February update had no changes for the 2021 corn crop. Also in November, USDA release its first look at 2022. They foresee a small drop in corn area, but an increase in production. Overall corn usage remains flat, with feed and residual use increasing to offset a decline in exports.
For soybeans, domestic crush was increased by 25 million bushels to a total of 2.215 billion. That lowered projected 2021/22 ending stocks by the same amount. The 2021/22 season-average price estimate increased to $13 per bushel (up 40 cents). The 2022 outlook includes a slight rise in acres and production, coupled with increases in crush and exports.
For corn, there was some rebalancing nationwide. Iowa moved up to reach the record. North Dakota dropped a bushel. Many farmers uttered the words “better than I expected”.
For soybeans, the late season rains did boost yield prospects in the northern and western areas. Iowa yields moved up to set a record.
With harvest finished, the drought issues transfer to concerns about next year and the limited soil moisture we may likely start out with in the planting season next spring.
Nearby futures, especially for soybeans, have been boosted by weather issues in South America, mainly the drought conditions in southern Brazil and Argentina.
USDA did take a bit more out of Brazil due to drought issues there, but world corn production continues to hit record levels.

![World Corn Production Table](image-url)

The big news this month was another reduction in South American production. The cut this month was enough to lower South American production before last year’s level and drop the world soybean production below last year’s level as well.
USDA’s expectations for 2021/22 soybean exports are 2.050 billion bushels. Compared to last year, sales are down roughly 425 million bushels, so the gap is tightening up slowly.
China is by far the driving factor here. While they purchased a sizable amount of beans, it is below last year’s levels. Movements in our other large markets have been more subdued and dwarfed by the Chinese actions.

Just a general note for those viewing my presentation slides, in these export shift slides (corn, soybean, beef, and pork), I use the same basic set-up. The first six bars (with the individual country names) are currently our top 6 export markets for the commodity (so you will see a different list of six countries for each commodity). For the crop slides, the 7th bar is labeled “Unknown”, covering export sales that are currently marked for unknown destinations (For example, a multinational company may purchase corn to be shipped in three months, but they are not sure whether they want the corn delivered to Shanghai, China; Seoul, South Korea; or Taipei, Taiwan. In those cases, the sale is marked as unknown destination. Once the company decides on the port, then the sale is transferred to the appropriate country.) The next bar is labeled “Other” and it represents the export shifts from the rest of the world. And finally, the last bar presents the total shift in export sales and shipments from the U.S. to the global market.
Corn advance sales really took off in May, but the action since then has been disappointing. Current sales have now fell behind last year’s pace by roughly 450 million bushels.
Last week’s data finally revealed a larger drop in sales to China. In the report three weeks ago, China was still up 5% on a year-to-year basis. This week, it is down over 30%. That is because of a combination of large sales to China at this time last year (see the big jump in the green line for 2020 in the previous graph) and the lack of sales so far this year.
2022 projections are below the 2021 numbers. Looking the year-over-year numbers, both beef and pork are contracting, while the birds are still increasing. So the feed outlook is relatively flat.
Cattle Crush Margin

The Crush Margin is the return after the feeder steer and corn costs.
Live weight: 1250 pounds    Feeder weight: 750 pounds
Corn: 50 bushels per head

Projected Yearling to Finish Crush Margin, February 16, 2022

Source: ISU, Lee Schulz
Ag Decision Maker
Hog Crush Margin

The Crush Margin is the return after the pig, corn and soybean meal costs.

Carcass weight: 200 pounds  Pig price: 50% of 5 mth out lean hog futures
Corn: 10 bushels per pig  Soybean meal: 150 pounds per pig

Projected Wean to Finish Crush Margin, February 16, 2022

Source: ISU, Lee Schulz
Ag Decision Maker
The one area where we have seen a reduction in Chinese interest is in pork. Sales started tailing off late in the year in 2020 and have continued to lag since. However, the 2021 marketing year is still the 2nd best export year in terms of tonnage for the industry (trailing only 2020). The early sales for 2022 have fallen below the 5-year average pace.
While it’s still early in the year, the continuing drop in sales to China is the big shift for the pork market. Japan and Canada are in positive territory, but the general trend is for fewer export sales.
Beef export sales remain a bright spot, but even here, the pace is slowing down.
China is the major mover here as well, but South Korea and Taiwan have also picked up the buying pace this year. Overall, sales are up roughly 3%.
The weekly ethanol production data shows the significant declines in ethanol production in the spring of 2020 and the late winter of 2021. The first was the COVID hit, the second was the extreme cold snap that impacted ethanol production. Within the past three months, ethanol production has reached back to pre-COVID levels, but the industry is still adjusting to post-COVID usage swings. The most recent pullback in production highlights the issues for liquid fuels as customer demand swings from COVID and extreme weather events. With the recent large winter storms, ethanol consumption has slowed as travel has been limited, which translates into building ethanol stocks.
US REFINERS JUMP ON THE RENEWABLE FUEL BANDWAGON

IOWA STATE UNIVERSITY
Extension and Outreach/Department of Economics

Sources: S&P Global Platts and EIA
Ag Decision Maker
2021/22 Crop Price Projections

Based on futures prices

Ag Decision Maker
2022/23 Crop Price Projections

Based on futures prices
Ag Decision Maker
Thank you for your time!

Any questions?

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http://www2.econ.iastate.edu/faculty/hart/

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