



November 2015 – Crop Market Update

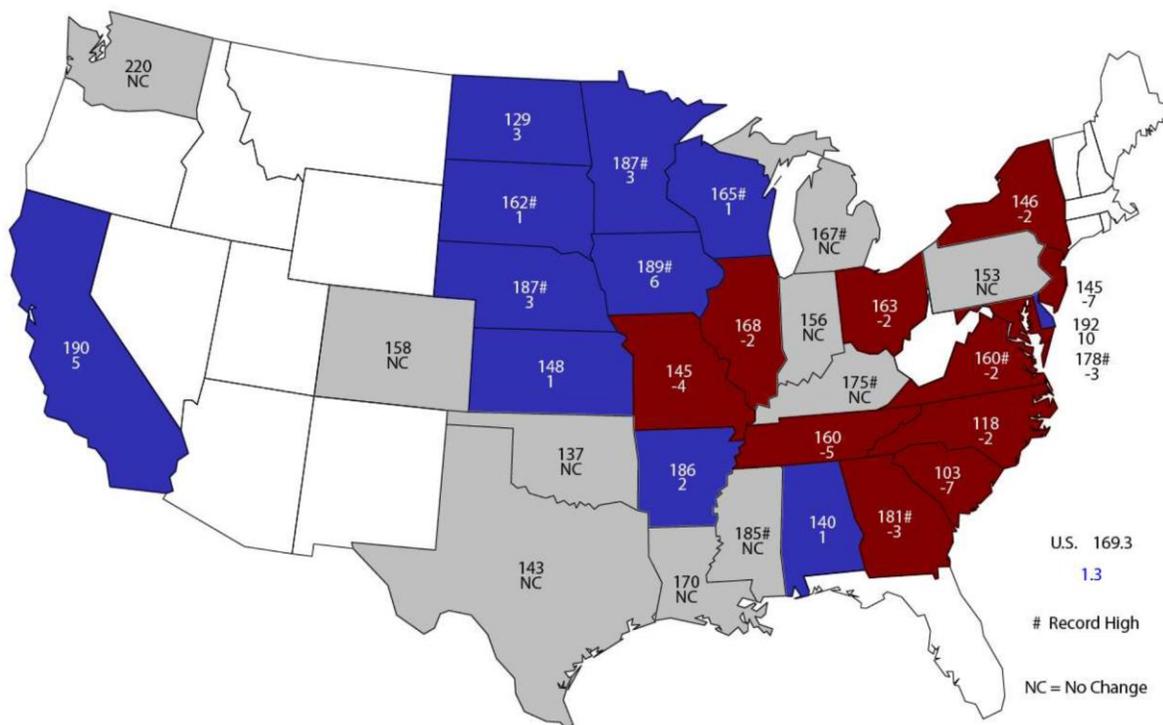
Public Policy Department

Budget & Economic Analysis Team

USDA Bumps Up Corn and Soybean Yields

The most immediately notable thing about last week's World Agricultural Supply and Demand Estimates (WASDE) report was the increase in estimated corn and soybean yields. USDA raised the estimate of national average corn yield from 168.0 bushels per acre last month to 169.3 bushels per acre in this month's report. The trade had been expecting something more in the ballpark of a half-bushel increase, so the 1.3 bushel per acre increase was definitely on the bearish side for the corn market.

Figure 1 shows a map from USDA National Agricultural Statistics Service showing the November corn yield estimate along with the change from the prior month.



Source: USDA National Agricultural Statistics Service

Figure 1. Nov. 1 Estimate of 2015 Corn Yield (bu/ac) and Change from Prior Month

The interesting thing here is that, at the state level, the map shows yields following the pattern of big crops getting bigger and small crops getting smaller. In the western and northern parts of the Corn Belt—where yields were already very good—this month's yield estimate tended to be raised even a bit higher. Current yield estimates represent new records for Iowa, Minnesota, Wisconsin, North Dakota and Nebraska. On the other hand, in eastern parts of the Belt, yields pretty much stayed the same or were reduced. Yields for Illinois and Ohio were reduced by 2 bushels per acre from last month, and Indiana's yields were held at a ho-hum 156 bushels per acre. In Missouri—arguably the state hardest hit by unseasonably wet weather early this

summer—the yield estimate was revised down by 4 bushels per acre. There are a couple of standouts in the eastern half of the map, though. Both Michigan and Kentucky are projected to post record corn yields this year—unchanged from last month’s estimate in both cases.

With no change in harvested acreage, this month’s higher yield estimate translates to a production estimate that is 99 million bushels higher than last month. Higher production often equates to higher use, but that is not the case this month. USDA does revise their estimate of feed and residual use up by 25 million bushels. However, projected ethanol use is dropped by 75 million bushels— reflecting mostly an offsetting increase in projected grain sorghum use for ethanol. More significantly, from a market fundamental point of view, corn export projections are dropped by 50 million bushels due to recent sluggish sales and expectations of a continued tough export environment due to large foreign supplies and a strong dollar.

