

## 2015/16 Corn and Soybeans: Production, Stocks-to-Use Ratio and Price Projections (11/19/2015)

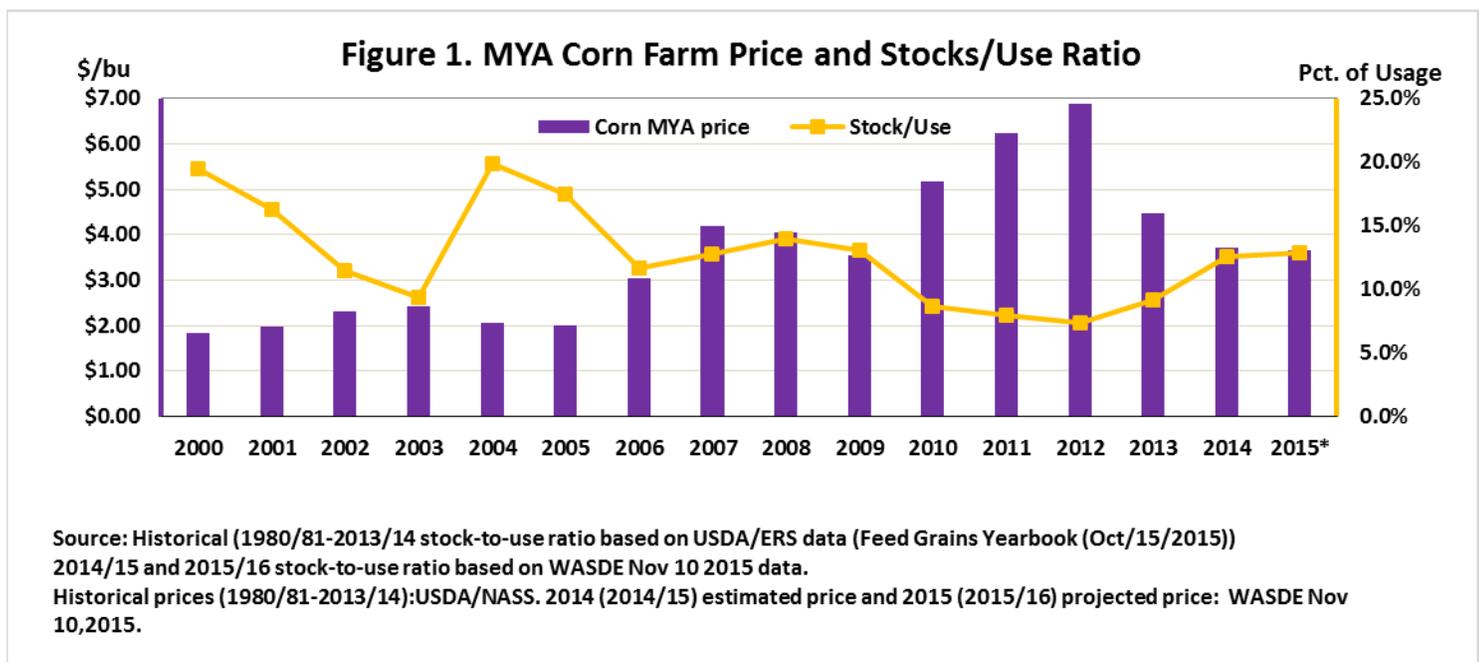
Based on the latest (November 10, 2015) USDA's World Agricultural Supply and Demand Estimates (WASDE) report, 2015/16 corn production is forecast up 0.7% (99 million higher) at 13.654 billion bushels compared to previous month forecast (13.555 billion bushels). However, the new production forecast is down 4% relative to last year's record high (14.216 billion bushels). The average 2015/16 corn yield is forecast at 169.3 bushels/acre, up 1.3 bushel/acre from last month and down 1.7 bushels/acre year-over-year (171 bushels/acre).

This month's forecast for feed and residual use indicate an increase of 25 million bushels to 5.300 billion bushels compared to last's month projection, which is due to a larger projected corn crop and lower expected prices. The latest projection is 15 million bushels below last year's estimate (5.315 billion bushels).

