Indiana Farm Bureau

USDA Trims Corn and Soybean Yields

Soybean Ending Stocks Still Projected to Remain Tight

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The October set of U.S. Department of Agriculture (USDA) reports combined farmer surveys, in-field measurements of the crops yet to be harvested, and grain samples of the harvested crops. Over 7,800 farmers were surveyed nationwide, with an additional 3,900 in-field measurements conducted in the primary corn- and soybean-producing states. The survey and in-field measurements are becoming more accurate as the crops reach maturity and farmers are in the field to report actual yield data.

Before the report's release, analysts surveyed expected the USDA to trim the U.S. corn yield slightly from the September estimate to 173.5 bushels per acre. USDA estimates the 2023 corn yield at 173 bushels per acre, close to the analysts' expectations. If realized, the 2023 corn yield would be 0.4 bushels per acre smaller than last year, but the 2023 corn crop would be about 10% larger than last year, due to increased harvested area.

USDA also increased Indiana’s projected corn yield by 3 bushels per acre from the September estimates to an average corn yield of 197 bushels per acre. If realized, this is a 7-bushel increase from 2022 and a record state average corn yield. USDA projects the 2023 Indiana corn crop to increase by 9% from 2022 due to increased harvested area and the higher yield.

The corn market faces a 1.3 billion-bushel increase in supply from last year due to the larger crop. USDA also projects total demand to increase from last year, with exports projected to increase by 364 million bushels, or by 22% from 2022.

However, the projected increase in use will not compensate for the increase in supply from the larger corn crop. USDA projects that the 2023 corn stocks will increase to 2.1 billion bushels, a 750 million-bushel increase from last year. The 55% increase in stocks will limit price potential, with the U.S. average farm price projected at $4.95 per bushel, a $1.59-bushel reduction from the previous year.

Analysts surveyed before the report's release expected the U.S. soybean yield to be reduced slightly from the September estimate to 49.9 bushels per acre. Therefore, USDA's 2023 soybean yield estimate of 49.6 bushels per acre in the October report did not surprise the market. If realized, the 2023 yield would be the same as last year. However, the 2023 U.S. soybean crop is currently projected to be about 4% smaller than the 2022 crop, as farmers are estimated to harvest 3.4 million fewer acres this year.

USDA increased the estimated Indiana soybean yield in the October report to 61 bushels per acre. If realized, Indiana's yield would be a 3.5-bushel increase from last year and a new record yield. However, the 2023 Indiana soybean crop is currently expected to be slightly smaller than the previous year due to reduced harvested area that would offset the potential record soybean yield.

USDA continues to estimate tight soybean stocks for the 2023 marketing year. The October report trimmed the total soybean supply due to reduced production. Besides reducing supply, USDA also slightly adjusted soybean crush and export demand. However, USDA did not change the ending stock projections, currently at 220 million bushels. If realized, soybean stocks would be 48 million bushels less than last year.

Because USDA did not adjust ending stocks, USDA did not change the marketing year average soybean price. USDA currently projects the 2023 U.S. farm price at $12.90 per bushel. If realized, soybean prices will be $1.30 lower than last year.

The soybean stocks-to-use ratio is projected at 5.3%, about a 20-day supply of soybeans available on September 1, 2024. The soybean market has a limited stock cushion to absorb a production shock or increase expected use. A supply or demand shock would provide the potential for higher soybean prices. In contrast, the corn market has stocks to absorb potential production or use surprise. The stock increase from last year will be a headwind for corn prices.

USDA will update their *Crop Production* and *World Agricultural Supply and Demand Estimates (WASDE)* in November, with the final production projections for the 2023 crop released in January 2024. The corn and soybean markets are beginning to come to terms with the yield uncertainty from the early-season drought. The market will absorb the updated production information in November and January, and it will shift its focus to factors that could improve corn and soybean demand and prices.

Managers should fine-tune their budgets for the 2023 crop once production is known. Understanding the per-bushel price needed will help in identifying any post-harvest pricing opportunities. Any weather event threatening South American soybean or corn production could provide a pricing opportunity for vigilant managers.

Managers should also work on their 2024 crop projects to understand their borrowing needs. The Federal Reserve may increase interest rates at least once before operating loans are secured for the 2024 crop. Managers should evaluate the benefits of selling grain in storage to pay down debt and reduce borrowing needs for next year. Reducing debt would be particularly valuable for those with reduced working capital who will have to increase their borrowing needs next spring.

Also, keep in mind that increased interest rates will increase the carrying cost of grain into spring. A cost that managers should know is the interest cost of carry. The carrying cost should be included in post-harvest marketing plans.