

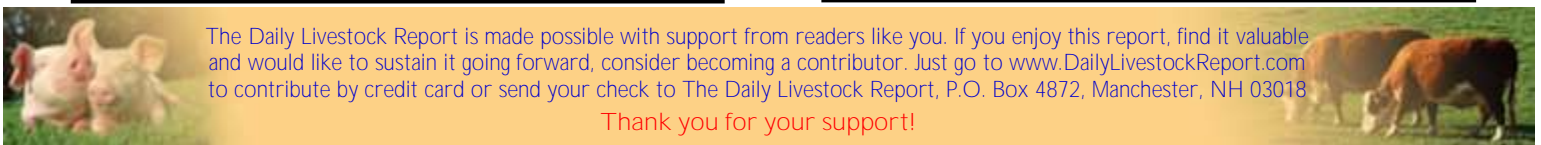
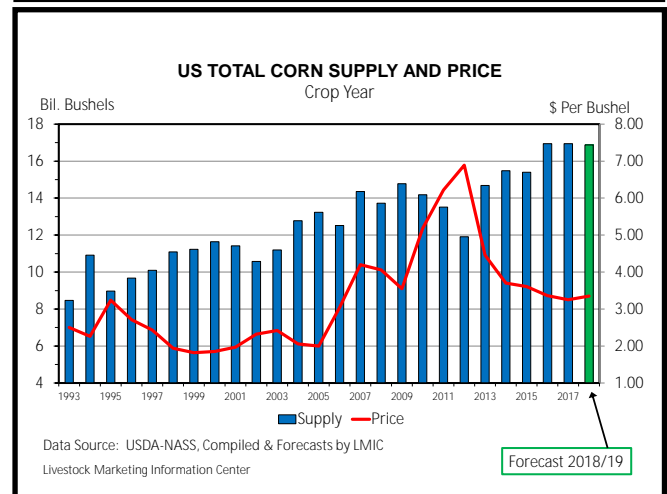
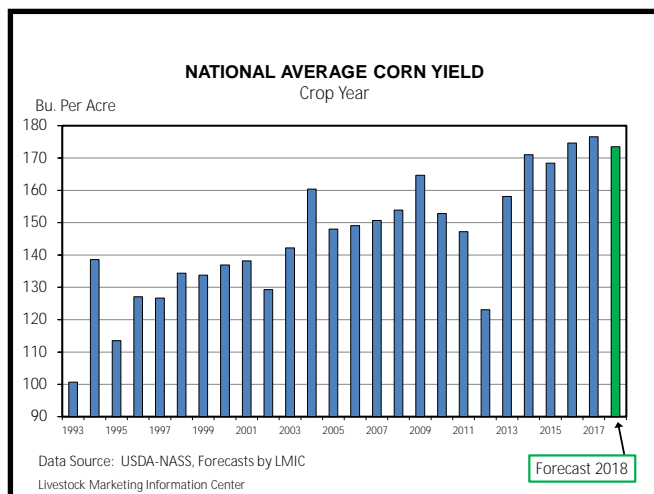
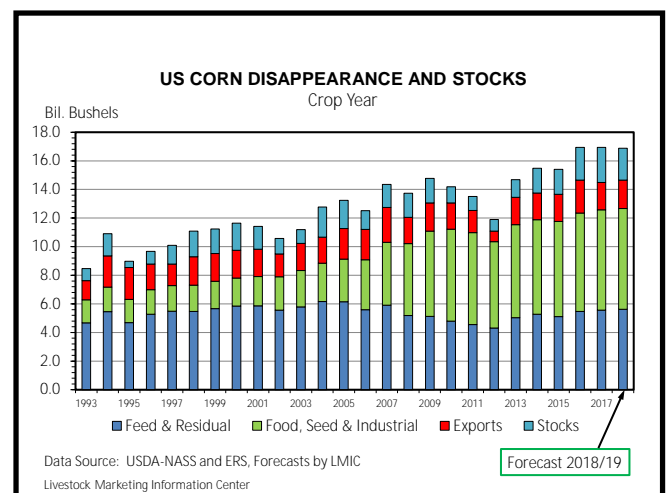
In the last few years, feedstuff costs have been positive for livestock producer margins. Now that the essentially final 2017 crop production numbers are posted by USDA's National Agricultural Statistics Service (NASS), and we are several months into the 2017/18 crop-marketing year, let's look ahead.

There are two drivers of corn acreage that U.S. farmers intend to plant in 2018. One is rotational considerations, which impact agronomic practices (e.g., herbicide decisions) and yield per acre (continuous corn typically dampens yield prospects compared to rotations of crops). The other driver is price relationships. In the Corn Belt states, the price ratio of soybeans to corn will impact planting intentions. Last fall, based on the above two factors, many market analysts expected U.S. corn acreage planted in 2018 to be above 2017's. However, more recent soybean versus corn prices and expectations in that relationship for the next few months have caused many analysts to look for little, if any, year-over-year increase in corn acres planted. Some expect a decline.

The Livestock Marketing Information Center (LMIC) follows and analyzes corn prices because of its impact on producer margins and feeder animal prices. The preliminary LMIC forecast is for a minor year-over-year change in 2018's corn acreage with a yield slightly below 2017's record-high. Still, LMIC's national forecast is for over 170 bushels per acre (similar to most other analysts). That scenario combined with usage (disappearance) forecasts (exports, ethanol production, feed

use) suggests little change in the price of corn received by farmers for the 2018/19 crop-marketing year.

What if the 2018 U.S. corn crop discussed above does not materialize? Let's assume 2018 brings only a national average yield of 155 bushels per acre (smaller than 2013's 158.1). After typical adjustments to exports, feed use, etc., reverberate through the system due to higher prices, that scenario indicates a national corn price received by farmers in the range of \$4.35 to \$4.60 per bushel. That would be fully \$1.00 per bushel above the 2016/17 crop-marketing year's and could be a tipping point for at least some livestock sector adjustments.



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