for soybeans. The ability for U.S. soybeans to expand exports next year will be essential in meeting the increase in soybean consumption and will merit close monitoring as we move into the next marketing year.

References

U.S. Department of Agriculture, Office of the Chief Economist. *World Agricultural Supply and Demand Estimates*. May 10, 2017. <http://usda.mannlib.cornell.edu/usda/current/wasde/wasde-05-10-2017.pdf>