

# ***CROP OUTLOOK UPDATE***

## ***JUNE 13, 2022***

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Center for Commercial Agriculture

# *Key Changes to U.S. Corn Balance Sheet in USDA's June WASDE*

## **Changes to 2021/2022 Corn Balance Sheet**

- ✓ Industrial usage up by 5 m. bushels to 6.815 billion bushels, but no change in ethanol usage
- ✓ Reduced export estimate by 50 m. bushels to 2.45 billion
- ✓ U.S. corn ending stocks estimate for '21'22 marketing year rose 55 m. bu. to 1.485 billion bushels

## **Changes to the 2022/2023 crop year Corn Balance Sheet**

- ✓ Industrial usage increased by 5 m. bushels to 6.820 billion bushels, but no change in ethanol usage
- ✓ U.S. projected 22/23 carryover = 1.4 billion bushels, up 40 million bu. from last month
- ✓ Rise in projected carryover primarily because of larger carryover from 21/22 crop year

# *Key Changes in USDA's Corn Trade Projections in June WASDE*

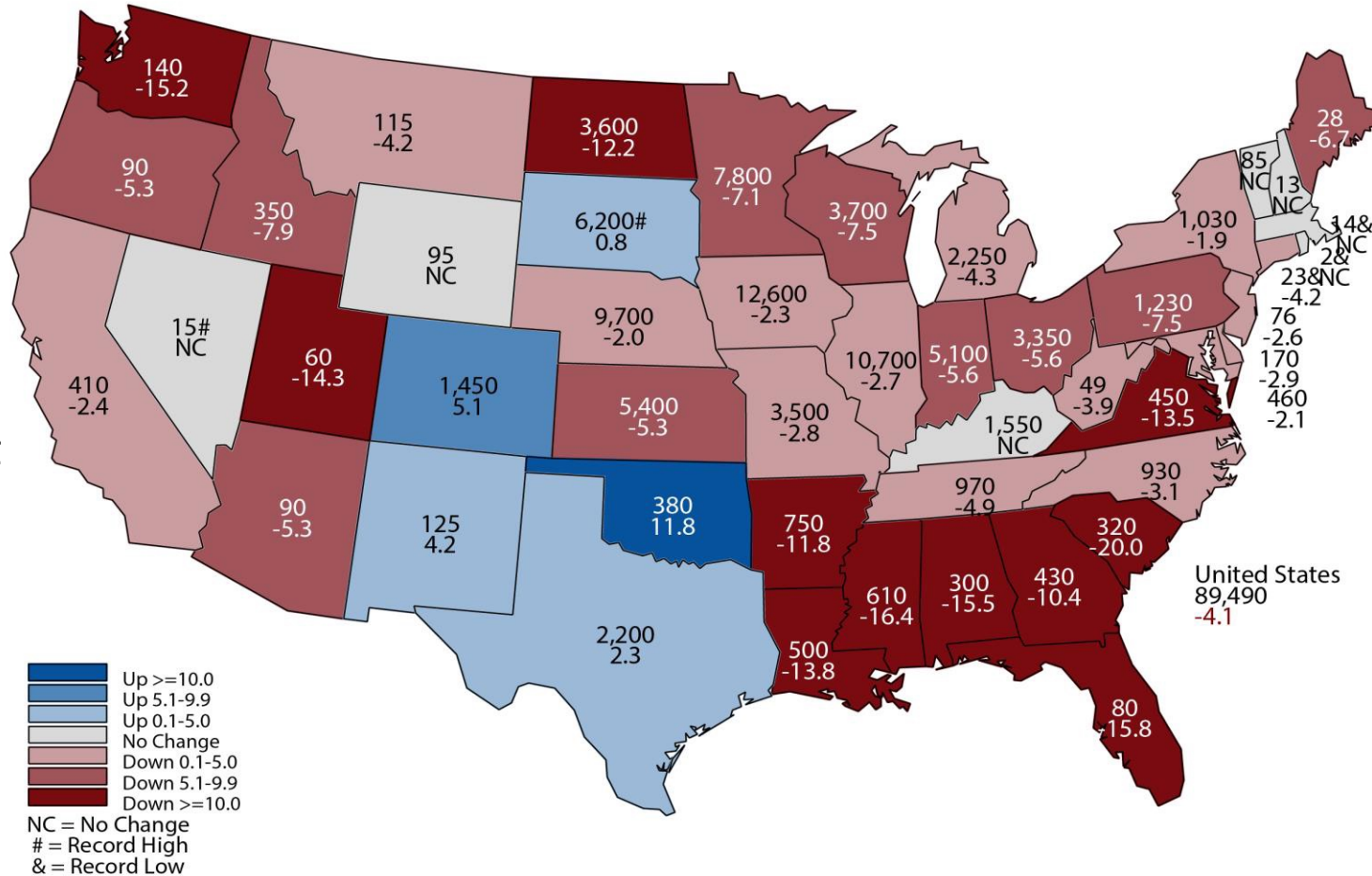
- ✓ **Changes in 2021/2022 Trade Matrix**
  - ✓ Small increase (0.3 million metric tons) in major exporters ending stocks, all of increase was in Russia
  - ✓ No change in Ukraine's estimated carryover compared to May estimate
- ✓ **Changes in the 2022/2023 crop year trade matrix estimates**
  - ✓ World Ending Stocks (less China) up by 5.3 million metric tons compared to May estimate
  - ✓ U.S. ending stocks up by 1 million metric tons
  - ✓ No change in South American or South Africa's ending stocks
  - ✓ But Ukraine's ending stocks up 4 million metric tons & Russia's up by 0.3 million metric tons

## 2022 CORN PLANTED ACREAGE

THOUSAND ACRES AND PERCENT CHANGE FROM PREVIOUS YEAR

94% of U.S. crop  
planted thru June 5  
vs 92% average

North Dakota still  
behind average, but  
South Dakota &  
Minnesota both  
caught up to  
average



73% of U.S. crop rated good to excellent thru June 5, but conditions are still variable across states. Condition ratings likely to weaken, depending on severity of this week's heat wave.

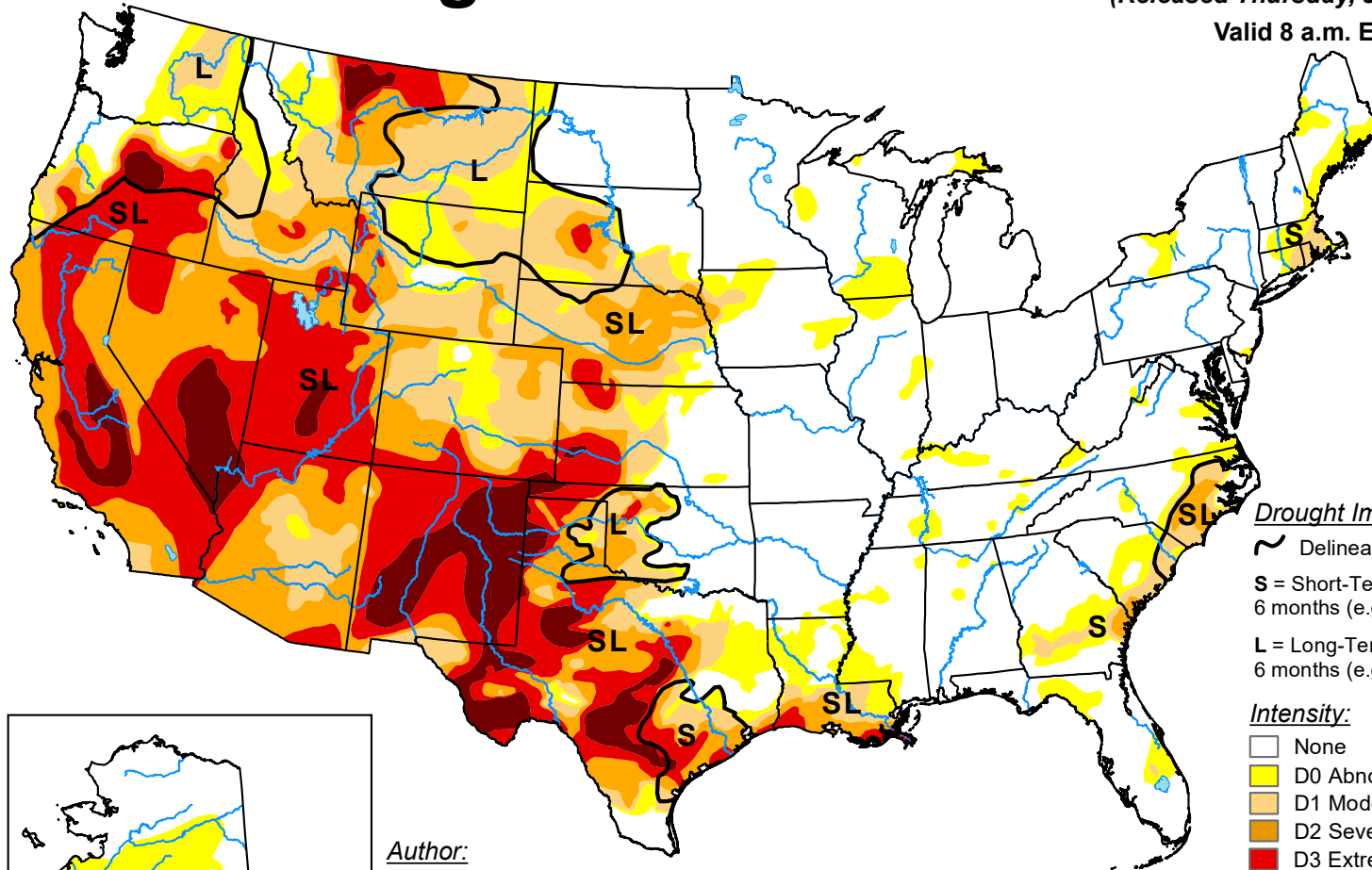
# U.S. Drought Monitor

June 7, 2022

(Released Thursday, Jun. 9, 2022)

