

# Commodity Market Outlook

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## Market Outlook Reports for January 6, 2015

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### CORN

March Corn Futures closed at new lows 4 on the six trading days after Christmas, dropping over 11 cents. On January 12 the USDA released the Annual 2015 Crop Production Report, the Quarterly Stocks Report, and updated U.S. and World Supply/Demand Reports. Did these major USDA Reports put on the brakes or accelerator?

The January USDA/NASS Crop Production Report gave the final projected U.S. 2015 corn production figure, updating the November projection. There have been years the final January number has been significantly different than the November projection, was it this time?

The USDA/NASS quarterly stocks report showed corn stocks was as of December 1, 2015. This would indicate corn disappearance from September 1, 2015 through December 1, 2015, the first quarter of the 2015-16 corn marketing year. Was it a surprise? If the corn production report was a surprise, the stocks report, how much corn we have on Dec 1, will be a surprise almost by definition. But the stocks report can be a surprise on its own as it is the main indicator of feed use.

The USDA/WASDE U.S. 2015-16 January 12 Supply/Demand updates will include the new information from above, information from updated World Supply/Demand projections, the December Hogs and Pigs Report, and the December Cattle on Feed Report. The December 9 Supply/Demand updates, as shown in Table 1, were not surprising as projected 2015-16 corn use for ethanol was

increased 25 million bushels, more miles being driven, and corn exports were lowered 50 million bushels. Compare the updated supply/demand numbers to the December 9 projections.

Weekly corn export inspections and export sales have continued weak since the December 9 report as the dollar continues to be strong and the rest of the world economies struggle. Plus we have updated world supply/demand projections. Did the USDA lower projected 2015-16 U.S. exports again? Or raise? How about projected feed use? The stocks report will indicate rate of use, the livestock reports will indicate animal units using feed. The bottom line, did ending stocks-to-use increase or decrease?

**TABLE 1  
SUPPLY/DEMAND BALANCE SHEET FOR CORN**

	2002- 2003	2003- 2004	2004- 2005	2005- 2006	2006- 2007	2007- 2008	2008- 2009	2009- 2010	2010- 2011	2011- 2012	2012- 2013	2013- 2014	Est. 2014- 2015	Proj. 2015- 2016
<b>(million acres)</b>														
Acres Planted	78.9	78.6	80.9	81.8	78.3	93.5	86.0	86.4	88.2	91.9	97.3	95.4	90.6	88.4
Acres Harvested	69.3	70.9	73.6	75.1	70.6	86.5	78.6	79.5	81.4	84.0	87.4	87.5	83.1	80.7
Yield/Bushels	129.3	142.2	160.4	148	149.1	150.7	153.9	164.7	152.8	147.2	123.1	158.1	171.0	169.3
<b>(million bushels)</b>														
Beginning Stocks	1596	1087	958	2114	1967	1304	1624	1673	1708	1128	989	821	1232	1731
Production	8967	10089	11807	11114	10531	13038	12092	13092	12447	12360	10755	13829	14216	13654
Imports	14	14	11	9	12	20	14	8	28	29	160	36	32	30
<b>Total Supply</b>	<b>10578</b>	<b>11190</b>	<b>12776</b>	<b>13237</b>	<b>12510</b>	<b>14362</b>	<b>13729</b>	<b>14774</b>	<b>14182</b>	<b>13517</b>	<b>11904</b>	<b>14686</b>	<b>15479</b>	<b>15415</b>
<b>Use:</b>														
Feed & Residual	5563	5798	6158	6155	5591	5913	5182	5125	4795	4557	4315	5040	5315	5300
Food, Seed & Ind	2340	2537	2686	2981	3490	4387	5025	5961	6426	6428	6038	6493	6568	6580
Ethanol for fuel	996	1168	1323	1603	2119	3049	3709	4591	5019	5000	4641	5124	5209	5200
<b>Total Domestic</b>	<b>7903</b>	<b>8335</b>	<b>8844</b>	<b>9136</b>	<b>9081</b>	<b>10300</b>	<b>10207</b>	<b>11086</b>	<b>11221</b>	<b>10985</b>	<b>10353</b>	<b>11534</b>	<b>11883</b>	<b>11880</b>
Exports	1588	1897	1818	2134	2125	2437	1849	1980	1834	1543	730	1920	1864	1750
<b>Total Use</b>	<b>9491</b>	<b>10232</b>	<b>10662</b>	<b>11270</b>	<b>11206</b>	<b>12737</b>	<b>12056</b>	<b>13066</b>	<b>13055</b>	<b>12528</b>	<b>11083</b>	<b>13454</b>	<b>13748</b>	<b>13630</b>
Ending Stocks	1087	958	2114	1967	1304	1624	1673	1708	1128	989	821	1232	1731	1785
Ending Stocks, % of Use	11.5	9.4	19.8	17.5	11.6	12.8	13.9	13.1	8.6	7.9	7.4	9.2	12.6	13.1
U.S. Loan Rate	\$1.98	\$1.98	\$1.95	\$1.95	\$1.95	\$1.95	\$1.95	\$1.95	\$1.95	\$1.95	\$1.95	\$1.95	\$1.95	\$1.95
U.S. Season Ave Farm Price, \$/Bu.	\$2.32	\$2.42	\$2.06	\$2.00	\$3.04	\$4.20	\$4.06	\$3.55	\$5.18	\$6.22	\$6.89	\$4.46	\$3.70	\$3.65

