



## Weekly Outlook: Large U.S. Corn and Soybean Crops Place Emphasis on Foreign Markets

Todd Hubbs

Department of Agricultural and Consumer Economics  
University of Illinois

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Corn and soybean harvest future prices moved higher after the release of the USDA [October World Agricultural Supply and Demand Estimates](#) report on October 12. December corn futures closed the week ending October 14 at a 3 month high of \$3.54 per bushel while November soybean futures moved up to close at \$9.62 per bushel. Price movements through harvest in the United States can still be impacted by the domestic crop prospects for both corn and soybeans. In particular, yield forecasts for soybeans may be poised for an increase in November. Increasingly, the prospects for major price changes in both markets are linked to South American production outcomes and the ability to export corn and soybeans into foreign markets. Pricing opportunities can occur as South American crop conditions change and export markets respond to importer demand and prices.

Corn production in the United States is forecast to be 15.06 billion bushels in marketing year 2016/17 and is down 36 million bushels from the September WASDE forecast. While acres harvested is increased by 200,000 acres, the one bushel per acre yield reduction to 173.4 lowered the production forecast number. Domestic use numbers remained stable from the September 12 forecast. As a previous report indicated (see [farmdoc daily, October 10, 2016](#)), there is strong domestic demand currently for corn use in ethanol production. United States exports for corn are forecast to increase by 50 million bushels over the September forecast. While strong export shipments through the first few weeks of the marketing year look promising, weekly export sales numbers through October 6 indicate a need to sell 29.26 million bushels per week for the rest of the marketing year in order to reach the USDA projection of 2.225 billion bushels.

World supply and demand projections for corn in the 2016/17 marketing year moved lower due to United States production numbers. Brazil's forecast production increased by 39 million bushels. For the marketing year, South American production is set at 5.16 billion bushels, which is a 962 million bushel increase over 2015/16 production estimates and signifies recovery from the poor crop last year. Argentina and Brazil are forecast to export an additional 39.37 million bushels each above the September WASDE forecast. South American corn exports for the marketing year are forecast to be 2.08 billion bushels. Given the increase in South American production and exports, the evolution of crop conditions in the region may provide pricing opportunities for corn producers under the current strong export demand for U.S. corn.

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Prior to the release of the October WASDE report, an increase in the United States soybean yield forecast was expected. The report forecast 2016/17 marketing year yield at 51.4 bushels per acre with only a minor change in harvested acres. The yield increase of 0.8 bushels per acre leaves some room for growth in the yield forecast in November based on many yield reports around the country. United States soybean production is forecast to increase by 68 million bushels to 4.3 billion bushels. Forecasts of soybean exports by the United States increased by 40 million bushels to 2.025 billion bushels for the marketing year. Current weekly export inspections for soybeans are strong. To meet the marketing year forecast, 19.8 million bushels a week need to be sold. Ending stocks in the United States were forecast to be 395 million bushels, up 30 million from the September 12 forecast.

World production forecasts for the marketing year increased 102 million bushels on the larger U.S. crop and a Brazilian production forecast to increase by 36.74 million bushels over the September forecast. South American soybean exports are forecast to be 2.64 billion bushels over the marketing year. China is forecast to import 3.16 billion bushels of soybeans over the marketing year. On October 13, the Foreign Agricultural Service released a [Global Agricultural Information Network on China Oilseed Products](#) report indicating Chinese domestic expectations for domestic production vary but are estimated at 478 million bushels. Additionally, soybean imports could be helped by solid, but weakening, profit margins for Chinese hog producers and a reduction in DDGS imports due to the recently imposed tariff. At a national level, recent Chinese economic data provided no clarity on economic growth in the country as one report showed growth in factory output while another indicated weak exports despite recent depreciation of the yuan.

In assessing the prospects for corn and soybean prices in the current marketing year, South American production and the ability for the U.S. market to meet export forecasts provide key supply and demand indicators. Since the South American planting season is off to a good start and current U.S. export levels are significantly higher than in the 2015/16 marketing year, poor weather in South America or strong economic growth indications in major importer markets should provide pricing opportunities for this record crop in the next few months.

## References

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