Valid 8 a.m. EDT

Drought conditions could worsen with this week's projected heat wave...corn market will be sensitive to weather conditions



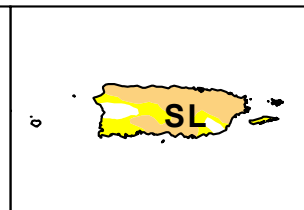
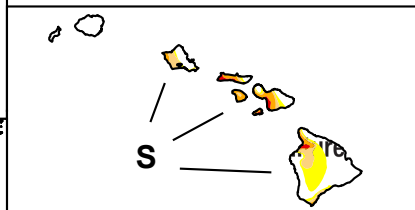
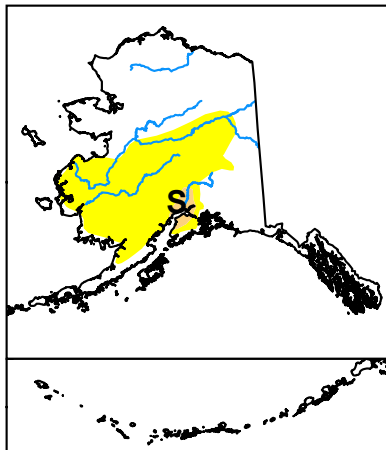
## Drought Impact Types:

- ~ Delineates dominant impacts
- S** = Short-Term, typically less than 6 months (e.g. agriculture, grasslands)
- L** = Long-Term, typically greater than 6 months (e.g. hydrology, ecology)

## Intensity:

- None
- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

Author:  
Brad Pugh  
CPC/NOAA



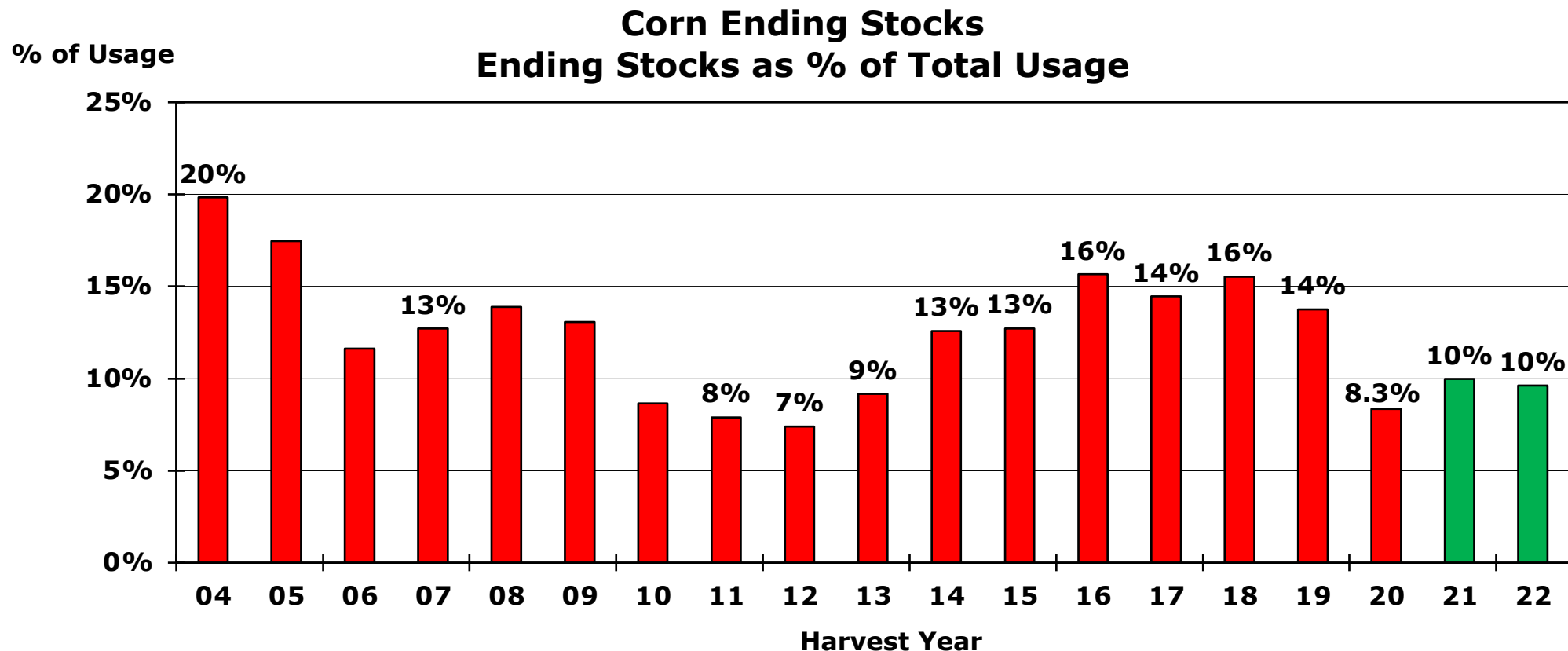
The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. For more information on the Drought Monitor, go to <https://droughtmonitor.unl.edu/About.aspx>



[droughtmonitor.unl.edu](https://droughtmonitor.unl.edu)

# *USDA's Revisions Push U.S. Ending Stocks Estimate to 10% of Usage*

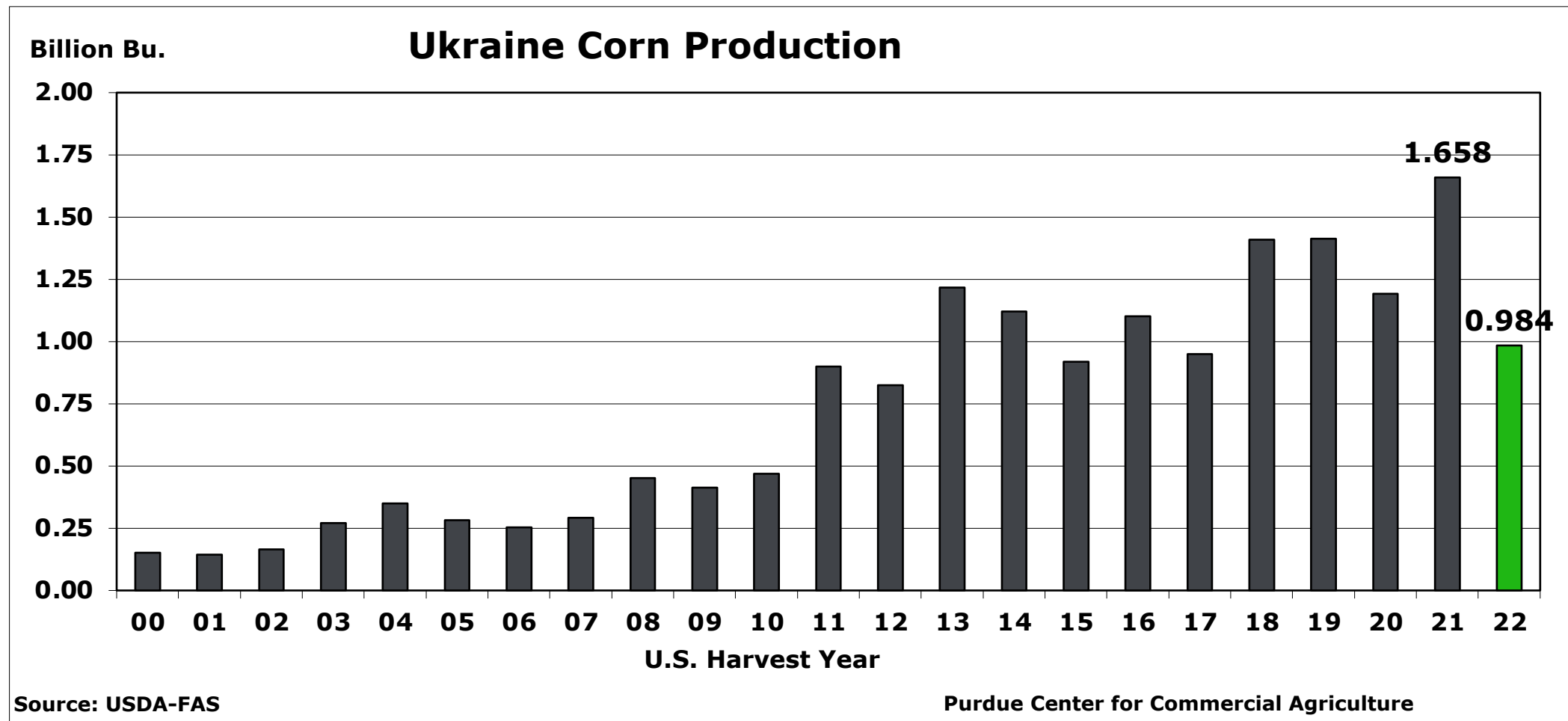
*But The Risk Remains That Ending Stocks Will Be Tighter Than Projected*