Source: USDA/WASDE and Jim Hilker. (12 - 9 - 15)

## **WHEAT**

On January 4th March Wheat futures dropped almost 12 cents as world stock markets, an indication of the world economies, tumbled sharply. So like corn, wheat was in a bear market as the January 12 USDA reports were released. Are we still? Along with updated final 2015 wheat production projections, December 1 wheat stocks, and updated U.S. and world supply/demand reports, the USDA released the Winter Wheat Seeding Report on January 12. How did the wheat market react to all these reports in total? What were Michigan winter wheat seedings?

The December 9 USDA wheat supply/demand updates, released the day after I wrote the mid-December issue, were left unchanged from the November projections and are shown in Table 2. How the updated January wheat supply/demand numbers compare with the December numbers will determine price direction. I was not looking for any major changes other than perhaps a drop in projected exports as export inspections to date are lagging and sales are not strong given we only have four and a half months left in the 2015-16 wheat marketing year.

The Winter Wheat Seeding Report numbers will not show up in the updated Supply/Demand Reports as the USDA/WASDE does not start projecting the 2016-17 wheat marketing year on a monthly basis until May. However, I will incorporate them into my projections for the MFN Annual Outlook to come out in the February 15 Issue. And the USDA will incorporate the winter wheat plantings into their late February 2016 Annual Outlook Conference. However, the winter wheat seedings are one of the first numbers to give us an indication of the 2016 wheat supply and will immediately be incorporated into wheat prices.

