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USDA Projects Corn Stocks to Increase with Soybean Stocks Slightly Lower Than 2022

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The August set of U.S. Department of Agriculture (USDA) reports are the first yield projections based on a survey of farmers. USDA surveys about 14,700 producers from July 29 to August 7. Until this month, USDA used statistical models to project corn and soybean yields for the May through July WASDE reports, so this farmer survey is the first look at how the drought conditions in May and June may have impacted yields.

Before the report's release, analysts surveyed expected the 2023 U.S. corn crop to yield 175.4 bushels per acre. The analysts were incredibly close to USDA's projection of the 2023 corn crop, yielding 175.1 bushels per acre. If realized, the 2023 corn yield would be 1.8 bushels per acre larger than last year, and the corn crop would be 10% larger.

Indiana farmers expect an average corn yield of 195 bushels per acre, a 5-bushel increase from 2022. USDA projects the 2023 Indiana corn crop to increase by 7.6% from 2022 due to increased harvested area and higher yields.

The corn market faces a 1.45 billion increase in supply from last year due to the increase in harvested area and yield. USDA projects total demand to increase from last year, with exports projected to increase by 425 million bushels from 2022. The projection may be optimistic as exports for the 2022 crop have been lagging behind the export pace of previous years.

The projected increase in use will not compensate for the increase in supply from the larger corn crop. The 2023 corn stocks are projected to increase to 2.2 billion bushels, a 745 million-bushel increase from last year. Increased stocks will limit price potential, with the U.S. average farm price projected at $4.90 per bushel, a $1.70-bushel reduction from the previous year.

Before the report's release, analysts surveyed expected the U.S. soybean yield to be 51.2 bushels per acre. USDA's projection of a 2023 soybean yield of 50.9 bushels per acre did not surprise the market. If realized, the 2023 yield would be a 1.4-bushel increase from last year. However, the

2023 soybean crop is currently projected to be about 2% smaller than the 2022 crop, as farmers are estimated to harvest 3.6 million fewer acres this year.

Indiana farmers expect the 2023 soybean crop to yield 60 bushels per acre, a 2.5-bushel increase from last year. However, the 2023 soybean crop is currently expected to be about 2% smaller than the previous year due to reduced harvested area that would offset potentially higher soybean yields.

USDA's projected supply, use and ending stocks for the 2023 soybean market are similar to the projections for the 2022 crop. With USDA providing similar supply and demand projections for 2023, soybean ending stocks are expected to stay about the same as last year. USDA projects 2023 soybean ending stocks at 245 million bushels, a 15 million-bushel reduction from the previous year.

The U.S. average farm price is projected at $12.70 per bushel, a $1.50 reduction from last year. While soybean stocks remain tight, the increase in corn stocks will dampen the price potential of soybeans. However, the soybean market has limited stock cushion to absorb a production shock or better than currently 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 increase in stocks will be a headwind for corn prices.

USDA continues to warn of the potential for lower prices and tighter profit margins for 2023. Managers should continue to monitor the market for pricing opportunities for corn or soybean bushels that must be sold at harvest. Managers should also fine-tune their budgets to understand the cost of holding corn and soybeans after harvest. Higher interest rates also increase the opportunity cost of storing grain, so managers should be prepared to take advantage of post-harvest pricing opportunities.

USDA will do in-field measurements for the September report until harvest ends. These in-field measurements will provide a better understanding of how the early season dry weather may have impacted yields.