

## Bearish USDA Report Amidst Election Pandemonium

While most of the attention this week was on the election – and rightfully so – we did get USDA's November Crop Production & Supply/Demand Reports. The focus on the November report is usually on whether or not USDA makes adjustments to spring crop yields. And for those expecting changes, USDA didn't disappoint.

**USDA shocked us with an increase in the corn yield** of 1.9 bpa to a new record 175.3 bpa. Most of that increase came in the Western Corn Belt states (see state tables for corn, soybeans, & cotton on back page). And even with an increase in demand, ending stocks were increased to 2.403 billion bushels, the largest since 1987-88! USDA increased the average farm price a nickel to a range of \$3.00-3.60.

**The trade expected the increase in soybean yield**, but it still came in at the high end of expected guesses, up 1.1 bpa to a new record 52.5 bpa. This took production of 92 million bushels, & along with a cut in demand for crush, raised stocks 85 million bushels to 480 million. This would be the 2<sup>nd</sup> highest carryout ever, topped only by 2006-07's 574 million. Even so, USDA increased the average farm price 15 cents to a range of \$8.45-9.95. Also, USDA continues to forecast a record soybean crop in South America this year.

**USDA made a lot of state yield decreases for cotton** (back page), but the national yield only declined by 6 lbs. The corresponding drop in production, along with a slight cut in "unaccounted" usage, increased carryout slightly to 4.50 million bales. USDA also increased the average farm price a whopping 3 cents to a range of 63-71 cents.

That was about it for changes. USDA kept the US wheat balance sheet nearly unchanged, decreased rice carryout slightly, & kept sorghum & other small grains unchanged. At the world level, corn & soybean stocks were bumped due to higher US crops, with other crops nearly unchanged.

Corn	USDA	USDA	USDA	USDA Nov	USDA Nov	
	12/13	13/14	14/15	15/16	16/17	
Marketing Year						
Planted Acres	97.2	95.4	90.6	88.0	94.5	
Harvested Acres	87.4	87.5	83.1	80.7	86.8	
Yield	123.4	158.1	171.0	168.4	175.3	+1.9
Production	10,780	13,829	14,216	13,601	15,226	+169
Beg. Stocks	989	821	1,232	1,731	1,738	
Imports	162	36	32	67	50	
<b>TOTAL SUPPLY</b>	<b>11,932</b>	<b>14,686</b>	<b>15,479</b>	<b>15,400</b>	<b>17,013</b>	<b>+168</b>
Feed & Residual	4,335	5,036	5,317	5,192	5,650	
Food, Seed, & Ind	6,044	6,501	6,566	6,573	6,735	+85
Ethanol for Fuel	4,648	5,134	5,207	5,206	5,300	+25
Total Domestic	10,379	11,537	11,883	11,764	12,385	+85
Exports	731	1,917	1,864	1,898	2,225	
<b>TOTAL DEMAND</b>	<b>11,110</b>	<b>13,454</b>	<b>13,747</b>	<b>13,662</b>	<b>14,610</b>	<b>+85</b>
<b>ENDING STOCKS</b>	<b>821</b>	<b>1,232</b>	<b>1,731</b>	<b>1,738</b>	<b>2,403</b>	<b>+83</b>
<b>STOCKS/USE %</b>	<b>7.4%</b>	<b>9.2%</b>	<b>12.6%</b>	<b>12.7%</b>	<b>16.4%</b>	
<b>Avg Farm Price (\$/Bu)</b>	<b>\$6.89</b>	<b>\$4.46</b>	<b>\$3.70</b>	<b>\$3.61</b>	<b>\$3.00-3.60</b>	<b>+5 cents</b>

