

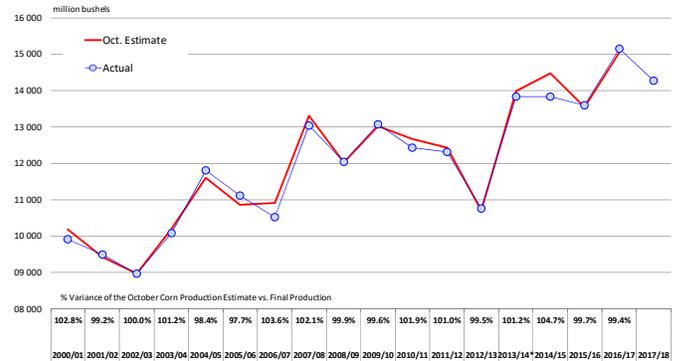
Corn futures have been drifting lower since August and the latest USDA production estimates did little to change price outlook.

The latest USDA WASDE report now projects corn yields for the 2017-18 market year to be 171.8 bushels per acre, 1.1% higher than the September estimate and above the analyst estimate of 170.1. On page 2 we have included a USDA map that shows the forecasted yield revisions by state. Higher yields were noted in almost all large corn producing states but the 4 bushel increase in Iowa yields likely had the most significant impact. Iowa yields were revised up by 4 bushels per acre (+2%) and higher yields are now also expected in Indiana and Illinois. The revision in yields did not result in a significant increase in production because USDA lowered the number of planted/harvested acres by 0.5 and 0.4 million acres, respectively. Consequently, total corn production for 2017-18 is now projected at 14.280 billion bushels, 0.7% higher than the forecast presented in September but 5.7% lower than a year ago. The top chart to the right shows the variance of the USDA October report, which includes a lot of objective yield information, versus the final production for the year. For the most part October yields are fairly close to the final number although there have been a few years when the variance has exceeded 2%. In the last two years the October estimate has been very close to the final number.

Corn ending stocks are expected to build despite a reduction in corn production this year. Part of the reason for the higher stocks is that consumption has not kept up with the increase in production. As a result carryover stocks have continued to build in the last three years. US farmers and elevators are now thought to have 2.3 billion bushels of corn more on storage, 558 million bushels (+32%) more than a year ago. So while this harvest is expected to yield 868 million fewer bushels of corn, the reduction will be offset by the large supply still sitting in storage or under tarp somewhere in the Midwest. Critically, USDA also expects corn exports for the upcoming marketing year to decline by 375 million bushels (16.9%). This is going to be a critical point going forward and something that market participants will focus after harvest has been completed. Production in other parts of the world has been expanding and there is increased competition, especially from South America. Ending corn stocks in Brazil are currently over 9 million MT compared to 6.8 million two years ago. However, it should be noted that USDA lowered its estimates for global corn ending stocks. Total global stocks are now forecast at 200.1 million MT, 1.5 million (-0.7%) lower than the earlier forecast and 11.5% lower than a year ago. The downward revision this month was driven by lower estimates for Mexico ending stocks (down 1.5 million) and lower China corn stocks (down 2.1 million). Market is not focused on corn demand at this time but it will increasingly become more important as participants get more data on trade flows and livestock/poultry expansion across the world.

October USDA Corn Production Estimate vs. Final Production

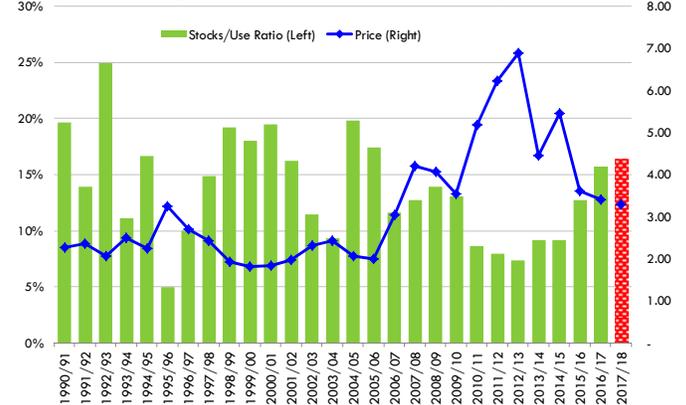
Source: Data from USDA WASDE Reports. Analysis by Steiner Consulting