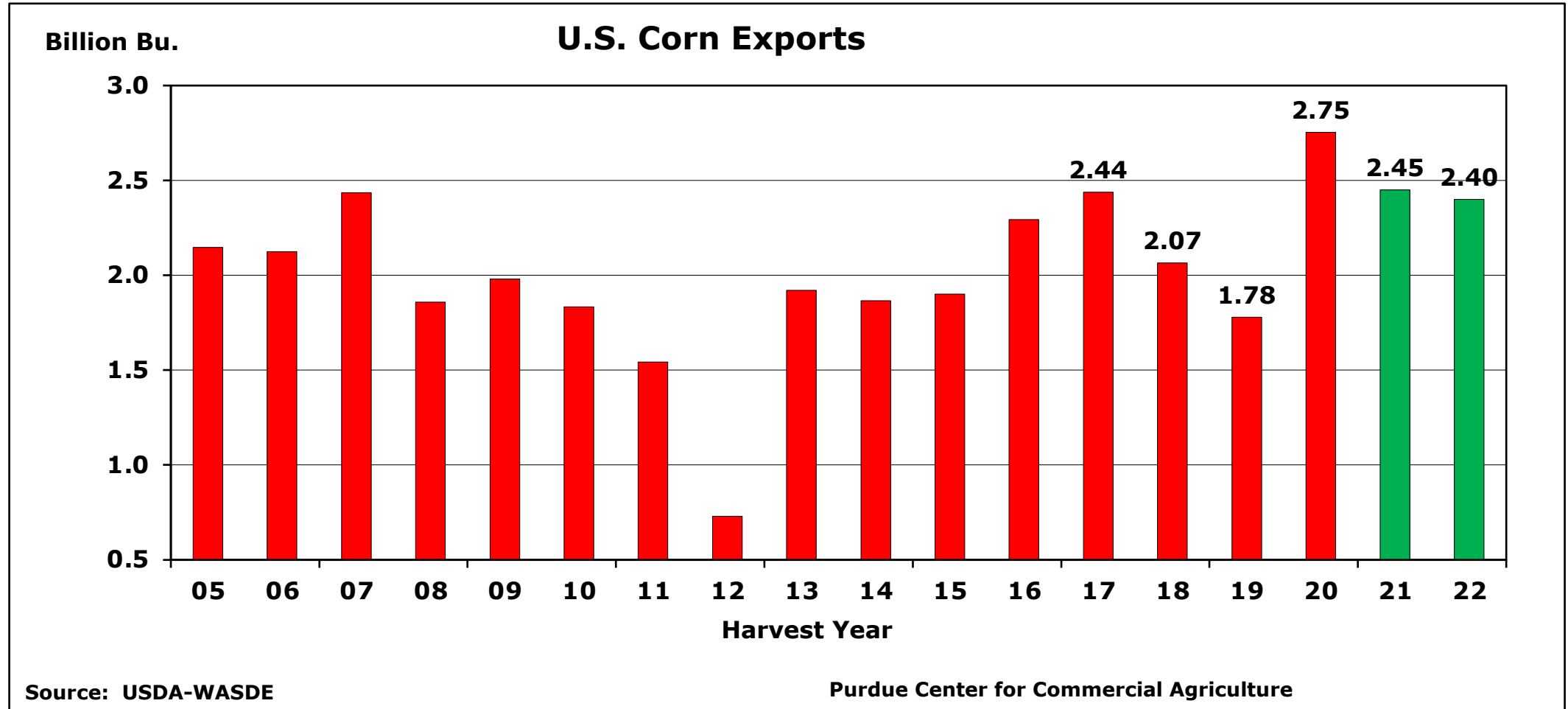
Source: USDA WASDE

Purdue Center for Commercial Agriculture

## *USDA's Estimating a 41% Decline in Ukraine's Corn Production & 61% Decline in Exports*



## *But Decline in U.S. Corn Exports in '22 Crop Year Seems Unlikely Given Ukraine Situation*

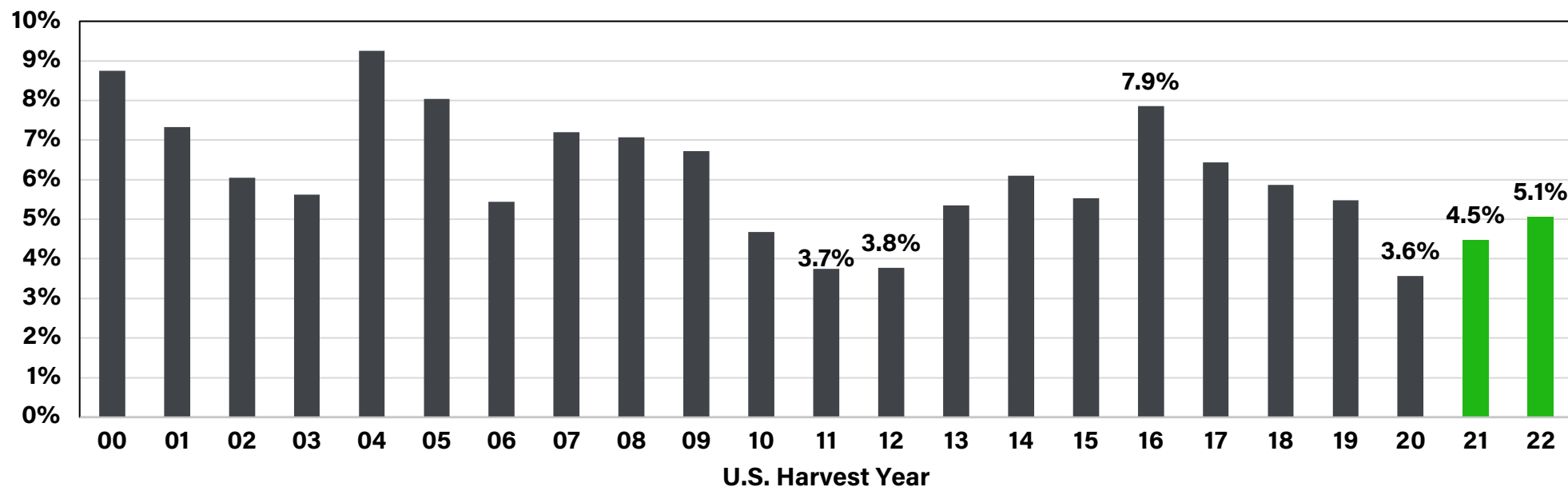




# Major Exporter Ending Stocks Are Tighter Than They Appear...

*Without Ukraine, Ending Stocks Drop to Just 4% of World Usage*

**Major Exporters Corn Ending Stocks  
% of World Usage, 2000-2022**

