



Record Corn & Soybean Production Estimates from USDA

USDA shocked the trade last Friday with corn, soybean, & wheat production estimates at the top of trade estimates. The yield estimates for these crops were “based on conditions as of August 1”. Here are some of the key points from last week’s report for each crop.

Corn – A record yield of 175.1 bpa was the big shocker. Combined with the 3rd highest acres ever, this yield would produce a record corn crop of 15.153 billion bushels. Illinois (200), Iowa (197), & Nebraska/Indiana (187) posted the biggest numbers. The top two charts at right from USDA show corn production and yield for the last 20 years. The bottom/right chart will probably cause the biggest debate over the next month. USDA is estimating the implied ear weight this year at the highest on record, along with the 4th highest population ever. I’m not surprised by the high population, but I think many people are surprised by the record ear weight. What this all meant was an increase in production vs last month of 613 million bushels. And even with an increase in feed demand of 175 million bushels, production would still exceed a new record demand by 653 million bushels, and take ending stocks to 2.409 billion bushels, the largest since 1987-88! Perhaps more bearish than the US stocks are the world ending stocks estimate of nearly 221 mmt, up 12.5 mmt from last month. Most of the increase came from US production, but increased Argentine production of 2.5 mmt for next year also added to the big total.

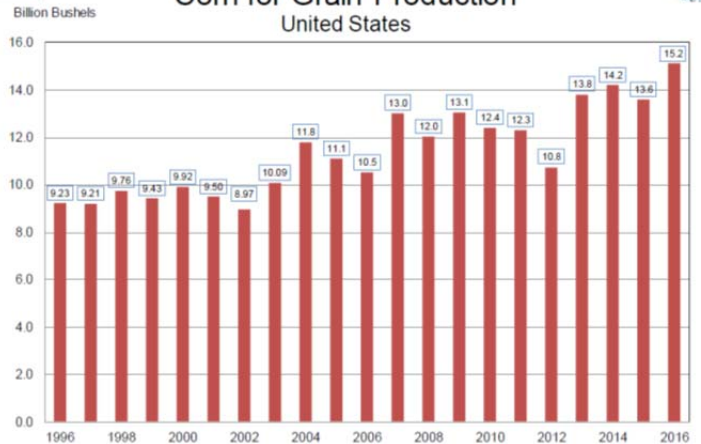
Soybeans – USDA also forecasted a record soybean yield of 48.9 bpa and record production of 4.060 billion bushels. Nebraska (59), Illinois/Iowa (57), & Indiana (55) were the big yielders. Record yield plus record acres of course means record production (charts next page). But the positive news is that USDA again increased crush & export demand for both old crop & new crop, so a 180 mln bu increase in production only meant an increase in 2016-17 ending stocks of 40 mln bu – a very manageable 330 mln bu. At the world level, South American production estimates for 2016-17 remain unchanged (record for Brazil), but the increase in US production took world stocks up 4 mmt to over 71 mmt. If world demand really comes in like USDA expects, then soybean prices shouldn’t have a tremendous amount of downside from current levels.

Wheat – USDA raised the US yield estimate 1.3 bpa & production 60 mln bu, but also increased export & feed demand, so that ending stocks only increased 5 mln bu. 1.100 bln bu is still a burdensome number, but at least it didn’t get much bigger. World stocks were down slightly from last month.

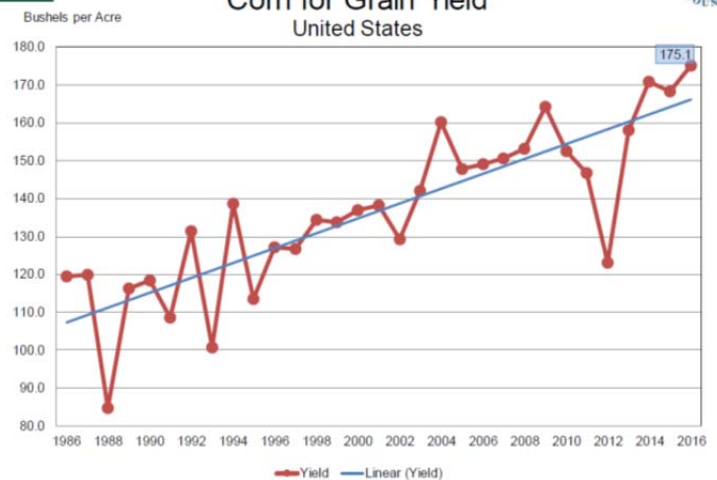
Cotton – Yield was decreased slightly but harvested acres bumped up, so production was raised just slightly, as were ending stocks. World cotton stocks were cut about 1.6 million bales, and average farm price was increased a whopping 4 cents (see next page).