Soybeans	USDA	USDA	USDA	USDA Nov	USDA Nov	
	12/13	13/14	14/15	15/16	16/17	
Marketing Year						
Planted Acres	77.2	76.8	83.3	82.7	83.7	
Harvested Acres	76.1	76.3	82.6	81.7	83.0	
Yield	39.6	44.0	47.5	48.0	52.5	+1.1
Production	3,015	3,358	3,927	3,926	4,361	+92
Beg. Stocks	169	141	92	191	197	
Imports	36	72	33	24	30	
<b>TOTAL SUPPLY</b>	<b>3,209</b>	<b>3,570</b>	<b>4,052</b>	<b>4,140</b>	<b>4,588</b>	<b>+92</b>
Crush	1,663	1,734	1,875	1,886	1,930	-20
Seed	90	98	98	97	95	
Residual	5	-	142	24	32	
Total Domestic	1,758	1,832	2,115	2,007	2,057	
Exports	1,310	1,647	1,843	1,936	2,050	
<b>TOTAL DEMAND</b>	<b>3,068</b>	<b>3,478</b>	<b>3,861</b>	<b>3,943</b>	<b>4,108</b>	<b>+85</b>
<b>ENDING STOCKS</b>	<b>141</b>	<b>92</b>	<b>191</b>	<b>197</b>	<b>480</b>	<b>+85</b>
<b>STOCKS/USE %</b>	<b>4.6%</b>	<b>2.6%</b>	<b>4.9%</b>	<b>5.0%</b>	<b>11.7%</b>	
<b>Avg Farm Price (\$/Bu)</b>	<b>\$14.40</b>	<b>\$13.00</b>	<b>\$10.10</b>	<b>\$8.95</b>	<b>\$8.45-9.95</b>	<b>+10 cents</b>

Cotton	USDA	USDA	USDA	USDA Nov	USDA Nov	
	12/13	13/14	14/15	15/16	16/17	
Marketing Year						
Planted Acres	12.31	10.41	11.04	8.58	10.15	
Harvested Acres	9.37	7.54	9.35	8.07	9.66	
Yield per harvested acre	887	821	838	766	803	+6
Production	17.32	12.91	16.32	12.89	16.16	+13
Beg. Stocks	3.35	3.80	2.35	3.65	3.80	
Imports	0.01	0.01	0.01	0.03	0.01	
<b>TOTAL SUPPLY</b>	<b>20.68</b>	<b>16.72</b>	<b>18.68</b>	<b>16.57</b>	<b>19.97</b>	<b>+13</b>
Domestic Use	3.50	3.55	3.58	3.45	3.50	
Exports	13.03	10.53	11.25	9.15	12.00	
<b>TOTAL DEMAND</b>	<b>16.53</b>	<b>14.08</b>	<b>14.82</b>	<b>12.60</b>	<b>15.50</b>	
Unaccounted	0.28	0.29	0.21	0.17	-0.03	-0.07
<b>ENDING STOCKS</b>	<b>3.90</b>	<b>2.35</b>	<b>3.65</b>	<b>3.80</b>	<b>4.50</b>	<b>+0.20</b>
<b>STOCKS/USE %</b>	<b>24%</b>	<b>17%</b>	<b>25%</b>	<b>30%</b>	<b>29%</b>	
<b>Avg Farm Price (cents/lb)</b>	<b>72.0</b>	<b>77.9</b>	<b>61.3</b>	<b>58.0</b>	<b>63.00-71.00</b>	<b>+3 cents</b>

USDA Final & Projected MYA Farm Prices	(\$ per bushel, cents per pound, \$ per cwt)			
	Final 2014-15	Final 2015-16	2016-17	
Corn	\$3.70	\$3.61	\$3.30	up 5 cents
Soybeans	\$10.10	\$8.95	\$9.20	up 15 cents
Wheat	\$5.99	\$4.89	\$3.70	unch
Cotton	60.5	58.0	67.0	up 3 cents
Sorghum	\$4.03	\$3.31	\$3.10	unch
Barley	\$5.50	\$5.52	\$4.85	down 5 cents
LG Rice	\$11.90	\$11.10	\$9.70	unch
Peanuts	\$0.2200	\$0.1930	\$0.1920	up 0.0030



# Diversified Services

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## Revenue Management Update

Going forward, USDA will release final spring crop yields in its January report. NASS will release final county yields for many crops in late February. While FSA can change those, these county yields, along with projected market year average prices, will be useful in estimating projected ARC & PLC payments to be made next fall for the 2016 crop year.

