Ag Market Outlook

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The November WASDE report brought in estimates as the crops were being harvested. The general storyline was a slightly bigger crop with usage boosted a bit as well. The national yield was raised by 0.5 bushels per acre, to 177 bushels per acre (if it holds, a new record). That kept production above 15 billion bushels. The only usage number that moved was ethanol, up 50 million bushels. In total, the production shift offset the ethanol gain, so stocks dropped by a tiny 7 million bushels and the 2021/22 season-average price estimate held steady at $5.45 per bushel. 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.
The soybean crop actually shrank, a move that was not expected by the trade. The national yield was lowered by 0.3 bushels per acre, to 51.2 bushels per acre. That still keeps production over 4.4 billion bushels. Like corn, there was little movement on the usage side. Exports were lowered 40 million bushels. The drop in exports exceeded the reduction in production, so 2021/22 ending stocks increased to 340 million bushels. The 2021/22 season-average price estimate slid down 25 cents to $12.10 per bushel. 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. 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 slid down but still mostly maintained 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.
Globally, weather conditions have improved in South America, boosting crop prospects there.
Argentina’s soybean area is projected to be a bit smaller than first anticipated as corn area expands.

### World Soybean Production

<table>
<thead>
<tr>
<th>Country or Region</th>
<th>2020/2021</th>
<th>Change from October 10</th>
<th>2021/2022</th>
<th>Change from October 10</th>
<th>Change from 2020/2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Estimate</td>
<td></td>
<td>Forecast</td>
<td></td>
<td></td>
</tr>
<tr>
<td>World</td>
<td>366.2</td>
<td>1.0</td>
<td>384.0</td>
<td>-1.1</td>
<td>17.8</td>
</tr>
<tr>
<td>United States</td>
<td>114.7</td>
<td>--</td>
<td>120.4</td>
<td>-0.6</td>
<td>5.7</td>
</tr>
<tr>
<td>Foreign</td>
<td>251.5</td>
<td>1.0</td>
<td>263.6</td>
<td>-0.5</td>
<td>12.1</td>
</tr>
<tr>
<td>Argentina</td>
<td>46.2</td>
<td>--</td>
<td>49.5</td>
<td>-1.5</td>
<td>3.3</td>
</tr>
<tr>
<td>Brazil</td>
<td>138.0</td>
<td>1.0</td>
<td>144.0</td>
<td>--</td>
<td>6.0</td>
</tr>
<tr>
<td>Paraguay</td>
<td>9.9</td>
<td>--</td>
<td>10.5</td>
<td>--</td>
<td>0.6</td>
</tr>
<tr>
<td>Canada</td>
<td>6.4</td>
<td>--</td>
<td>5.9</td>
<td>--</td>
<td>-0.5</td>
</tr>
<tr>
<td>India</td>
<td>10.5</td>
<td>--</td>
<td>11.9</td>
<td>0.9</td>
<td>1.4</td>
</tr>
<tr>
<td>China</td>
<td>19.6</td>
<td>--</td>
<td>19.0</td>
<td>--</td>
<td>-0.6</td>
</tr>
</tbody>
</table>

**Source:** USDA-WAOB

**Ag Decision Maker**

Iowa State University

Extension and Outreach/Department of Economics
USDA’s expectations for 2021/22 soybean exports are 2.050 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. Current sales have now fell behind last year’s pace by roughly 80 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.
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, November 10, 2021

Source: ISU Extension
Ag Decision Maker
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%.
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, November 10, 2021

Source: ISU Extension
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 last year and have continued to lag since. However, the 2021 marketing year is still on pace to be the 2\textsuperscript{nd} 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.
Current Corn Futures

$ per bushel

5.56    |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          | 5.35    
          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          | 4.98    

Source: CME Group, 11/12/2021

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2022/23 Crop Price Projections

$ per bushel

7/1/2021 to 11/1/2021

Corn
Soybeans

Based on futures prices
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Thank you for your time!

Any questions?

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