

Analysts in both the grain and livestock complexes will be looking at the USDA reports to be released this morning (January 12th). They will scan the relatively final numbers on 2016's U.S. feedstuff production, but more importantly look at quarterly crop stock levels and price prospects. The key feedstuff reports from [USDA-NASS](#) are Crop Production (monthly and annual) for the 2016 crop and Grain Stocks (quarterly). Also, released will be the World Agriculture Supply and Demand Estimates ([WASDE](#)). Of course, WASDE includes both crops and livestock and will be USDA's first market analysis using the December Hogs and Pigs report.

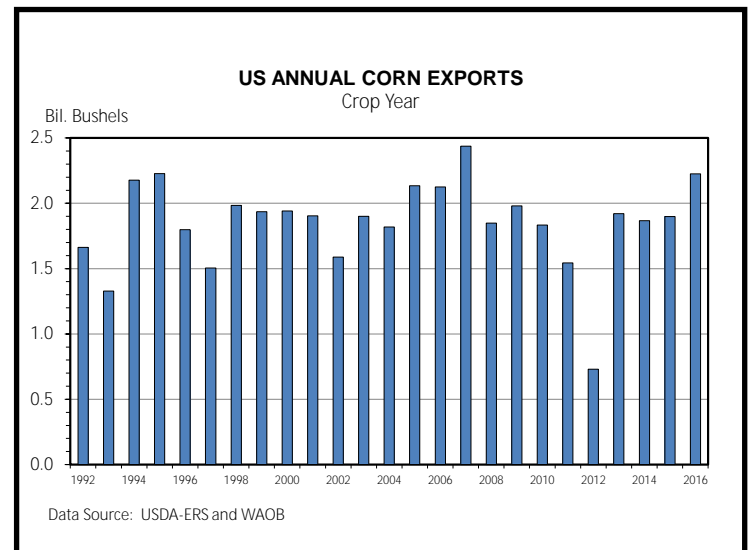
Pre-report estimates by industry grain market analysts are compiled by various news services/agencies (Reuters, Bloomberg, etc.) some are distilled in the accompanying table. We did not include analyst pre-report estimates on such things as world grain stocks or South American crop production. Analysts do not expect large changes in U.S. acreage or yields from what USDA has released in prior months. Close attention will be paid to any WASDE changes in foreign crop forecasts, especially regarding South American corn and soybean output.

The corn and feedstuff market news yesterday included reports stating that China is raising tariffs on their imports of U.S. dried distillers grains (DDGS), which are a feedstuff that is co-produced by making ethanol out of corn. That increase is on top of a preliminary decision back in September to raise tariffs charged on U.S. DDGS. The U.S. is the largest seller of DDGS in the world and China the major buyer. The latest tariff hike takes place immediately and was larger than expected, now tacking-on an additional 42% to 54% to product cost. A statement by the U.S. Grains Council is available [here](#).

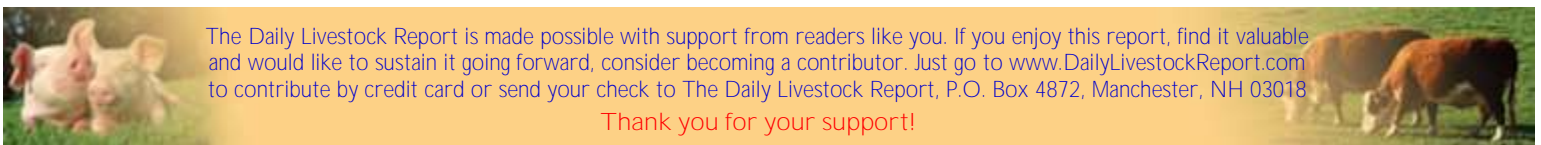
U.S. exports of DDGS to China had already suffered due to the preliminary tariff level. Compared to U.S. exports to China in August, recent data (October and November) showed sales declines on the order of about 33%. Chinese government officials hope this action will spur ethanol plants in China and help use-up their large corn carry-over stocks.

Turning to overall U.S. corn grain exports, weekly data compiled by USDA (publically available from the Agricultural Marketing Service's Market News website) shows bushels shipped so far this crop year (beginning September 1st) dramatically ahead of last year's pace (year-to-date up 78%).

Analyst Pre-report Estimates -- Corn and Soybeans				
	Average	High	Low	Prior By USDA
U.S. WASDE 2016/17 Crop Year Ending Stocks				
Corn (Bil. Bu)	2.385	2.800	2.206	2.403
Soybean (Bil. Bu)	0.468	0.510	0.407	0.480
U.S. December 1, 2016 Grain Stocks				
Corn (Bil. Bu)	12.300	12.700	11.600	11.238
Soybean (Bil. Bu)	2.935	3.119	2.745	2.715
U.S. Output 2016				
Corn				
Production (Bil. Bu)	15.196	15.320	14.999	15.226
Yield Per Acre (Bu)	175.1	176.5	172.3	175.3
Area Harvested (Mil. Acres)	86.747	88.231	85.514	86.836
Soybean				
Production (Bil. Bu)	4.374	4.440	4.262	4.361
Yield Per Acre (Bu)	52.7	53.5	51.6	52.5
Area Harvested (Mil. Acres)	83.013	83.400	82.500	83.047



The WASDE report released on December 9, 2016 had crop-year corn exports at 2.225 billion bushels (as indicated in the above graphic), a year-over-year increase of 17%. Expectations are that the pace of U.S. corn exports will moderate significantly when the crops in South America start to be harvested. USDA could raise U.S. 2016/17 crop-year corn exports some, or they may take a wait and see approach, given the geopolitical uncertainty regarding China and await more insight into the size of foreign crops. It is important to note that the current WASDE forecast is for this year's corn exports to be the largest since 2007/08 and the fifth highest ever.



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