



Weekly Outlook: Large South American Corn and Soybean Crop Forecasts Place Pressure on Prices

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Corn and soybean harvest future prices moved sharply lower after the release of the USDA [March World Agricultural Supply and Demand Estimates](#) report on March 9. December corn futures closed on March 10 at \$3.87 per bushel, while November soybean futures moved down to close at \$10.00 per bushel. Both prices closed at the lowest levels since late January. When combining the production forecasts for South America with projected changes in domestic use, the competition in export markets looks to be particularly tough for the next few months.

World production forecasts for soybeans in the 2016-17 marketing year increased 153 million bushels on a larger Brazilian production forecast. The Brazilian soybean production forecast increased by 147 million bushels over the February forecast and brings total soybean production in Brazil to 3.97 billion bushels. The USDA Brazilian forecast came in higher than the CONAB, the Brazilian agricultural statistics agency, projection released earlier in the day at 3.95 billion bushels and came as a surprise to many market observers. Argentine soybean production stayed at 2.04 billion bushels. Forecasts for South American soybean exports came in at 2.86 billion bushels over the marketing year with a 55 million bushel increase in projected soybean exports from Brazil. The forecast for Chinese soybean imports increased approximately 36 million bushels to 3.28 billion bushels over the marketing year. While world soybean export and use forecasts increased 36 million bushels and 35 million bushels respectively, the increase in global production raised the stocks to use ratio to 25 percent.

Domestically, strong soybean crush performance led to an increase in the domestic crush forecast for the 2016-17 marketing year by 10 million bushels to 1.94 billion bushels. Forecasts of soybean exports by the United States decreased by 25 million bushels to 2.025 billion bushels for the marketing year. The increase in Brazilian production and exports raised the expectation of lessened export interest in U.S. soybeans for the remainder of the old crop year. Ending stocks forecast in the United States at 435 million bushels, up 15 million from the February forecast. The changes in domestic use and exports increased the stocks to use ratio to 10.6 percent.

World supply and demand projections for corn in the 2016/17 marketing year moved higher due to increased production numbers for Brazil and Argentina. Brazil's forecast production increased by 197 million bushels to 3.6 billion bushels. The Argentinian production forecast increased by 39.6 million bushels

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to 1.48 billion bushels. For the marketing year, South American production forecasts came in at 5.49 billion bushels, which is a 1.25 billion bushel increase over 2015/16 production estimates. Argentina and Brazil are forecast to export an additional 138 million bushels each above the February WASDE forecast of 2.09 billion bushels. While the South American production and export numbers provide strong downward price signals for the corn market, the outcome for the second crop in Brazil still possesses strong weather risks that could severely influence both the total corn production and exports from the region as the crop is still being planted.

Domestic use numbers for corn saw some significant changes from the February forecast. Feed and residual use continued to decline as the forecast placed the use number at 5.55 billion bushels, down 50 million bushels from February. The reduction in feed and residual lowers the forecast 100 million bushels since September on higher numbers of corn used for ethanol and a 10 million bushel increase in sorghum feed and residual use. The continuation of solid domestic demand currently for corn use in ethanol production provided the basis for raising the ethanol corn use forecast during the 2016-17 marketing year by 50 million bushels to 5.4 billion bushels for the marketing year. The forecast for corn exports remained at 2.225 billion bushels despite the large prospective crop in South America. Ending stocks and total domestic use remained constant at 2.32 and 14.62 billion bushels respectively.

In assessing the prospects for corn and soybean prices in the current marketing year, the large forecasts for South American production and the ability for the U.S. market to meet export forecasts under this competition provide key indicators for old crop prices. In soybean markets, the large Brazilian crop's impact on U.S. export markets during the 2016-17 marketing year looks to weigh down prices despite strong crush performance. While large corn crops in South America may provide the same dynamic in corn markets, Brazil's second corn crop is still subject to weather risk and domestic use for ethanol production looks to continue its strong performance despite continued lowering of feed and residual use. The latest USDA reports place even more significance on the March 31 Prospective Planting report. The possible acreage decisions associated can confirm the strong case for lower soybean prices and provides some support for corn prices.

References

U.S. Department of Agriculture, Office of the Chief Economist. *World Agricultural Supply and Demand Estimates*. March 9, 2017.
<http://www.usda.gov/oce/commodity/wasde/latest.pdf>