* USDA did not issue an estimate in October 2013 so the November estimate was used

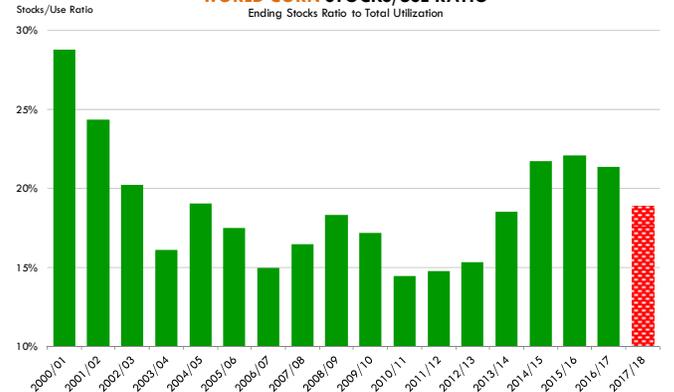
CORN STOCKS/USE RATIO VS. AVERAGE CORN FARM PRICE

Ending Stocks Ratio to Total Utilization and Price Per Bushel, USDA Est.



WORLD CORN STOCKS/USE RATIO

Ending Stocks Ratio to Total Utilization



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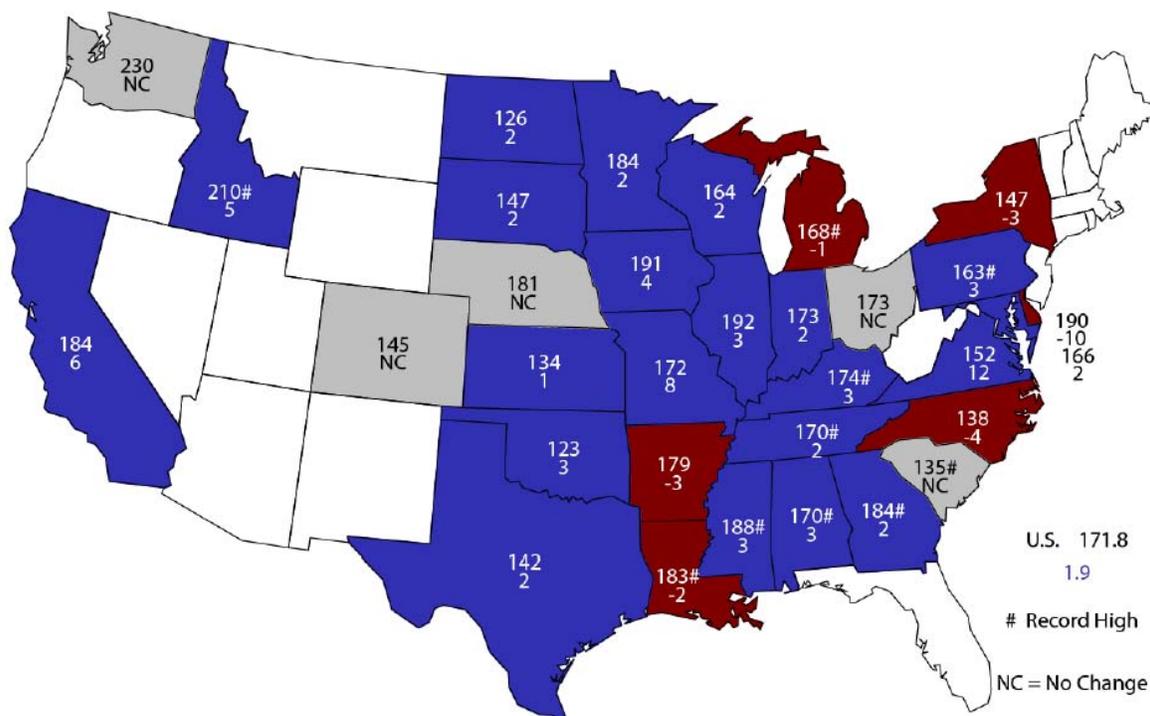
Daily Livestock Report

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Vol. 15, No. 202 / October 13, 2017



October 1, 2017 Corn Yield Bushels and Change From Previous Forecast



USDA-NASS
10-12-17

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