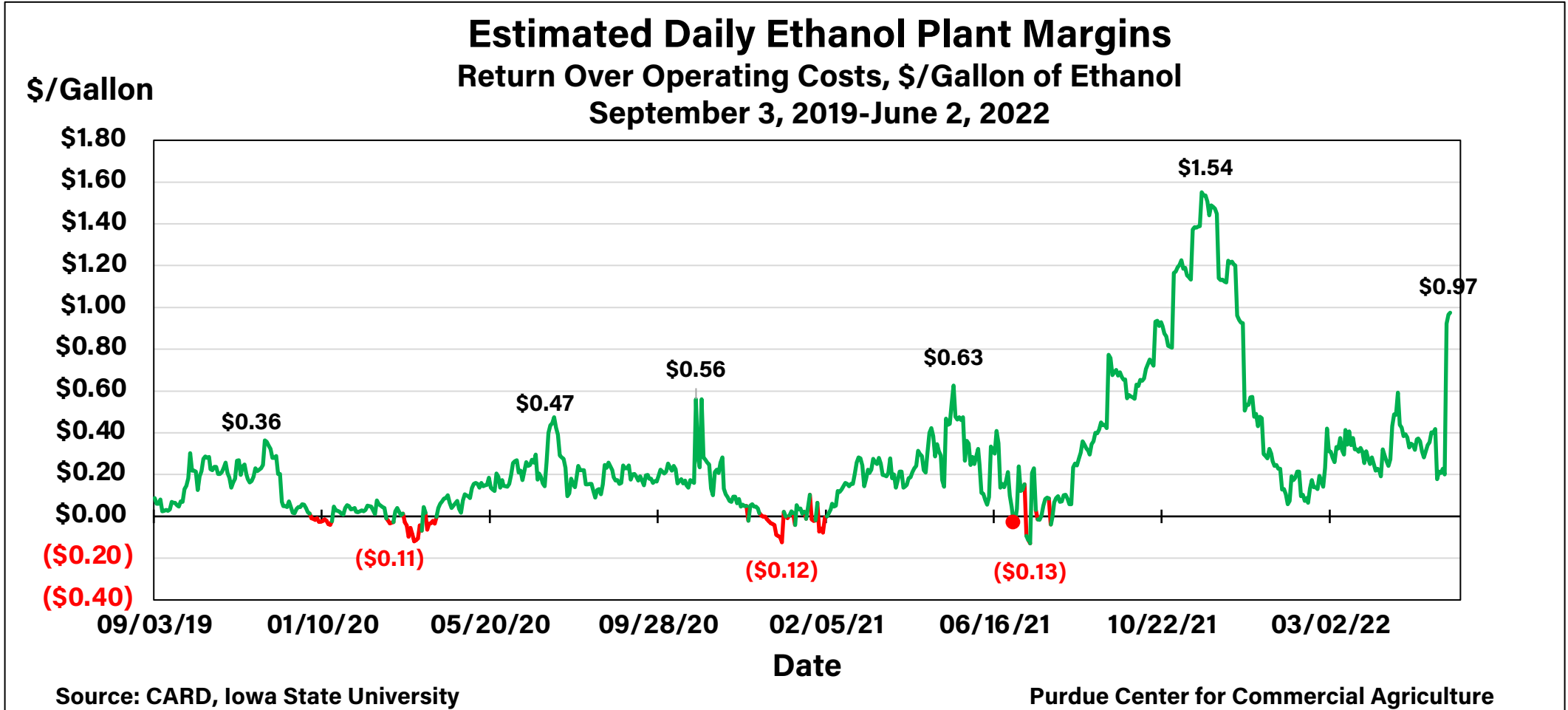


Source: USDA

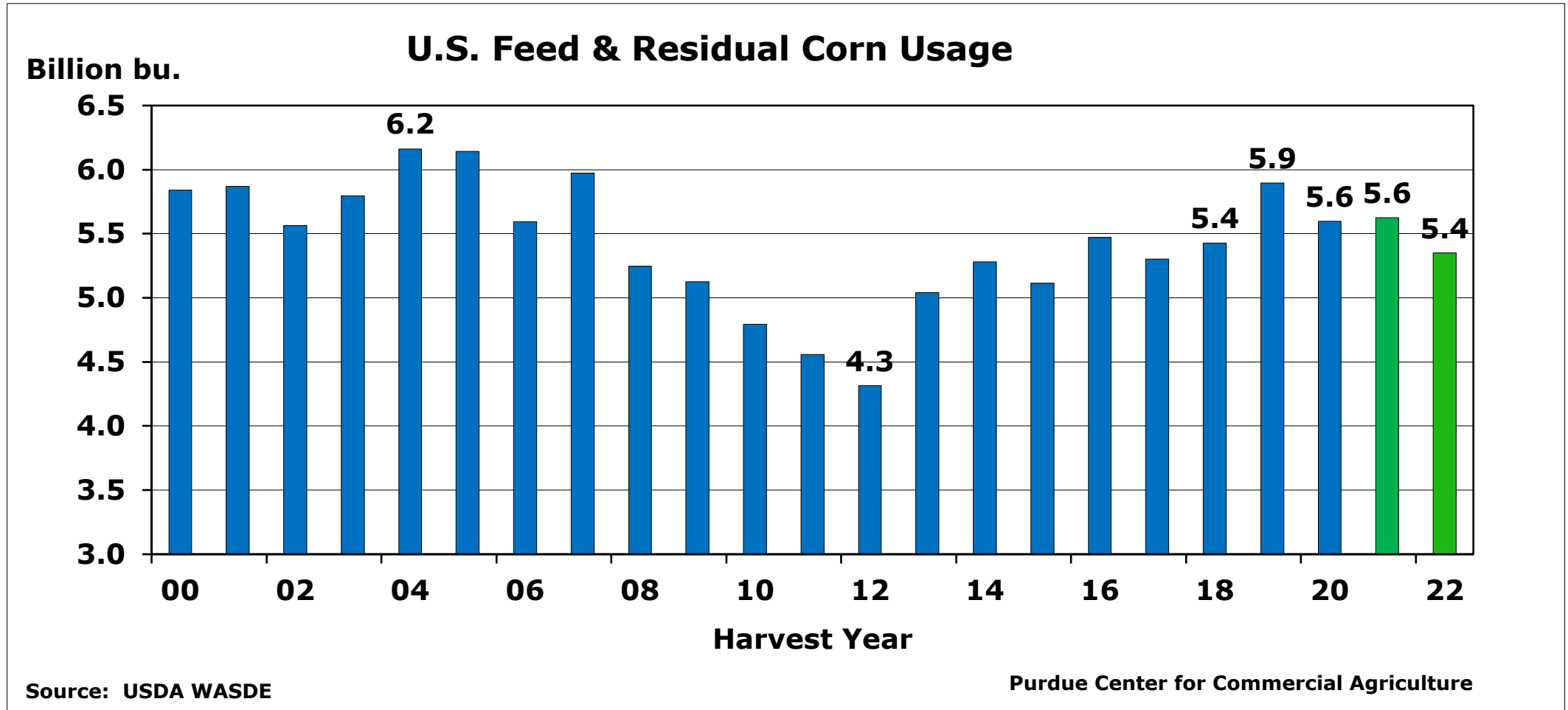
Purdue Center for Commercial Agriculture

# Ethanol Margins Remain Positive, Will Ethanol Grind Exceed USDA's Projection?

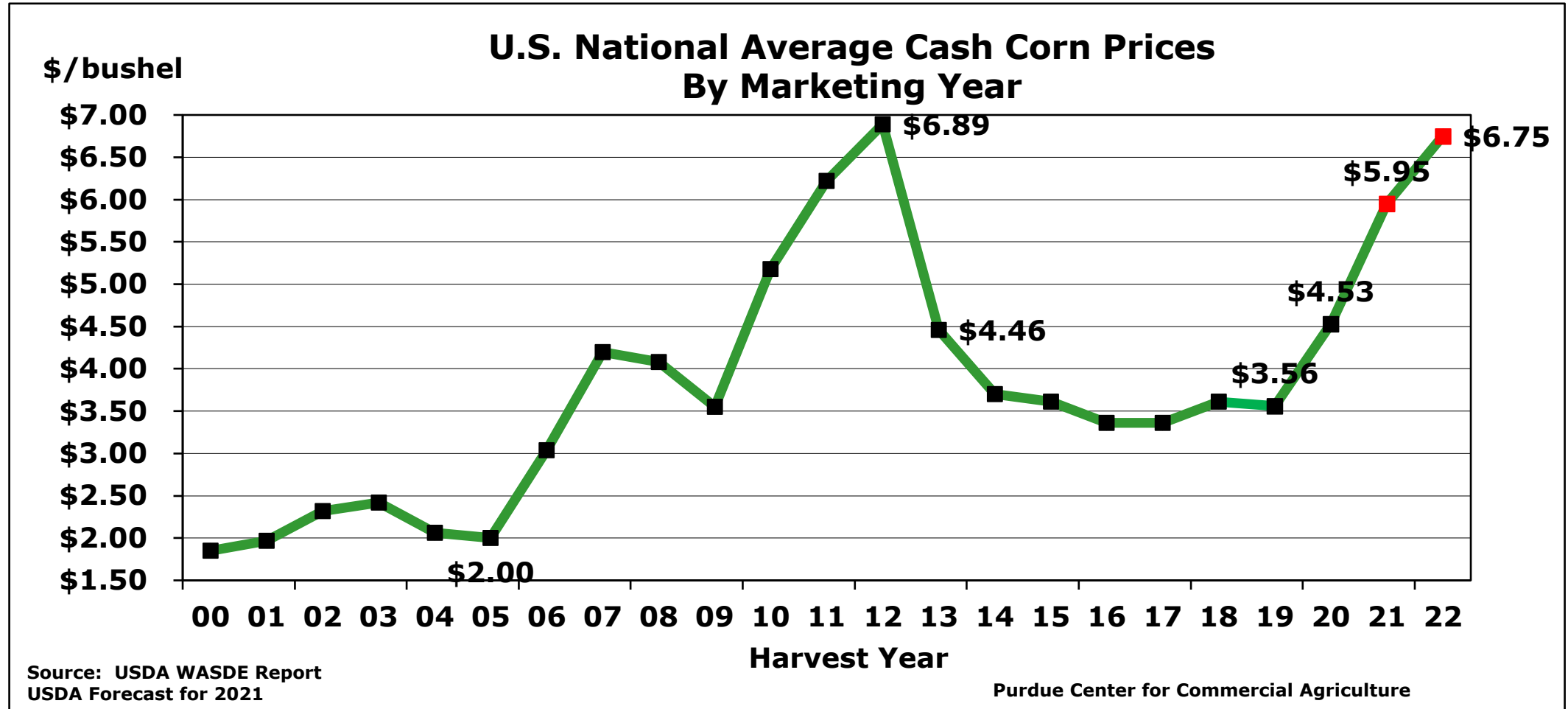
Usage still up 8% so far this crop year



# *USDA Expects Domestic Feed Usage to Decline in the '22 Crop Year*



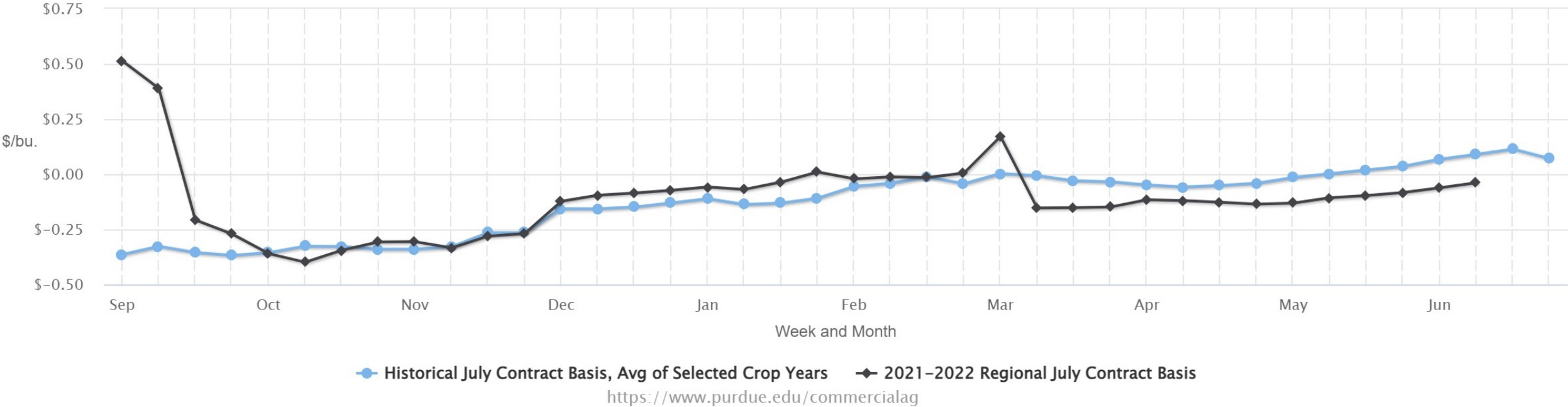
# *USDA Raised '21 Crop Average by \$0.05, No Change in '22 Crop Forecast*



