

Big Stocks, Big Acres.

On June 30th we got the Quarterly Grain Stocks & Planted Acreage reports from USDA, and then on July 12th we got the monthly Supply & Demand report from USDA. Both sets of reports provided us bearish numbers to bookend what has been a somewhat bullish weather situation. This has certainly created A LOT of volatility in the futures markets the last two weeks!

In the July 12th report, USDA basically incorporated their grain stocks & acres into their balance sheets. They did not make changes to yields, other than wheat (& very small tweaks to cotton & rice). The biggest changes were in wheat, corn, & soybeans (right). All of the increases are signified by **GREEN** highlights & decreases by **PINK** highlights. Some of those were:

Wheat – Big cuts in old & new crop feed demand offset the cut in acres & a 1.1 bpa drop in yield. This really dampened the bulls' case that winter wheat markets should follow the spring wheat weather market higher,

Corn – USDA's planted acres, 900,000 more than March intentions, basically added 190 million bushels to the bottom line. USDA did not adjust yield in the July report. That will likely happen in August. In the meantime, traders are dealing with big stocks numbers.

Soybeans – USDA did not increase acres like the trade expected, but did increase old crop export demand. Ending stocks are still large for both crop years, but not quite as large as a month ago.

Cotton – USDA lowered production & ending stocks slightly, but still would be the largest since 2008-09.

Rice – USDA lowered acres/yield/production, but also cut demand. Ending stocks dropped slightly.

US Wheat

Marketing Year	USDA 12/13	USDA 13/14	USDA 14/15	USDA 15/16	USDA July 16/17	USDA July 17/18
Planted Acres	55.7	56.2	56.8	55.0	50.2	45.7
Harvested Acres	49.0	45.2	46.4	47.3	43.9	38.1
Yield	46.3	47.2	43.7	43.6	52.6	46.2
Production	2,269	2,130	2,026	2,062	2,310	1,184
Beg. Stocks	743	718	590	752	976	1,760
Imports	125	169	149	113	118	140
TOTAL SUPPLY	3,137	3,016	2,766	2,927	3,403	3,084
Food Use	945	951	958	957	955	955
Seed Use	76	77	81	67	61	66
Feed & Residual	388	222	120	152	148	150
Total Domestic	1,381	1,250	1,159	1,176	1,206	1,171
Exports	1,009	1,176	854	775	1,055	975
TOTAL DEMAND	2,391	2,426	2,014	1,952	2,261	2,146
ENDING STOCKS	718	590	752	976	1,184	938
STOCKS/USE %	30.0%	24.3%	37.3%	50.0%	52.4%	43.7%
Avg Farm Price (\$/Bu)	\$7.77	\$6.87	\$5.99	\$4.89	\$3.89	\$4.40-5.20

US Corn

Marketing Year	USDA 12/13	USDA 13/14	USDA 14/15	USDA 15/16	USDA July 16/17	USDA July 17/18
Planted Acres	97.2	95.4	90.6	88.0	94.0	90.9
Harvested Acres	87.4	87.5	83.1	80.7	86.7	83.5
Yield	123.4	158.1	171.0	168.4	174.6	170.7
Production	10,780	13,829	14,216	13,601	15,148	14,255
Beg. Stocks	989	821	1,232	1,731	1,737	2,370
Imports	162	36	32	67	55	50
TOTAL SUPPLY	11,932	14,686	15,479	15,400	16,940	16,675
Feed & Residual	4,335	5,036	5,317	5,192	5,425	5,475
Food, Seed, & Ind	6,044	6,501	6,566	6,573	6,920	7,000
Ethanol for Fuel	4,648	5,134	5,207	5,206	5,450	5,500
Total Domestic	10,379	11,537	11,883	11,764	12,345	12,475
Exports	731	1,917	1,864	1,898	2,225	1,875
TOTAL DEMAND	11,110	13,454	13,747	13,662	14,570	14,350
ENDING STOCKS	821	1,232	1,731	1,738	2,370	2,325
STOCKS/USE %	7.4%	9.2%	12.6%	12.7%	16.3%	16.2%
Avg Farm Price (\$/Bu)	\$6.89	\$4.46	\$3.70	\$3.61	\$3.25-3.45	\$2.90-3.70

US Soybeans

Marketing Year	USDA 12/13	USDA 13/14	USDA 14/15	USDA 15/16	USDA July 16/17	USDA July 17/18
Planted Acres	77.2	76.8	83.3	82.7	83.4	89.5
Harvested Acres	76.1	76.3	82.6	81.7	82.7	88.7
Yield	39.6	44.0	47.5	48.0	52.1	48.0
Production	3,015	3,358	3,927	3,926	4,307	4,260
Beg. Stocks	169	141	92	191	197	410
Imports	36	72	33	24	25	25
TOTAL SUPPLY	3,209	3,570	4,052	4,140	4,528	4,695
Crush	1,663	1,734	1,875	1,886	1,900	1,950
Seed	90	98	98	97	104	101
Residual	5	-	142	24	14	34
Total Domestic	1,758	1,832	2,115	2,007	2,018	2,085
Exports	1,310	1,647	1,843	1,936	2,100	2,150
TOTAL DEMAND	3,068	3,478	3,861	3,943	4,093	4,235
ENDING STOCKS	141	92	191	197	410	460
STOCKS/USE %	4.6%	2.6%	4.9%	5.0%	10.0%	10.9%
Avg Farm Price (\$/Bu)	\$14.40	\$13.00	\$10.10	\$8.95	\$9.50	\$8.40-10.40