The forecast for corn use for ethanol production is down 75 million bushels (1.4%) to 5.175 billion bushels relative to October's forecast. The reduction in corn use for ethanol production is due to expected input substitution based on using the lowest feedstock price. As indicated by USDA, the corn use for ethanol production forecast was reduced on account of expected increased used of sorghum for ethanol production, propelled in part by sorghum domestic price discounts compared to corn price. Sorghum forecast for food, seed, and industrial use for 2015/16 increased from the October forecast of 15 million bushels to the November projection of 100 million bushels up 567%. The increased sorghum forecast for food, seed and industrial used was counterbalanced with a reduction in sorghum exports from 430 million in October's projection to 325 million in November's projection.

The latest forecast for 2015/16 corn exports is down 50 million bushels to 1.800 billion bushels in contrast to last month's projection. 2015/16 corn exports are expected to decline 3.4% year-over-year. The report indicates that the slow pace of sales and shipment compared to last year at this time and strong competition from Brazilian corn are curtailing U.S. corn exports. Overall, the November projection for 2015/16 total corn use is down 100 million bushels to 13.655 billion bushels compared to last month's forecast with a resulting 12.7% increase (199 million bushels) in the 2015/16 corn ending stocks (1.760 billion bushels) projection. 2015/16 end-of-year corn stocks are forecasted up 1.7% year-over-year (1.731 billion bushels).

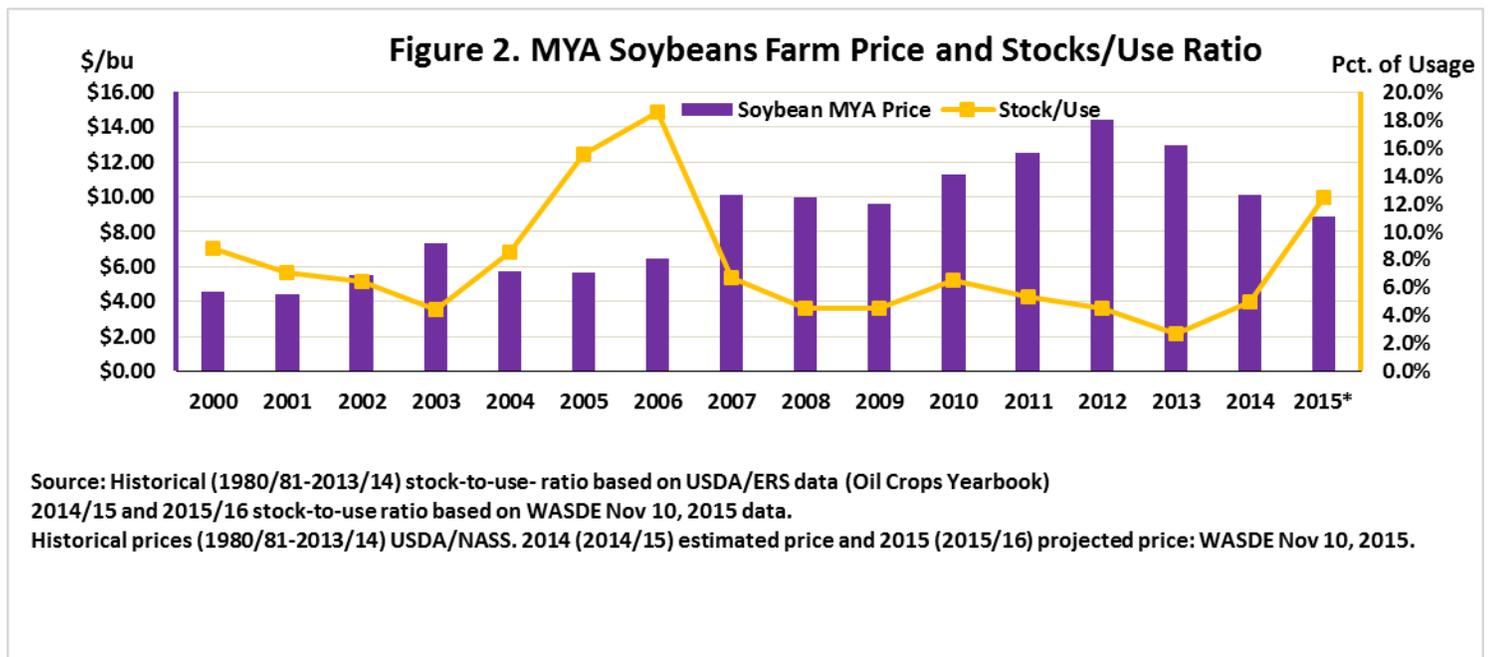
With the decreased total corn used and increased ending stocks projections, stocks-to-use ratio (ending stocks divided by total use) forecast was raised this month to 12.9% compared to last's month forecast (11.3%). Lower ratios tend to indicate stronger commodity prices; the inverse is also true (see Figure 1). This month's 2015/16 MYA price range projection (\$3.35 - \$3.95, mid-range price \$3.65) was trimmed \$0.15/bushel on both ends of the range relative to October projection (3.50 - 4.10). The current price projection for 2015/16 is down \$0.05/bushel year-over-year (\$3.70/bushel) (see Figure 1).



