



Weekly Outlook: Ending Stocks Moving Higher for Corn and Soybeans

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The USDA's estimates of September 1 grains stocks pressured the price for both corn and soybeans on much higher than expected stocks. Despite the higher ending stocks estimates for both crops, an apparent resolution to NAFTA negotiations and weather issues surrounding timely harvest led to a recovery in prices over the last week. As the market looks forward to the USDA reports on October 11, a growing supply appears set to place more emphasis on trade over the upcoming marketing year.

At 438 million bushels, the estimate of September 1 stocks of old crop soybeans came in well above market expectations. The higher stocks led to a revision in the 2017 soybean production estimate. The 2017 soybean crop rose to 4.41 billion bushels with a 49.3 bushel per acre yield total. For the 2017-18 marketing year, crush estimates came in at 2.055 billion bushels and exports totaled close to 2.13 billion bushels. An expectation of seed and residual use near 112 million bushels appears likely in the upcoming report for the 2017-18 marketing year. The stocks estimate indicates the soybean supplies for the 2018-19 marketing year will be 43 million bushels larger than expected.

The larger beginning stocks for the current marketing year combined with an expectation of larger soybean yields nationally set expectations of increased supply for soybeans in the next WASDE report. Despite some ongoing weather issues across areas of the Corn Belt delaying harvest, a national soybean yield at or above 53 bushels per acres looks in the offing. Total supply above 16.93 billion bushels places added emphasis on consumption. Currently, USDA projections for soybean crush sit at 2.07 billion bushels. While this projection may change, it should not deviate substantially from the current forecast. The forecast for soybean exports sits at 2.06 billion bushels. Despite soybean export strength closing out last marketing year, recent data shows exports lagging last year's pace. Export inspections trail last year's pace by 26 percent through September 27. Through September 27, total commitments (outstanding sales and accumulated exports) of 741.8 million bushels lag last year's pace by 13.2 percent. While sales for many of our trading partners continue to eclipse last year, the lack of Chinese buying depresses the current marketing year pace. Expect larger 2018-19 ending stock projections in the

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next WASDE report. An ending stocks level near 900 million bushels appears feasible contingent on the yield forecast and harvested acres.

Similar to soybean stocks, the estimate for September 1 corn stocks came in well above expectations at 2.14 billion bushels. The higher than expected stocks estimate implied a substantial downward revision is forthcoming in the feed and residual use category for the marketing year. Total consumption of the marketing year sits at approximately 14.797 billion bushels with fourth quarter disappearance estimated at 3.16 billion bushels. Corn exports totaled near 2.44 billion bushels for the year, while corn use for ethanol is near 5.601 billion bushels. Feed and residual use appears to be near 5.3 billion bushels, down from the current estimate of 5.45 billion bushels. The higher than expected corn crop inventories indicate that the supply of corn for the 2018-19 marketing year is 138 million bushels more than the previous estimate.

Corn supply totals for the 2018-19 marketing year are set to eclipse 16.9 billion bushels under the current 181.3 bushels per acre yield projection. The current consumption total for 2018-19 is at 15.105 billion bushels. An adjustment to feed and residual use and export projections may be forthcoming in Wednesday's WASDE report. The current WASDE forecast for feed and residual use sits at 5.575 billion bushels. The USDA increased feed and residual use for 2018-19 by 50 million bushels in September. The latest stock report may provide motivation for a reduction of this number in the October release. Over the last three marketing years, the USDA September projection for feed and residual use eventually declined by over 150 million bushels from the September forecast. Corn exports continue at a brisk pace. Export inspections through September 27 sit 56 million bushels above last year's pace. Total commitments through September 27 eclipsed last year's totals by 63 percent with strong sales to Japan, South Korea, and Mexico. Food, seed, and industrial use categories may stay at 7.13 billion bushels. An ending stocks level near 1.85 billion bushels appears feasible contingent on the production forecast.

The forthcoming WASDE report appears set to increase ending stocks for the 2018-19 marketing year for both corn and soybeans. Current prices of both crops project very tight margins in 2019, particularly for producers with high land costs. Under the current supply scenarios, a significant increase in demand or a production shortfall appear necessary to strengthen prices significantly.

YouTube Video: Discussion and graphs associated with this article at youtu.be/VfBtdHVNaSU