# Corn basis - Central Indiana - 3 year average

## Purdue Center for Commercial Agriculture Crop Basis Tool

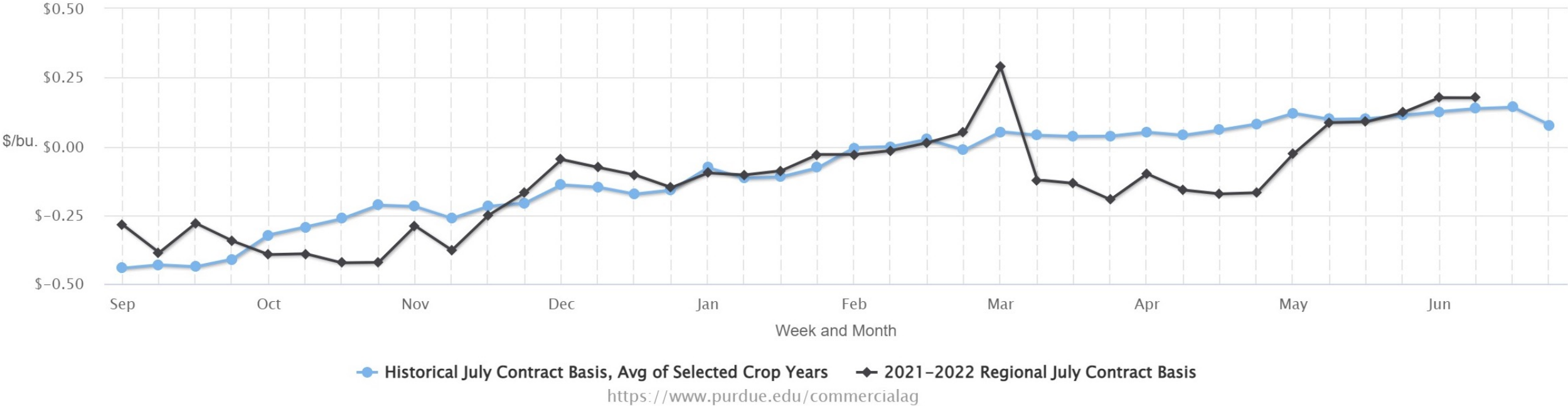
Corn: IN CENTRAL Region, July Contract Basis, Weekly  
Avg. of Selected Historical Crop Years [2018-2019,2019-2020,2020-2021]  
vs. Current Crop Year



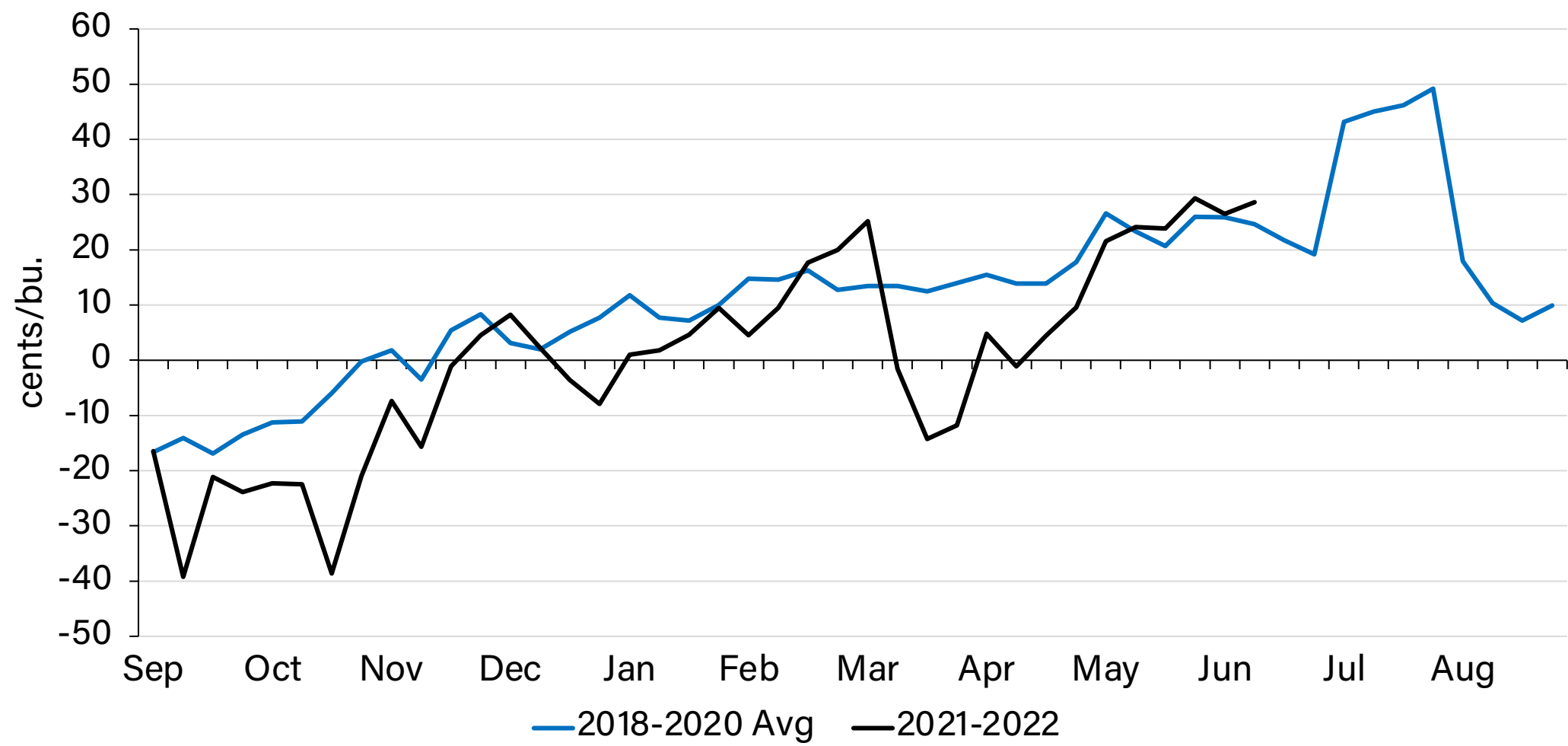
# Corn basis - Southwest Indiana - 3 year average

## Purdue Center for Commercial Agriculture Crop Basis Tool

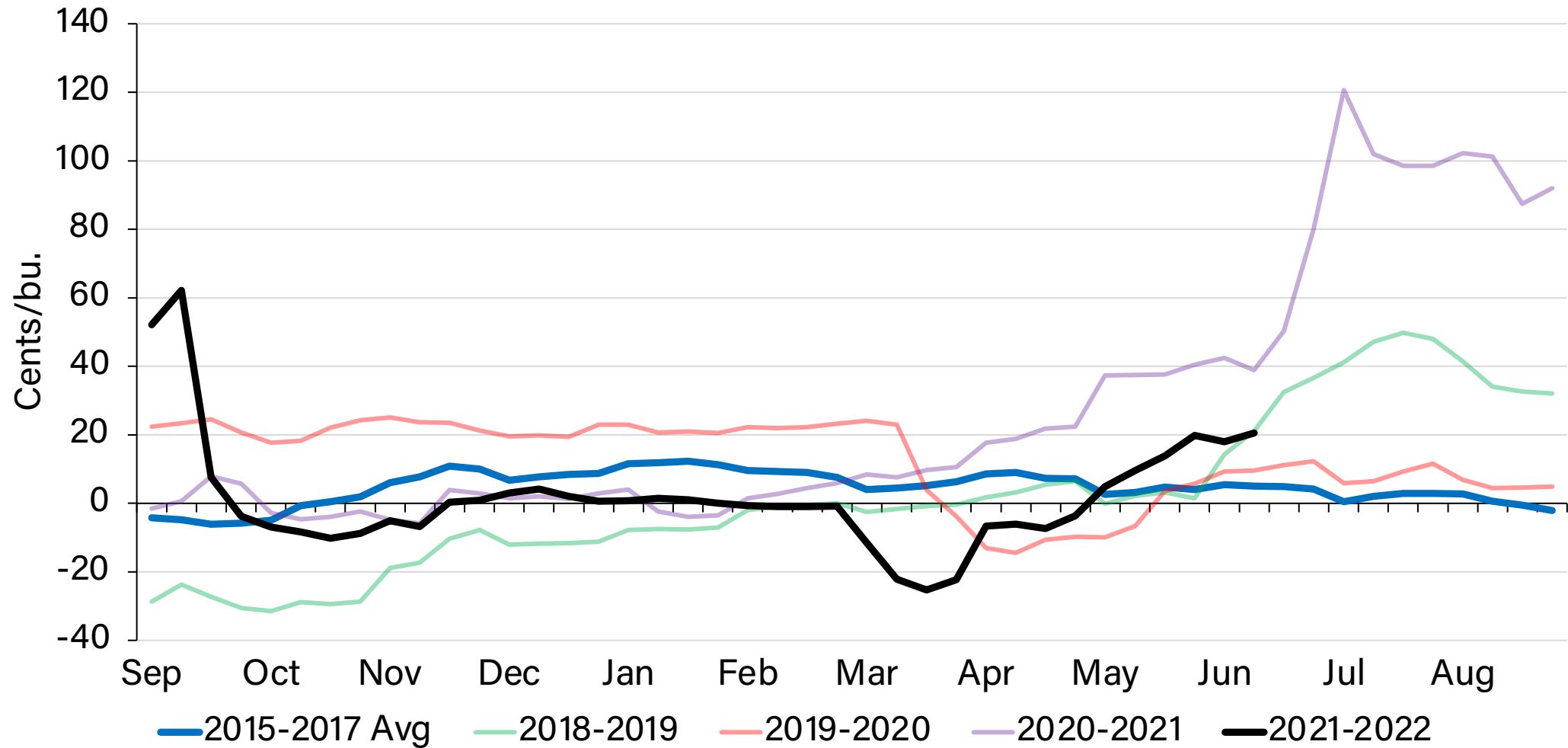
Corn: IN SW Region, July Contract Basis, Weekly  
Avg. of Selected Historical Crop Years [2018-2019,2019-2020,2020-2021]  
vs. Current Crop Year