PLC Ref Price	2016-17		2017-18		
	2016-17	2017-18	2016-17	2017-18	
Corn	\$3.70	\$3.35	unch	\$3.30	down 10 cents
Soybeans	\$8.40	\$9.50	down 5 cents	\$9.40	up 10 cents
Wheat	\$5.50	\$3.89	down 1 cent	\$4.80	up 50 cents
Cotton	N/A	68.0	down 0.5 cent	61.0	down 3 cents
Sorghum	\$3.95	\$2.65	unch	\$2.90	down 10 cents
Barley	\$4.95	\$4.96	up 1 cent	\$5.55	up 40 cents
LG Rice	\$14.00	\$9.70	up 0.1 cent	\$11.70	up 0.70 cents
Peanuts	\$0.2675	\$0.1950	unch	\$0.2150	unch

USDA made a number of changes to the **MYA (Market Year Average) price** estimates for the 2016-17 year, which ends August 31, and for the 2017-18 year. The 2016-17 wheat price of \$3.89 should be the final price that's used to determine PLC and ARC payments, to be made this October. The 2017-18 MYA estimates won't be final until next August, and those coupled with 2017 county yields will be used to determine ARC & PLC (price only) payments to be made next fall.



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Revenue Management Update

2017-18 Diversified Services Marketing Group Corn Stocks Matrix

Corn Ending Stocks Based on Possible Acreage/Yield Scenarios:
(billion bushels)



Estimated 2017-18 Beginning Stocks:	2.370	billion bushels	1.737 bln bu est. in 2016-17
Estimated 2017-18 Demand:	14.350	billion bushels	14.645 bln bu est. in 2016-17

Planted Acres	Percent Harvest	Harvested Acres	Yield per Acre										
			165	165.8	166.2	167	168	168.4	169	170	USDA July 170.7	172	2016 Final 174.6
91.30	0.919	83.9	1.912	1.979	2.013	2.080	2.164	2.198	2.248	2.332	2.391	2.500	2.718
91.10	0.919	83.7	1.882	1.949	1.982	2.049	2.133	2.167	2.217	2.301	2.359	2.468	2.686
USDA 90.90	0.919	83.5	1.852	1.918	1.952	2.019	2.102	2.136	2.186	2.269	2.328	2.436	2.654
90.70	0.919	83.4	1.821	1.888	1.921	1.988	2.071	2.105	2.155	2.238	2.296	2.405	2.621
90.50	0.919	83.2	1.791	1.858	1.891	1.957	2.040	2.074	2.124	2.207	2.265	2.373	2.589
90.30	0.919	83.0	1.761	1.827	1.860	1.927	2.010	2.043	2.093	2.176	2.234	2.342	2.557
90.10	0.919	82.8	1.730	1.797	1.830	1.896	1.979	2.012	2.062	2.141	2.202	2.310	2.525
89.90	0.919	82.6	1.700	1.766	1.799	1.865	1.948	1.981	2.030	2.113	2.171	2.278	2.493

Dark Red < minimum pipeline (6% or 750 mln) Red < 1.5 billion Gray 1.5-2.0 billion Green 2.0-2.295 billion Dark Green > 2016

2017-18 Diversified Services Marketing Group Soybean Stocks Matrix

Soybean Ending Stocks Based on Possible Scenarios:
(million bushels)



USDA 2017-18 Beginning Stocks:	410	million bushels	197 mln bu in 2016-17
Estimated 2017-18 Demand:	4235	million bushels	4078 mln bu in 2016-17

Planted Acres	Percent Harvest	Harvested Acres	Yield per Acre										
			44	45	46	MDA Weather Services 46.5	47	USDA July 48.0	49	TellusLabs 49.5	50	51	2016 Final 52.1
90.25	0.99	89.4	140	230	319	364	409	498	587	621	678	766	865
90.00	0.99	89.2	129	219	308	352	397	486	575	609	666	754	852
89.75	0.99	88.9	118	207	296	341	385	474	563	597	653	741	839
USDA 89.50	0.99	88.7	108	196	285	329	374	462	551	584	641	728	826
89.36	0.99	88.6	101	190	281	323	367	456	544	578	634	721	820
89.00	0.99	88.2	86	174	262	306	350	439	527	560	616	703	800
88.70	0.99	87.9	73	161	248	292	336	424	512	545	601	688	785
88.50	0.99	87.7	64	152	239	283	327	415	502	535	591	678	774

Red < below 200 mln Gray 200 - 400 mln Green 400 - 574 mln Dark Green > new record high

Now back to the weather market.

With planted acres basically set, and demand estimates not likely to change much in the near future, the big variable left in the equation is YIELD – for all crops! As I mentioned on the first page, between the two USDA reports, and now since this last one, weather has been, is, & will be the dominant market factor. Markets have reacted positively to excessive heat & drought in the west, and to a much lesser extent too much rain in the east. Going forward, it's about weather at pollination and seed development.

On August 10 USDA will release its first "real" estimate for spring crops, based on surveys & plant population counts. Over the next few weeks analysts will release their own guesses as to what yields will be. We've already had a couple of weather firms put out corn & soybean estimates. The **corn & soybean stocks matrixes** (left) show various possibilities for ending stocks given different acre & yield scenarios. USDA's current corn & soybean yield estimates of 170.7 & 48.0 bushels respectively leave both crops with surpluses. But...if the corn yield creeps down into the mid-160's or the soybean yield to 46 or less, stocks would tighten for both crops. That's why weather over the next few weeks, and changing yield estimates, will continue to move our markets. Follow the daily **Grain Market Outlook** letter for updates to these stocks matrixes as we get more analyst estimates in the weeks ahead.