*(Wheat Supply/Demand Balance Sheet Next page)*

**TABLE 2  
SUPPLY/DEMAND BALANCE SHEET FOR WHEAT**

	2003- 2004	2004- 2005	2005- 2006	2006- 2007	2007- 2008	2008- 2009	2009- 2010	2010- 2011	2011- 2012	2012- 2013	2013- 2014	Est. 2014- 2015	Proj. 2015- 2016
<b>(Million Acres)</b>													
Acres Planted	62.1	59.7	57.2	57.3	60.5	63.2	59.2	53.6	54.4	55.3	56.2	56.8	54.6
Acres Harvested	53.1	50.0	50.1	46.8	51.0	55.7	49.9	47.6	45.7	48.8	45.3	46.4	47.1
Bu./Harvested Acre	44.2	43.2	42.0	38.6	40.2	44.9	44.5	46.3	43.7	46.2	47.1	43.7	43.6
<b>(Million Bushels)</b>													
Beginning Stocks	491	546	540	571	456	306	657	976	862	743	718	590	753
Production	2345	2158	2105	1808	2051	2499	2218	2207	1999	2252	2135	2026	2052
Imports	68	71	82	122	113	127	119	97	112	123	173	149	125
<b>Total Supply</b>	<b>2904</b>	<b>2775</b>	<b>2727</b>	<b>2501</b>	<b>2620</b>	<b>2932</b>	<b>2993</b>	<b>3279</b>	<b>2974</b>	<b>3118</b>	<b>3026</b>	<b>2766</b>	<b>2930</b>
<b>Use:</b>													
Food	907	910	915	938	948	927	919	926	941	951	955	958	967
Seed	80	78	78	82	88	78	69	71	76	73	77	81	72
Feed and Residual	212	182	160	117	16	255	150	132	162	364	228	120	180
<b>Total Domestic</b>	<b>1194</b>	<b>1169</b>	<b>1152</b>	<b>1137</b>	<b>1051</b>	<b>1260</b>	<b>1138</b>	<b>1128</b>	<b>1180</b>	<b>1388</b>	<b>1260</b>	<b>1159</b>	<b>1219</b>
Exports	1159	1066	1003	908	1263	1015	879	1289	1051	1012	1176	854	800
<b>Total Use</b>	<b>2353</b>	<b>2235</b>	<b>2155</b>	<b>2045</b>	<b>2314</b>	<b>2275</b>	<b>2018</b>	<b>2417</b>	<b>2231</b>	<b>2400</b>	<b>2436</b>	<b>2013</b>	<b>2019</b>
Ending Stocks	546	540	571	456	306	657	976	862	743	718	590	753	911
Ending Stocks, % of Use	23.2	24.2	26.5	22.3	13.2	28.9	48.3	35.7	33.3	29.9	24.2	37.4	45.1
U.S. Loan Rate	\$2.80	\$2.75	\$2.75	\$2.75	\$2.75	\$2.75	\$2.75	\$2.75	\$2.75	\$2.75	\$2.75	\$2.75	\$2.75
<b>U.S. Season Ave</b>													
U.S. \$/Bu.	\$3.40	\$3.40	\$3.42	\$4.26	\$6.48	\$6.78	\$4.87	\$5.70	\$7.24	\$7.77	\$6.87	\$5.99	\$5.00
Michigan \$/Bu.	\$3.35	\$3.01	\$3.13	\$3.41	\$5.01	\$5.63	\$4.25	\$5.72	\$6.70	\$7.75	\$6.70	\$5.60	\$5.00

Source: USDA/WASDE and Jim Hilker (12 - 9 - 2015)

## SOYBEANS

As I write this issue, March soybean futures were trying to make a new close in overnight trading. Did it happen? And even more importantly, what price direction did the soybean market go after all the January 12 USDA reports? Weather issues, dryness, in parts of Brazil through much of December kept soybeans from dropping further, but January rains appear to be helping. What was the USDA's take on Brazil soybean production as of January 12? It can be found in the January 12 World Agricultural Supply and Demand Estimates put out by USDA/WASDE.

The December 9 USDA/WASDE supply/demand updates are shown in Table 3, as with wheat they made no changes from the November updates. The question is how much did the January updates change the 2015-16 soybean supply/demand projections? Were projected ending stocks increased or decreased? As I see it, this is a market where we may want to take advantage of a rally quickly if it happens.

TABLE 3														
SUPPLY/DEMAND BALANCE SHEET FOR SOYBEANS														
	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	Est. 2014-2015	Proj. 2015-2016
<b>(Million Acres)</b>														
Acres Planted	74	73.4	75.2	72	75.5	64.7	75.7	77.5	77.4	75.0	77.2	76.8	83.3	83.2
Acres Harvested	72.5	72.3	74.0	71.3	74.6	64.1	74.7	76.4	76.6	73.8	76.1	76.3	82.6	82.4
Yield/Bushels	38.0	33.9	42.2	43.0	42.9	41.7	39.7	44.0	43.5	41.9	40.0	44.0	47.5	48.3
<b>(Million Bushels)</b>														
Beginning Stocks	208	178	112	256	449	574	205	138	151	215	169	141	92	191
Production	2756	2454	3124	3063	3197	2677	2967	3359	3329	3094	3042	3358	3927	3981
Imports	5	6	6	3	9	10	13	15	14	16	41	72	33	30
<b>Total Supply</b>	<b>2969</b>	<b>2638</b>	<b>3242</b>	<b>3322</b>	<b>3656</b>	<b>3261</b>	<b>3185</b>	<b>3512</b>	<b>3495</b>	<b>3325</b>	<b>3252</b>	<b>3570</b>	<b>4052</b>	<b>4203</b>
<b>Use:</b>														
Crushings	1615	1530	1696	1739	1808	1803	1662	1752	1648	1703	1689	1734	1873	1890
Exports	1045	885	1097	940	1116	1159	1279	1499	1501	1365	1317	1638	1843	1715
Seed	89	92	88	93	80	93	90	90	87	90	89	97	97	92
Residual	41	19	105	101	77	0	16	20	43	-2	16	10	48	41
<b>Total Use</b>	<b>2791</b>	<b>2526</b>	<b>2986</b>	<b>2873</b>	<b>3081</b>	<b>3056</b>	<b>3047</b>	<b>3361</b>	<b>3280</b>	<b>3155</b>	<b>3111</b>	<b>3478</b>	<b>3861</b>	<b>3738</b>
Ending Stocks	178	112	256	449	574	205	138	151	215	169	141	92	191	465
Ending Stocks, %of Use	6.4	4.4	8.6	15.6	18.6	6.7	4.5	4.5	6.5	5.4	4.5	2.6	4.9	12.4
U.S. Loan Rate	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00
U.S. Season Ave Farm Price, \$/Bu.	\$5.53	\$7.34	\$5.74	\$5.66	\$6.43	\$10.10	\$9.97	\$9.59	\$11.30	\$12.50	\$14.40	\$13.00	\$10.10	\$8.90