# Corn River Basis-Southern Indiana and Southern Illinois River Terminals

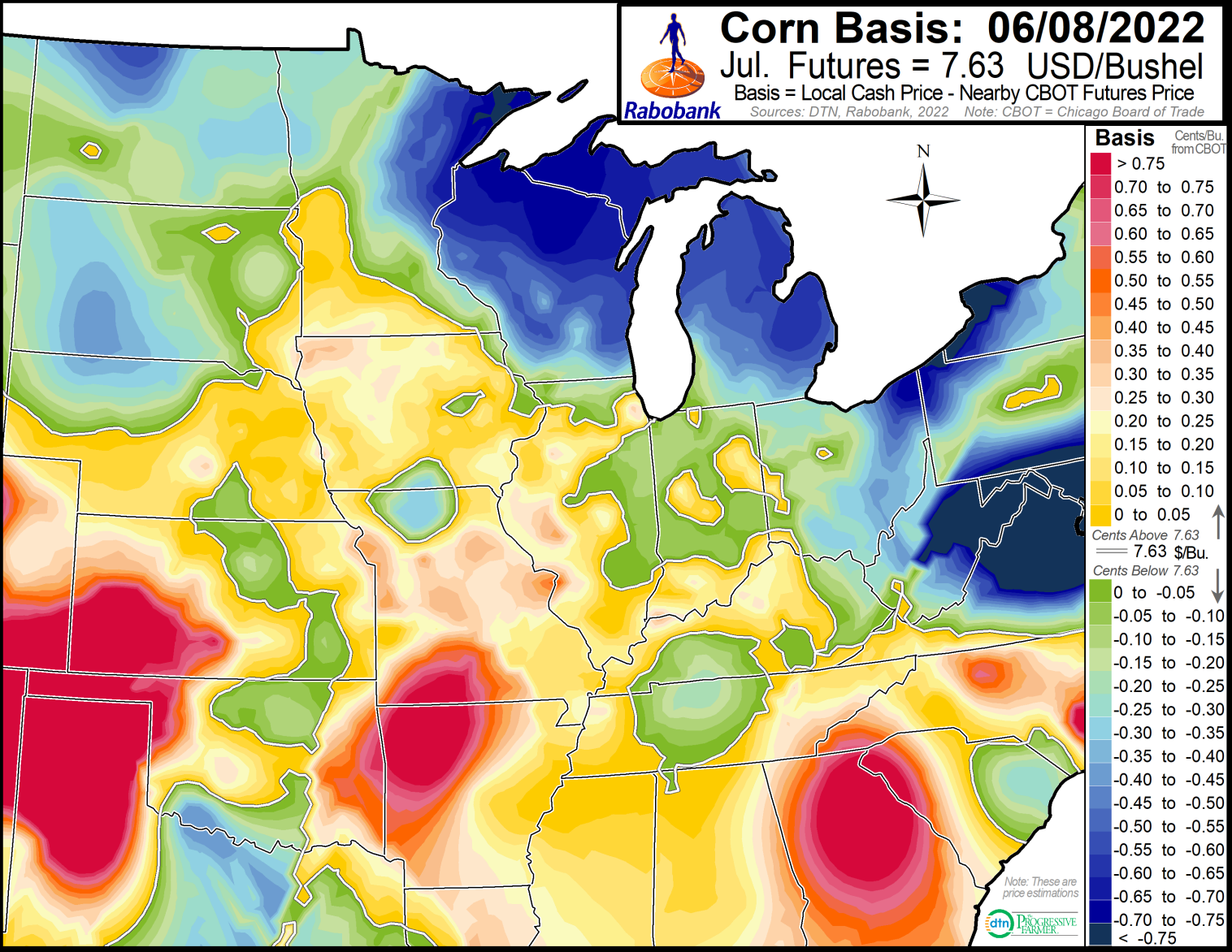


# Indiana ethanol plant basis



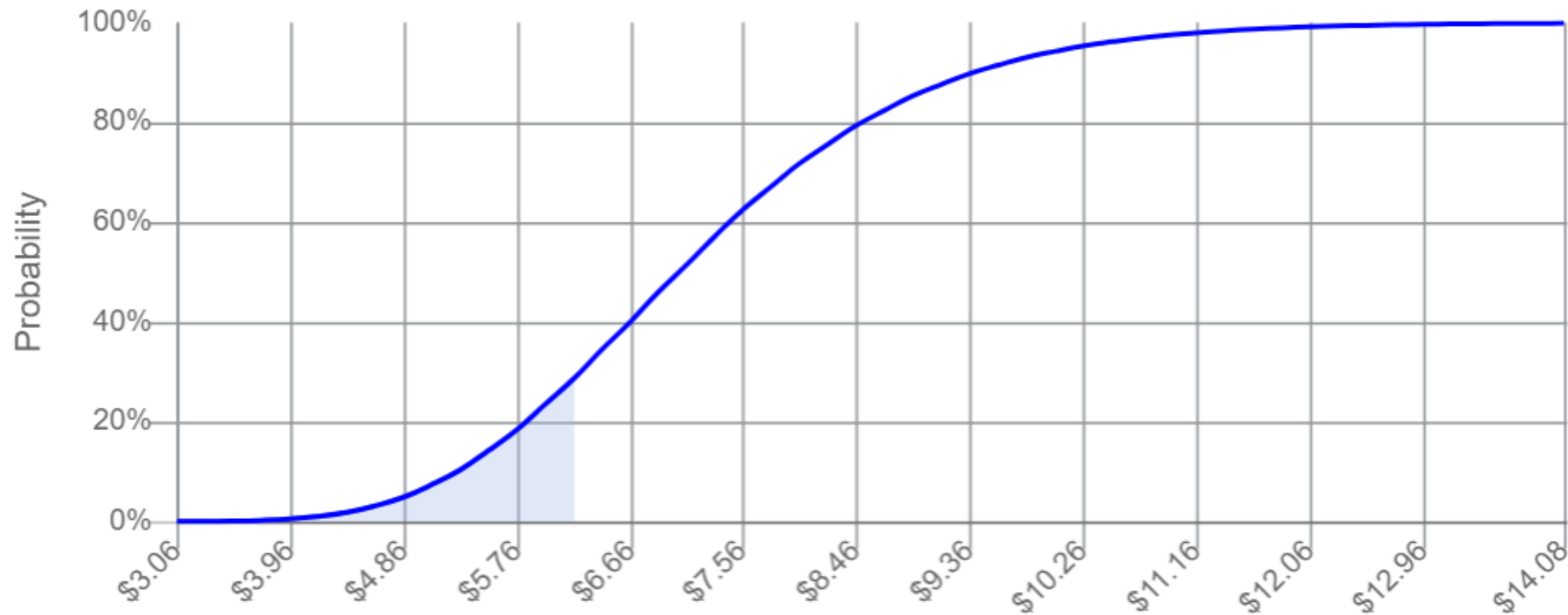


# Basis Strength Driven By Ethanol, Livestock & Export Demand



# *farmdoc Price Discovery Tool: Dec. '22 Corn Futures*

Cumulative Probability of Prices at Expiration



Source: <https://fd-tools.ncsa.illinois.edu/pricedistribution>

~25% chance that Dec. '22 corn futures are below \$6 at expiration.

Price at Expiration ▲	Probability Below ▲
\$6.25	29.80%
\$6.50	36.11%
\$6.75	42.57%
\$7.00	49.00%
\$7.25	55.22%
\$7.50	61.12%
\$7.75	66.59%
\$8.00	71.57%
\$8.25	76.03%

# ***Key Changes to Soybean Balance Sheet in USDA's June WASDE***

## **Changes to 2021/2022 Soybean Balance Sheet**

- ✓ Increased '21/22 export forecast by 30 million bushels... new total = 2.17 billion bushels
- ✓ 21/22 Ending stocks estimate declined 30 million bushels again... to 205 million bushels
- ✓ Raised '21 crop MYA price estimate to \$13.35/bu.

## **Changes to 2022/2023 Soybean Balance Sheet**

- ✓ No change in use categories
- ✓ Ending stocks down 30 m. bu. to 280 m. bu. because of reduction in carryover from '21 crop
- ✓ Raised '22 crop MYA price forecast by \$0.30/bu. to \$14.70/bu.

