Ag Market Outlook

Oct. 22, 2021

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The October WASDE report fully incorporated the shifts indicated by the Grain Stocks report and the latest yield data from both the farmer survey and field estimates. The general storyline was a slightly bigger crop with usage holding somewhat steady. The national yield was raised by 0.2 bushels per acre, to 176.5 bushels per acre (just under the record from 2017). That boosted production back above 15 billion bushels. Feed and residual usage was reduced by 50 million bushels, based on current corn disappearance patterns. But exports were raised 25 million bushels and food, seed, and other usage were raised 5 million bushels. While total usage remains strong at 14.78 billion bushels, the 2021/22 ending stock estimate increased to 1.5 billion bushels. Despite the
bump in stocks, the 2021/22 season-average price estimate held steady at $5.45 per bushel.
The soybean crop got bigger as well. The national yield was increased by 0.9 bushels per acre, to 51.5 bushels per acre. That puts production over 4.4 billion bushels. Soybean crush was raised 10 million bushels, but other usage categories remained the same. Once all of the old and new crop adjustments were put in place, 2021/22 ending stocks are set at 320 million bushels, well above earlier estimates. The 2021/22 season-average price estimate slid down 55 cents to $12.35 per bushel.
For corn, there was some rebalancing nationwide. In the eastern Corn Belt, records are still projected, but the numbers are smaller. In the western Corn Belt, many farmers are uttering the words “better than I expected”.
For soybeans, the late season rains did boost yield prospects in the northern and western areas. Meanwhile, soybean yield projections held steady at record levels in the east.
With harvest picking up steam, the drought issues transfer to concerns about next year and the limited soil moisture we will likely start out with in the planting season next spring.
The U.S. increase was the big move this month. Outside the U.S., increases in Canada and the EU were offset by smaller projections in the former Soviet Union.
### World Soybean Production

<table>
<thead>
<tr>
<th>Country or Region</th>
<th>2020/2021 estimate</th>
<th>2021/2022 forecast</th>
<th>Change from September 12</th>
<th>Change from 2020/2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>365.3</td>
<td>385.1</td>
<td>0.7</td>
<td>19.9</td>
</tr>
<tr>
<td>United States</td>
<td>114.7</td>
<td>121.1</td>
<td>2.0</td>
<td>6.3</td>
</tr>
<tr>
<td>Foreign</td>
<td>250.5</td>
<td>264.1</td>
<td>-1.3</td>
<td>13.6</td>
</tr>
<tr>
<td>Argentina</td>
<td>46.2</td>
<td>51.0</td>
<td>-1.0</td>
<td>4.8</td>
</tr>
<tr>
<td>Brazil</td>
<td>137.0</td>
<td>144.0</td>
<td>--</td>
<td>7.0</td>
</tr>
<tr>
<td>Paraguay</td>
<td>9.9</td>
<td>10.5</td>
<td>--</td>
<td>0.6</td>
</tr>
<tr>
<td>Canada</td>
<td>6.4</td>
<td>5.9</td>
<td>--</td>
<td>-0.5</td>
</tr>
<tr>
<td>India</td>
<td>10.5</td>
<td>11.0</td>
<td>-0.2</td>
<td>0.5</td>
</tr>
<tr>
<td>China</td>
<td>19.6</td>
<td>19.0</td>
<td>--</td>
<td>-0.6</td>
</tr>
</tbody>
</table>

The U.S. increase was partially offset by declines in Argentina and India.
USDA’s expectations for 2021/22 soybean exports are 2.090 billion bushels. Compared to last year, sales are down roughly 600 million bushels.
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. But current sales lead last year’s pace by roughly 45 million bushels.
The market where the combination of prices and shipping challenges looms the largest is China, now that they are our leading export market for corn. Beyond the Chinese market, it is good to see growth, with growth in several of our major markets.
USDA continues to pull back on meat production. Now, 2022 projections are below the 2021 numbers. The relative changes added a little bit to beef supplies, but all other meats showed a continuing decline. Looking the year-over-year numbers, both beef and pork are contracting, while the birds are still increasing.
Export sales for beef remain strong, with the sales pace at a record pace.
China is the major mover here as well, but South Korea and Mexico have also picked up the buying pace this year. Overall, sales are up roughly 12%.
The one area where we have seen a reduction in Chinese interest is in pork. Sales started tailing off late in the year last year and have continued to lag since. However, the 2021 marketing year is still on pace to be the 2nd best export year for the industry (trailing only 2020).
With the drop in sales to China as they look to recover from the African Swine Fever outbreak, pork sales in other parts of the world have moved higher to partially offset the loss. Mexico, Colombia, and the Philippines have increased purchases.
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 two 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.
The season-average price estimate for corn (the large number on the graph), based on futures prices, for 2021 has increased significantly over the past 12 months. Based on ISU's 2021 production cost estimate of $3.41 per bushel, current prices put corn margins well above zero. USDA has projected $4.53 for the 2020/21 season-average price, given the larger marketings earlier in the marketing year. The 2021/22 season-average price estimate from futures have bounced around in the $5.00-5.70 range for the past few months.
With 2021 projected cost in the $8.95 per bushel range, new crop soybeans have popped up above breakeven. USDA is at $10.80 for the 2020/21 season-average price. For the 2021 crop, USDA put the price outlook at season-average price estimates in the $12.35 range (down 55 cents from earlier estimates).
The early pricing levels for the 2021 crops are encouraging. The heavy black line is roughly the 2021 estimated ISU production cost level for both crops. Projected margins are well above zero for the upcoming crops.
When going into the unknown, it’s best to study history. Often, we are set up to repeat it. Harvest pricing lows are driven by ample supplies coming out of the fields. The derecho put at least a scare into supplies and provided some contra-seasonal support for crop prices as we approached harvest last year. Export sales have remained strongly supportive throughout the fall and winter. Drought concerns, along with those export sales, had pushed prices higher throughout the spring. Now the possibility of fairly large crops, despite the weather issues, has been tempering prices this summer.
While the issues that are moving the markets are new, our responses should not be. The standard array of marketing tools still cover what we need for our markets to function and function well.
Thank you for your time!

Any questions?

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