Source: USDA/WASDE and Jim Hilker. (12 - 9 - 15)

## **CATTLE**

Twas the week before Christmas and Santa Claus came! Feb Live Cattle Futures jumped \$14.50 from December 18 through December 24, and has been trading in the \$135-137.50 range since. And cash markets followed futures up, as they should. This is the first time live cattle futures have been trading in a range fundamentals would suggest is several months. At \$137/cwt they would be in the range, but on the low side, of my first quarter fundamentals, the high side of USDA's December 1<sup>st</sup> quarter fundamentals, and about the middle of the Livestock Marketing Information Centers, a group I belong to, 1<sup>st</sup> quarter's fundamentals.

On December 18 the USDA/NASS released the December 1 Monthly Cattle on Feed Report. Total cattle on feed were basically the same as the previous December 1. November marketings were up 4% from the previous November. And November placements were down 11% from 2014. Placements were the lowest for any November since the series began in 1996. Check out the January 1 Monthly Cattle on Feed report to be released at 3 pm January 22.

On January 29 the USDA/NASS will release the January 1 Cattle Inventory Report. This report will be critical in determining how fast the beef cow herd grew in 2015, and is expected to grow in 2016. It will also tell us the size of the 2015 calf crop and heifers kept for breeding. And then all the numbers will help determine the 2016 feeder supply.

## **HOGS**

At \$61.10 February Lean Hog futures closed at their highest level since November 3 on January 5, up \$5.00 from December 17. However, they were still about \$6.00 below the midpoint of \$62-72 range they had been trading in for most of 2015.

On December 23 USDA/NASS released the December 1 Quarterly Hogs and Pigs report. While the above mentioned rally started just before the report, the positive report appears to have played a big role in the rally. All hogs and pigs were 100.8% of last year, at the bottom of the range of trade expectations. Kept for breeding were 101.1% of last year, in the middle of the trade's range of expectations. Market hogs as of December 1 were 100.7% of last year, right at the bottom of trade expectations.

The Sept-Nov pig crop was 98.8% of the previous year, 1% below the average trade expectation and below the range of expectations. While pigs per litter were up a whopping 3%, which kept intact the continuous run of every fall quarter pigs per litter being bigger than the previous year, farrowings were down 4%, thus the smaller fall pig crop. (Remember, the smaller pigs per litter due to the PED virus were the Dec-Feb, Mar-May, and Jun-Aug quarters of 2014)

The Dec 15-Feb 16 farrowing intentions were 98.1% of the previous year, below the range of trade expectations. And the Mar-May 2016 farrowing intentions were 99.9% of 2015, right in the middle of trade expectations, but a half percent below the average expectations. Overall, it was a price positive report.

Michigan was reported to have breeding herd of 110,000 head. This is the same number as it has been every quarter for a number of years; it is amazing how it never changes. Michigan market hogs as of December 1, 2015 were reported as 94% of 2014. Total Michigan hogs and pigs were reported at 95% of the previous year.