

Grain futures have been flying high in recent weeks and the latest numbers from USDA did little to tone down the bullishness in the complex. High feed costs eventually bolster meat price inflation and combined with projections for better demand next year the implication is clear - buyers need to prepare for higher meat prices. Below is a brief recap of key numbers from the report:

- By early November over 80% of the US corn crop had been harvested and USDA now has a much clearer picture of the supply potential from this year's harvest. **Corn yields for the current harvest are now projected at 175.8 bushels per acre, down 2.6 bushels per acre or 1.5% from the forecast that was put forth just a month ago.** The downward revision in yields reduced expected corn production by 215 million bushels although production is still 887 million bushels or 6.5% higher than the previous year.

- Some of the reduction in expected production is offset by a **downward revision in feed use.** USDA notes that higher prices are expected to ration out some feed demand. It should also be noted that lower hog farrowings and a normalization in cattle feeding next year could also result in a decline in feed demand. US corn feed use during the 2019-20 marketing year was 5.827 billion bushels, almost 400 million bushels higher than the previous year. Corn feed use has been higher in the early 2000 but at the time the supply of DDGs in the mix was far smaller than it is today.

- USDA changed both the supply and demand side of the ledger, resulting in tighter pipeline supplies for the new marketing year. While feed use was reduced by 75 million bushels, **corn exports were raised by 325 million bushels, reflecting the strong pace of sales so far and expected strong demand in the coming months.** Global corn supply availability is expected to be more limited due to a number of adverse weather events in key areas. Current USDA corn export forecast represents a new all time record.

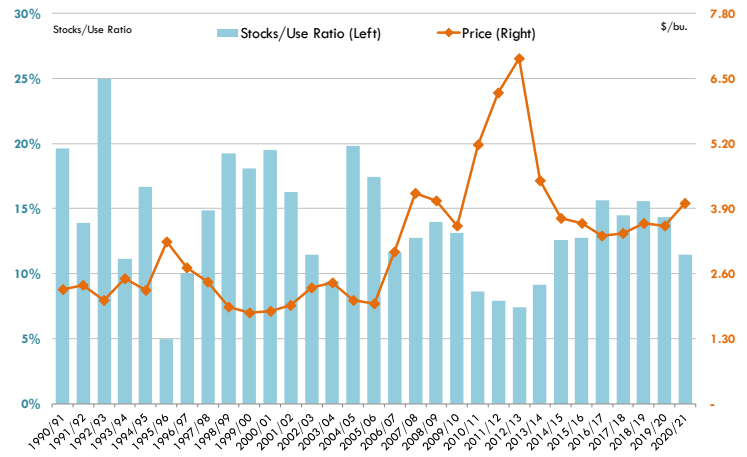
- The decline in production and expectations for higher exports caused USDA to lower ending stocks by 465 million bushels and the stocks to use ratio now stands at 11.5%. This would be the lowest stocks to use ratio since the 2013-14 marketing year. That year the ratio was 9% and the average farm price was \$4.46 per bushel. **USDA is currently projecting the average price for the marketing year at \$4 per bushel, 12.4% higher than the previous year.**

- In addition to US supply/demand changes, USDA lowered its forecast of the Ukraine corn crop by 22% and Ukraine corn exports were revised down by 26%. In the last decade, Ukraine has emerged as a major global supplier, now accounting for 12% of global trade.

- During the 2010-11 marketing year, USA represented over half of all global corn exports. **Even with projected record exports for the current year, USA exports are expected to be 37% of the global trade.** Combined exports from Argentina and Brazil are currently projected to be 39% of global exports and there is a lot of uncertainty about output potential in those two countries. A La Nina weather pattern that appears to be developing could result in increased drought pressure, late plantings and lower yield potential. USDA is currently projecting an 8% increase in Brazilian corn production, a big wild card going forward.

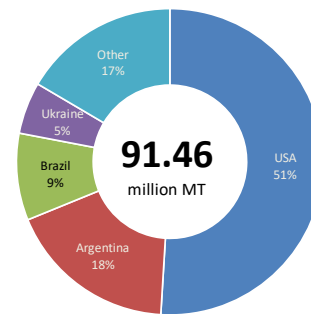
CORN STOCKS/USE RATIO VS. AVERAGE CORN FARM PRICE

Data Source: USDA-WASDE. Analysis by Steiner Consulting



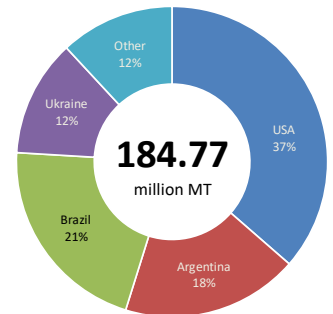
Share of Global Corn Exports in 2010-11

Source: USDA. Analysis by Steiner Consulting



Share of Global Corn Exports in 2020-21

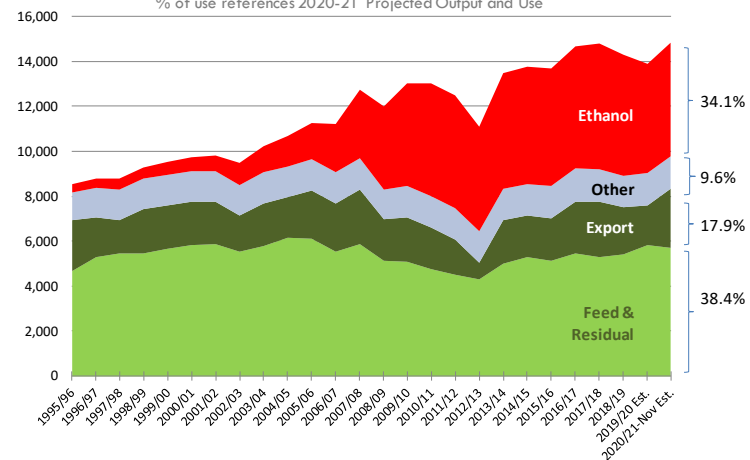
Source: USDA. Analysis by Steiner Consulting



** ROW - Rest of the World.

US Corn Use by Harvest Year

% of use references 2020-21 Projected Output and Use



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