2016 Corn Yield - September vs October vs November					2016 Soybean Yield - September vs October vs November				
	Sep Yield	Oct Yield	Nov Yield	Nov Production		Sep Yield	Oct Yield	Nov Yield	Nov Production
<b>Western Corn Belt</b>					<b>Western Soy Belt</b>				
Iowa	196	198	199	2,686,500	Iowa	58	58	59	560,500
Nebraska	184	181	184	1,748,000	Minnesota	49	49	52	392,600
Minnesota	184	186	190	1,520,000	Nebraska	59	61	62	319,300
South Dakota	142	145	148	771,080	Missouri	49	50	50	277,500
Kansas	151	147	147	712,950	South Dakota	43	46	48	248,160
Missouri	165	165	165	585,750	North Dakota	35	39	41	246,410
North Dakota	135	137	154	500,500	Kansas	44	45	48	192,480
<b>Eastern Corn Belt</b>					<b>Eastern Soy Belt</b>				
Illinois	200	202	202	2,323,000	Illinois	61	62	62	623,100
Indiana	185	177	177	957,570	Indiana	58	59	59	335,120
Wisconsin	175	177	180	558,000	Ohio	53	53	55	266,200
Ohio	162	160	164	539,560	Michigan	47	47	52	108,680
Michigan	157	155	155	334,800	Wisconsin	52	52	55	107,250
Pennsylvania	137	134	134	134,000	<b>South</b>				
<b>South</b>					Arkansas	49	48	48	149,760
Texas	130	124	124	310,000	Mississippi	47	48	50	101,500
Kentucky	172	162	159	224,190	Kentucky	51	50	50	89,500
North Carolina	138	141	144	135,360	Tennessee	49	46	44	72,160
Arkansas	184	178	178	132,610	North Carolina	35	38	36	60,120
Tennessee	150	148	148	118,400	Louisiana	50	49	49	59,290
Mississippi	172	167	163	117,360	<b>US</b>				
US	174.4	173.4	175.3	15,225,586	US	50.6	51.4	52.5	4,361,023

2016 Cotton Yield - September vs October vs November				
	Sep Yield	Oct Yield	Nov Yield	Nov Production
Texas	599	590	626	6,936
Georgia	976	976	915	2,250
Mississippi	1,159	1,159	1,214	1,100
Arkansas	1,088	1,088	1,062	830
California	1,638	1,583	1,616	734
Alabama	968	982	968	690
Missouri	1,116	1,116	1,063	600
Oklahoma	960	960	952	565
Tennessee	1,018	1,018	1,075	560
North Carolina	960	908	751	430
Arizona	1,481	1,443	1,443	387
South Carolina	940	990	863	340
Louisiana	960	960	960	280
Florida	864	864	864	180
Virginia	733	933	867	130
New Mexico	1,006	976	906	90
Kansas	852	852	929	60
US	802	797	803	16,162

## Looking Ahead to 2017...

The 2016 supplies of US crops are pretty well known at this point. Both domestic & export demand has been very strong so far, led by record soybean exports in September & October. Still, carryout of soybeans, corn, wheat, cotton, & rice will be at multi-year highs next summer. Managed funds have whittled their positions down to manageable levels for corn (still short) & soybeans (still long), while still holding large positions in wheat (big short) & cotton (big long). Because US supplies are mostly known, I think prices should maintain current ranges well into the winter months.

The wild cards going forward (in no particular order) look to be: the new administration's policies, influence from the macro markets, South American crop weather, January USDA crop report, US acreage prospects for 2017.

Speaking of, at this point, EVERYONE I've spoken with the fall expects US soybean acres to increase in 2017. I've seen/heard estimates of 3 to 8 million more soybean acres next year! Those acres would likely come certainly from corn, but also some from wheat & other crops. That certainly makes \$10.00 November 2017 futures look enticing!