The supply and use changes from USDA this month result in a significant change in the corn carryover situation. Thus far in the marketing year, expectations have been for corn carryover to be pulled down modestly from 2014/15 ending levels. With this month’s revision, USDA now forecasts a slight increase in carryover— from a 2014/15 ending stocks level of 1.731 billion bushels to a 2015/16 level of 1.760 billion bushels. This is not a huge increase, obviously, but it is an increase nonetheless and not the decline that had been expected to this point.

The adjustment to U.S. supply and use were interesting, but the most damaging aspect of last week’s report from the corn market’s perspective was probably the multi-year revisions to China corn use and stocks numbers. USDA made downward revisions to China corn feed use estimates for all three marketing years from 2013/14 through 2015/16. Table 1 shows the revisions to China’s feed use and associated changes in carryover.

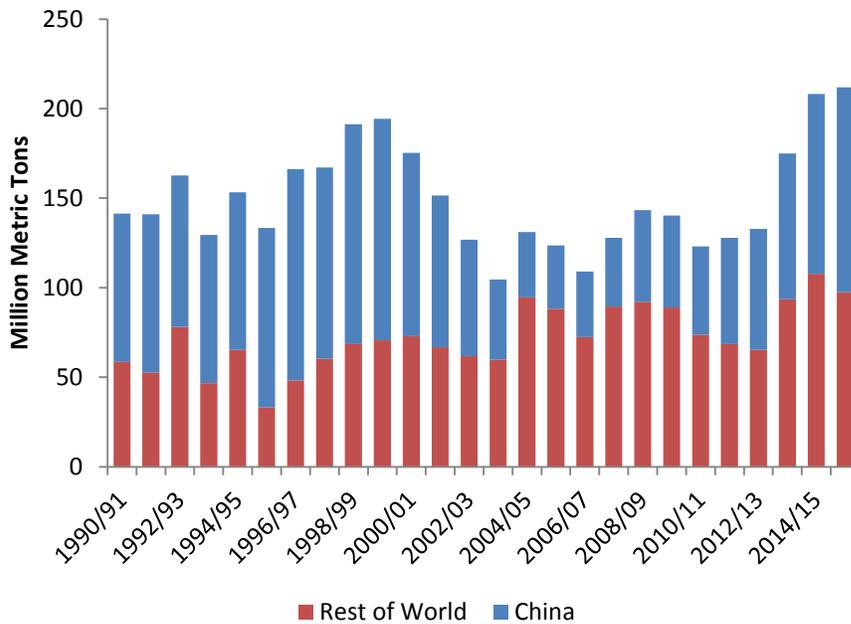
Table 1. China Corn Feed Use and Carryover Estimates: October and November 2015

	Feed Use			Carryover		
	2013/14	2014/15	2015/16	2013/14	2014/15	2015/16
October	154.00	157.00	157.00	77.32	81.66	90.61
November	150.00	140.00	150.00	81.32	100.49	114.44

Data Source: USDA World Agricultural Outlook Board.

For China, 2015/16 corn carry-in is raised by of 18 million metric tons (mmt) from a month ago; and carry-out is raised by even more: almost 24 mmt.

Given the large changes in China’s corn numbers, it is probably worthwhile to sort China out of the world corn stocks situation to get a better handle on what is going on everywhere else. Figure 2 shows corn ending stocks for China and for the rest of the world since 1990/91. What is notable here is that China has made quite a lot of progress in rebuilding the large stocks that it routinely carried until the early 2000s. (Though keep in mind that with much higher use now than they had then, their stocks-to-use position is still considerably tighter than it was in those days.) For the rest of the world, stocks are expected to tighten up a little over this marketing year. Since China is not likely be selling any of its corn, the competitive situation facing the U.S. may be a bit better than the total world numbers make it appear, although there is certainly no shortage of corn in the world for the time being.



Source: USDA National Agricultural Statistics Service

Figure 2. Corn Ending Stocks: China and Rest of the World

As noted at the outset, soybean yields were also raised in last week’s WASDE report. The national average soybean yield in October was estimated at 47.2 bushels per acre. This month, that estimate was raised to a record 48.3 bushels per acre. Soybean production is now projected to eclipse last year’s 3.927 billion bushels and reach a record 3.981 billion bushels.

For soybeans, this month’s yield revisions were almost all positive. Of major states, only Arkansas had a downward revision (by 1 bushel), and Arkansas’ yield is still projected at a record 51 bushels per acre. Other states posting record yields include Nebraska, Minnesota, Iowa, Illinois, Michigan, Kentucky and Tennessee. So for all the legitimate concern about a rough start to the soybean year, it looks like a mostly outstanding crop around the country this fall.

Of course, more soybeans are not exactly what the market has needed. Expectations were already for a more than doubling of U.S. soybean ending stocks. With this month’s higher production estimate and despite a modest 53 million bushel bump in total use, ending stock projections have been raised still higher: from 425 million bushels last month to 465 million bushels this month. On the plus side, world ending stocks estimates were dropped a bit this month, with stocks estimates for both Argentina and Brazil reduced modestly from last month. Overall, though, big supplies remain the major theme in the soybean market.

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