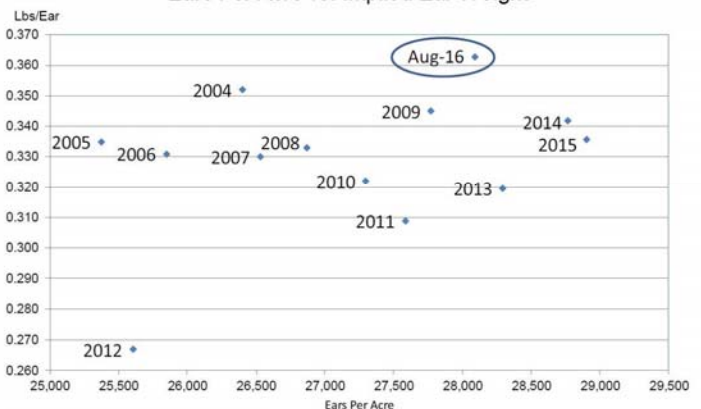
Corn for Grain Production United States



Corn for Grain Yield United States



Corn Objective Yield Region Ears Per Acre vs. Implied Ear Weight



Implied Ear Weight = (Published Yield * 56) / Ears

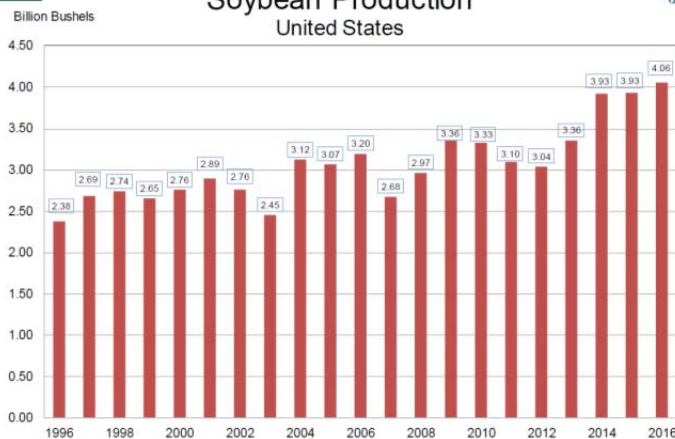


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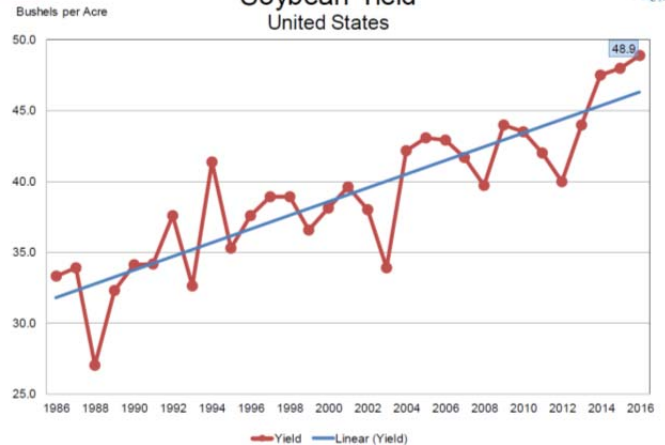
Revenue Management Update



Soybean Production
United States



Soybean Yield
United States



USDA Makes Significant Cuts in MYA Prices

2014-15, 2015-16, & 2016-17 USDA MYA Farm Prices					
(\$ per bushel, cents per pound, \$ per cwt)					
	Final 2014-15	2015-16		2016-17	
Corn	\$3.70	\$3.60	down 5 cents	\$3.15	down 25 cents
Soybeans	\$10.10	\$8.95	down 10 cents	\$9.10	down 40 cents
Wheat	\$5.99	\$4.89		\$3.70	down 10 cents
Cotton	60.5	58.0	unch	63.0	up 4 cents
Sorghum	\$4.03	\$3.30	unch	\$3.00	down 15 cents
Barley	\$5.50	\$5.52		\$4.95	up 25 cents
LG Rice	\$11.90	\$11.00		\$10.00	down 50 cents

USDA cut estimated marketing year prices for all program crops but barley in this month's report. The cuts in old crop corn (\$3.60) & soybean (\$8.95) prices will have an impact on which counties qualify for 2015-16 ARC payments and how much some of those payments might be. Next month's report should give us the final prices for the

2015-16 marketing year, with payments to be made in October.

The 2016-17 marketing year will begin on September 1, and prices for all program crops in the table at left are below PLC trigger prices except soybeans. The wheat estimated price of \$3.70 is \$1.80 below its PLC trigger price! And the long grain rice estimated price of 10 cents is 4 cents below its PLC trigger price! Both crops appear certain to have very large payments next fall. And if the corn & soybean prices were to stay at these estimated levels, ARC payments would frequent even in counties with decent 2016 yields. Plug these prices and estimated yields into our DCIS matrixes to see what potential payments might look like.