Indiana Farm Bureau

What are the Key Messages from the November USDA Reports?

Dr. Todd D. Davis
Chief Economist
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The November *Crop Production* and *World Agriculture Supply and Demand Estimates* are the last reports released this calendar year based on farmer surveys and infield estimates of unharvested crops. Macroeconomic factors, export news and South American weather/production will have a more significant influence on the markets as we move into 2024.

What are four of the key messages from these reports?

The first message is that the 2023 corn crop will be a new record if unchanged in the January 2024 estimates. The U.S. Department of Agriculture (USDA) estimates the 2023 crop at 15.2 billion bushels, which is 1.5 billion bushels larger than last year's crop and slightly larger than the 15.1 billion bushels grown in 2016.

While the U.S. average yield of 174.9 bushels per acre is not a record, the 8 million-acre increase in harvested area from 2022 was vital in achieving this record. While some states felt the impact of the early season drought on yield, the Indiana state average yield of 200 bushels per acre is a record.

The second message is that the ending stocks for corn are estimated to increase to over 2.1 billion bushels for the 2023-2024 marketing year. USDA estimates total corn use to increase by 696 million bushels from last year. The driver of increased use is exports, estimated to increase by 414 million bushels. The headwind will be price competitiveness with Brazil with our strong dollar. Weather risk in South America will benefit U.S. exports if major importers (China) buy our corn as a hedge against potentially smaller South American crops.

Coinciding with increased ending stocks is a lower estimated marketing year average price. USDA projects the average farm price at $4.85 per bushel, a $1.69 decrease from 2022. Increased use that reduces ending stocks will support a higher farm price. However, any weather risk premium from South America will be mostly incorporated into U.S. prices by March 2024, so farmers should stay vigilant for pricing opportunities.

A third message is soybean stocks are estimated to remain tight for another year. USDA estimates the 2023 soybean crop to be 141 million bushels smaller than last year for a crop of 4.12 billion bushels. The average U.S. soybean yield of 49.9 bushels is a 0.3 bushel increase from the previous year. The soybean harvested area, however, is 3.4 million acres less than in 2022 and is driving the smaller crop.

Because the soybean market remains in a tight-stock environment, USDA estimates a slight increase in crushing to 2.3 billion bushels. On the other hand, USDA projects exports to be down from 2022 to 1.75 billion bushels. South American production issues could increase exports but would also reduce crushing use as the soybean market has a limited reserve capacity for additional exports.

USDA estimates the U.S. soybean farm price to average $12.90 a bushel, down $1.30 from 2022. The abundance of corn ending stocks is limiting price potential for soybeans, as the market is already expecting more acres in 2024, which would provide relief for the soybean market in the 2024-2025 marketing year.

The fourth takeaway message is from USDA's *Preliminary Agricultural Projections* that the agency develops as part of the federal government's budgeting process. These projections do not incorporate farmer surveys but reflect current trends in production and use, assuming no supply or demand shocks occur over the next ten years. Clearly, these projections need to be taken with an exceptionally large grain of salt.

I mention this report because USDA projects corn ending stocks to exceed 2.8 billion bushels for the 2026 marketing year and exceed 3 billion bushels by 2029. Increasing domestic and export use is needed to keep this ominous forecast from coming true. The corn and soybean “marketing years” have a five-month window before South American production starts to hit the export market in competition with the U.S. crops. Pricing opportunities often occur before the snow melts, reinforcing the need for vigilance in pre-harvest pricing for the 2024 crops.

As farmers close their books for 2023 and prepare for 2024, an 18-month cash flow budget will be a helpful management tool as profit margins will remain tight for 2024. Famers should know their borrowing needs and compare the costs of using operating credit, vendor credit or liquidity as the least-cost financing method for 2024.