The November forecast for 2015/16 soybean production is up 2.4% to 3.981 billion bushels compared to last month's projection. If realized this would be a record high production. Soybean yield was increased by 1.1 bushels/acre to 48.3 bushels/acre from the previous month estimate with expected larger yields from main producing states (i.e., Iowa, Illinois, and Minnesota).

According to a recent (November 2015) USDA/Foreign Agricultural Service (FAS) report (Oilseeds: World Market and Trade), 2015/16 global soybean trade is increased based on expanded demand from China, the largest importer of soybeans, raising expected exports from the United States, Brazil, and Argentina. Based on the latest WASDE report, the 2015/16 forecast for U.S. soybean exports was raised by 40 million bushels to 1.715 billion bushels compared to October's forecast. However, the forecast remains 6.9% below last year estimate (1.843 billion bushels). The 2015/16 projection indicates that the U.S. will remain the second largest exporter of soybean worldwide after Brazil. Brazil continues as a strong competitor as a result of a devalued currency (the *real*).

Expected higher soybean meal exports increased the 2015/16 projection for soybean crush to 1.890 billion, up 10 million bushels from October's forecast. 2015/16 total soybean use (demand) was raised by 53 million (1.4%) to 3.738 billion bushels. Still, the 2015/16 usage forecast falls 123 million bushels behind year-over-year demand (3.861 billion bushels). The projected stock-to-use ratio for 2015/16 increased to 12.4% compared to 11.5% last month and 4.9% last year. The latest estimated 2015/16 stock-to-use ratio would be the highest since 2006/07 (see Figure 2) and it is an indication of the soybean price deterioration in 2015/16. The projected range for the 2015/16 U.S. average farm soybean price shifted to a lower range (\$8.15 – \$9.65/bushel, mid-range price \$8.90/bushel) compared to last month projection (\$8.40 - \$9.90/bushel, mid-range \$9.15/bushel) showing a reduction of \$0.25/bushel from last month's projection and a \$1.20/bushel decline from last year's price.



One of the important factors that could change 2015/16 projections is the strength of the dollar as projected ending stocks could increase via reduced U.S. exports if the U.S. dollar appreciates further throughout the marketing year. With the possibility of higher interest rates next year, the value of the U.S. dollar could go up too. Assuming other currencies in other exporting nations do not appreciate more than the U.S. dollar, a stronger U.S. dollar would make U.S. corn and soybean less competitive in foreign markets. In the case of soybean export projections, if further deterioration of China's economy occurs, projected U.S. soybean exports could decrease as China is the main importer of U.S. soybeans. But so far, USDA/FAS projections point to increased soybean demand from China in 2015/16, with Brazil being the main beneficiary of that expansion due to its devalued currency and large expected production.