# *Key Changes to Soybean Trade Matrix in USDA's June WASDE*

## **World soybean trade matrix**

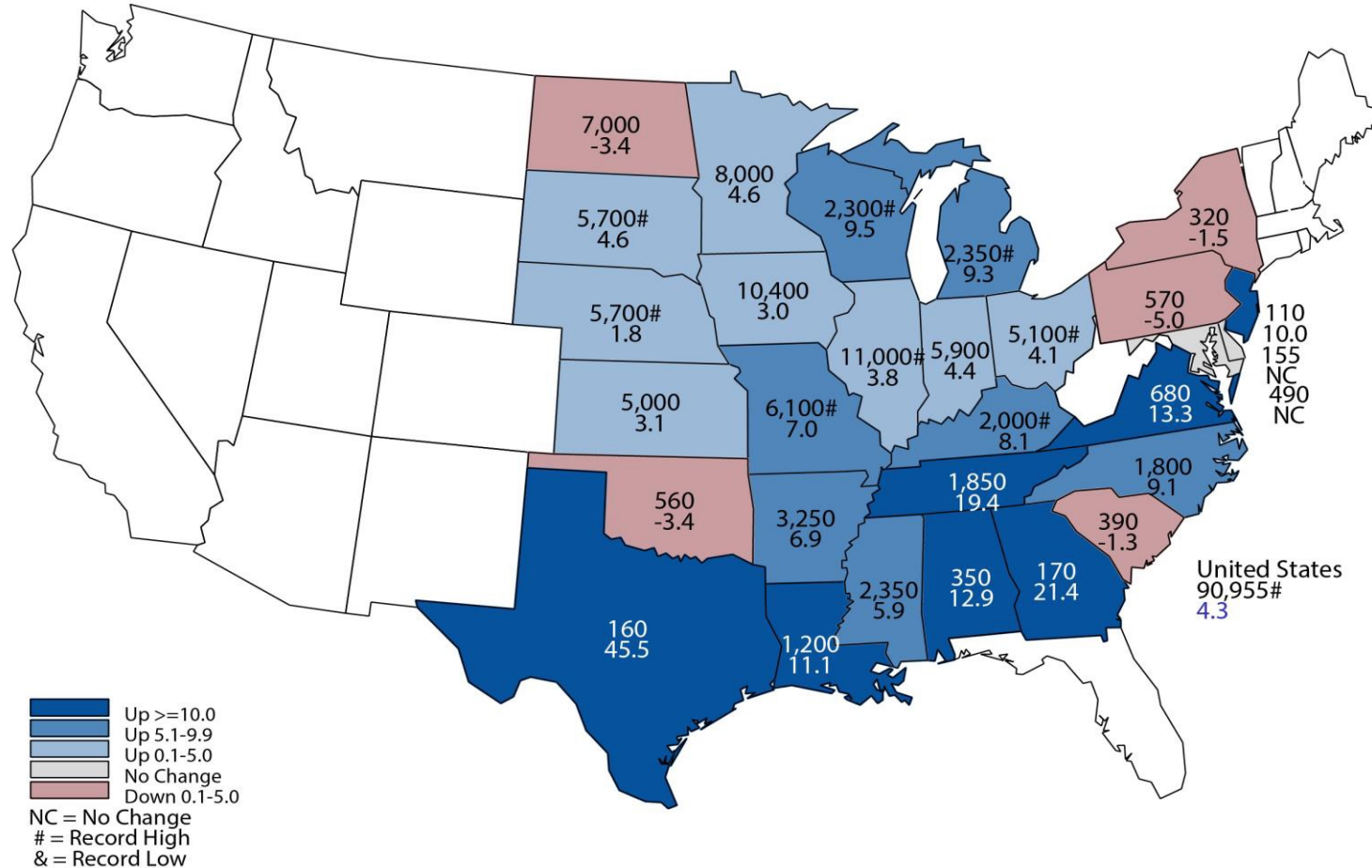
- ✓ **Raised Brazil's '21/'22 harvest 1 mmt to 126 million metric tons**
- ✓ **Raised Argentina's '21/'22 harvest 1.4 mmt to 43.4 million metric tons**
- ✓ **Continue to expect big S. American production increases in '22/'23**
  - ✓ **Brazil expected to jump up to 149 mmt (+18%)**
  - ✓ **Argentina expected to increase to 51 mmt (+18%)**
- ✓ **Result would lead to major exporter ending stocks rising to 16.4% of usage in '22/'23**

# 2022 SOYBEAN PLANTED ACREAGE

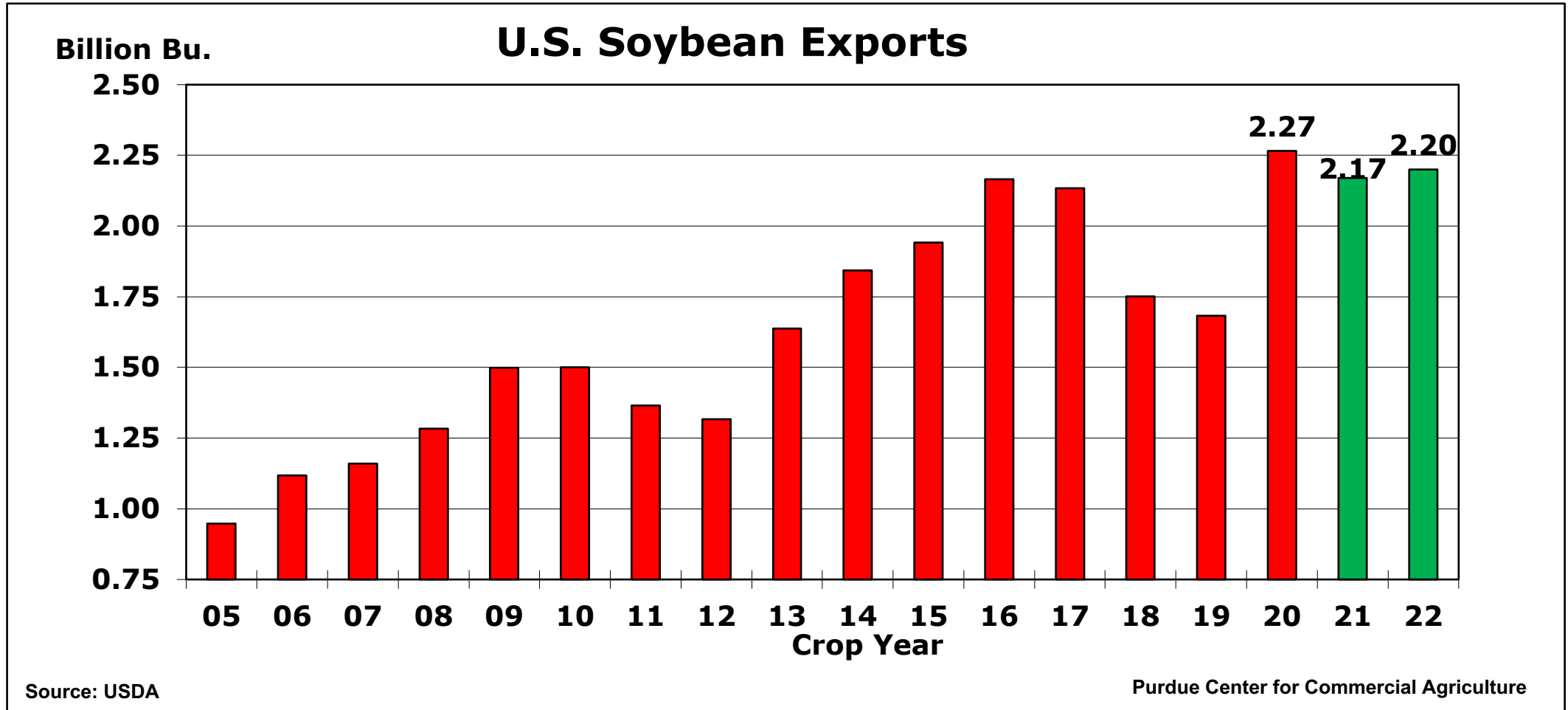
## THOUSAND ACRES AND PERCENT CHANGE FROM PREVIOUS YEAR

78% of U.S. crop  
planted thru June 5  
vs 79% average

North Dakota &  
Minnesota still  
behind average,  
other states report  
average or above  
average progress



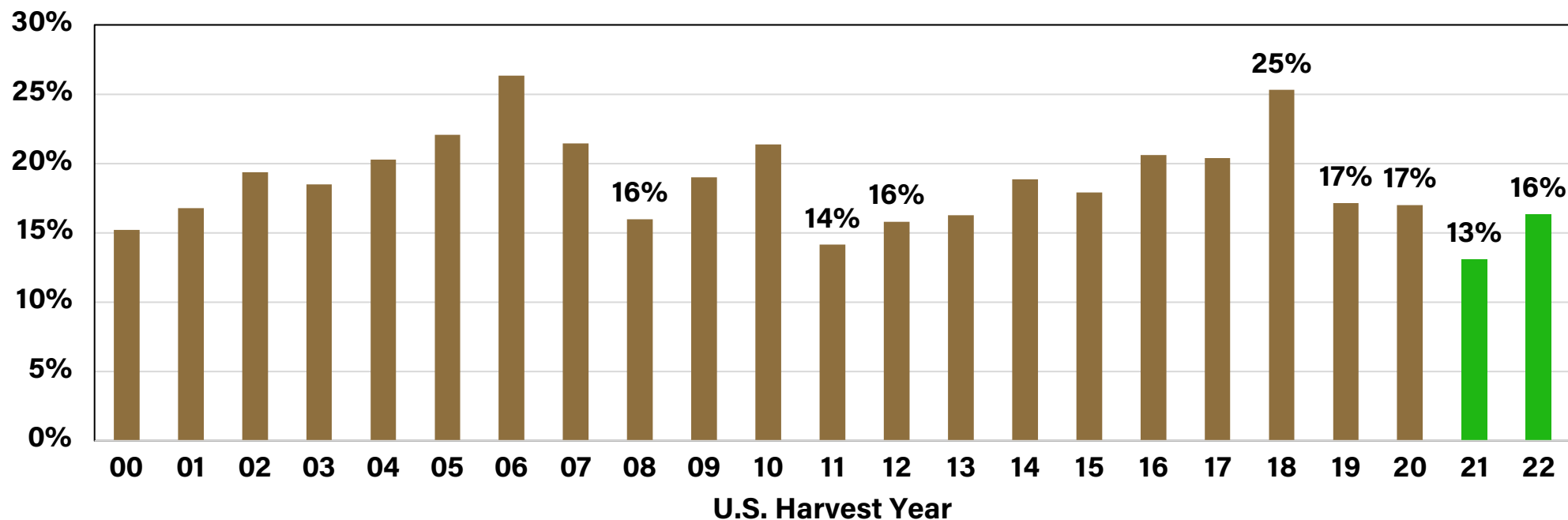
# *USDA Has Been Raising '21 Crop Export Estimates, Another Rise Would Further Tighten Stocks*



# *21/22 Major Exporter Stocks Could Still Tighten More Than Projected*

*Rise in 22/23 Stocks Dependent on Big U.S. Crop and Rebound in South American Production*

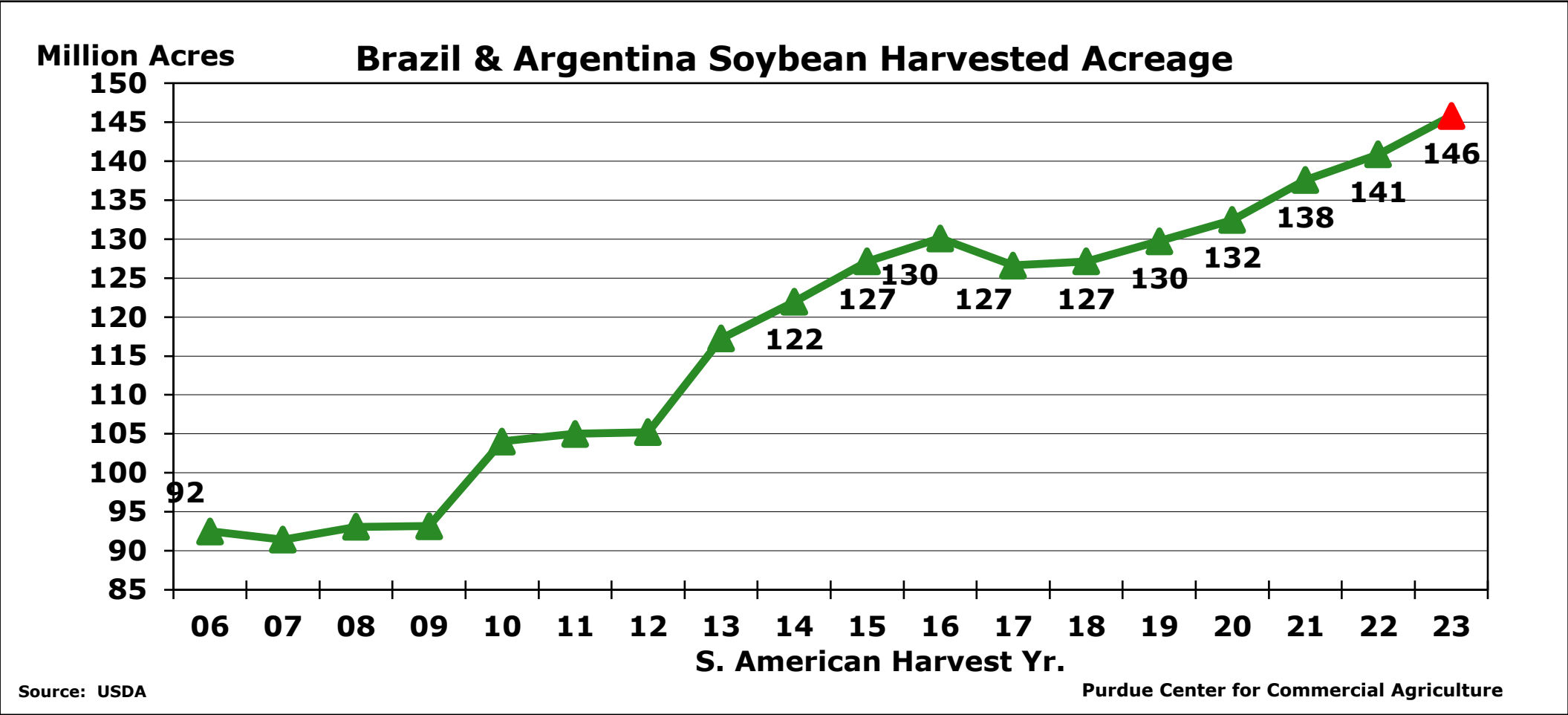
**Major Exporters Soybean Ending Stocks  
% of World Usage, 2000-2022**



Source: USDA

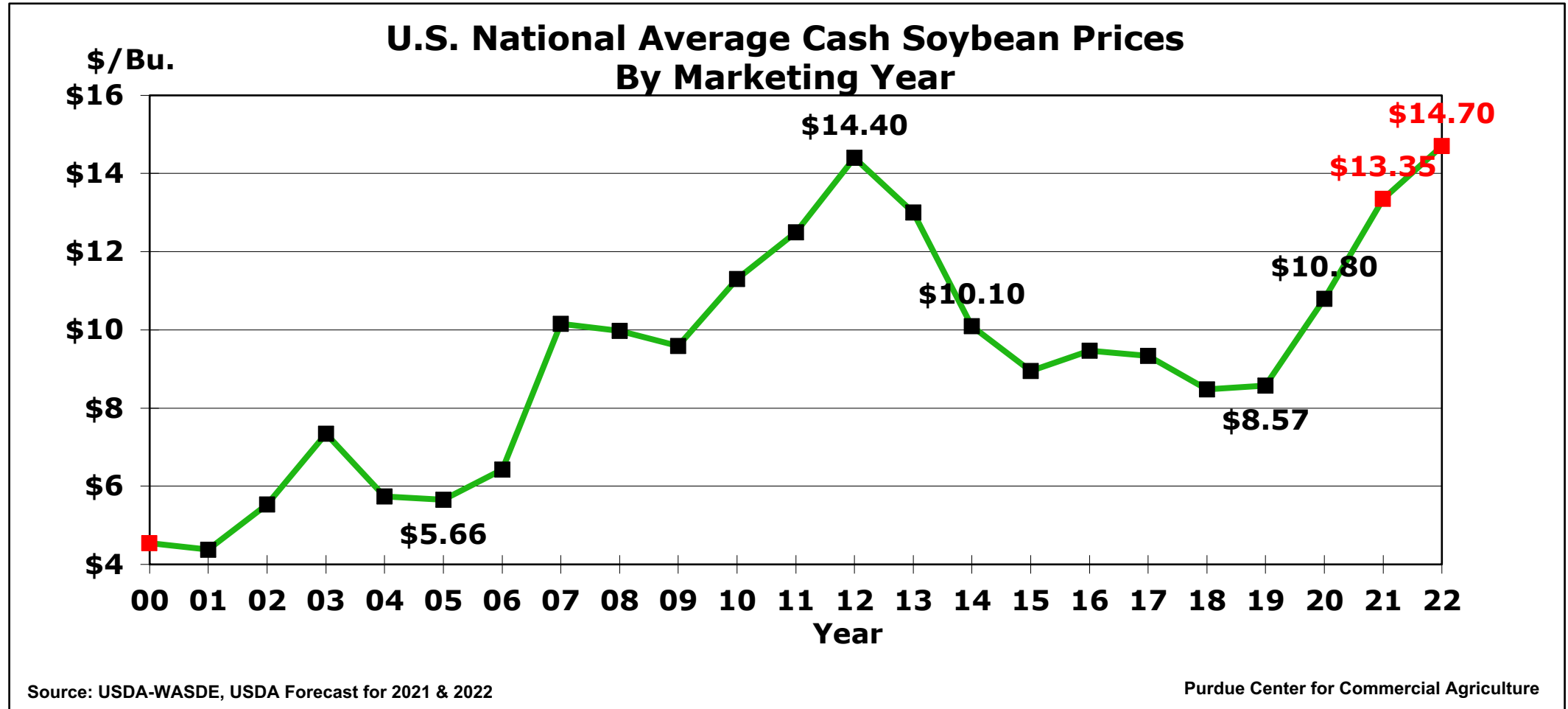
Purdue Center for Commercial Agriculture

*Looking Ahead, Brazil & Argentina's Harvested Acreage Expected to Rise by 5 Million Acres in '23*





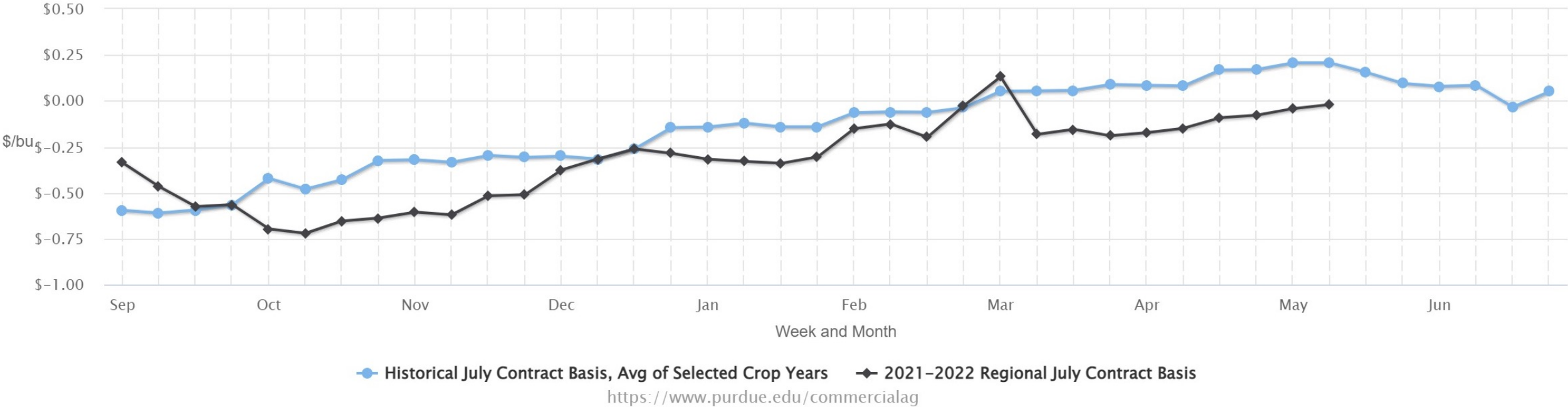
# *USDA Raised Both '21 & '22 Crop MYA Soybean Prices-Record High for '22 Crop*



# Soybean basis -Central Indiana - 2 year average

## Purdue Center for Commercial Agriculture Crop Basis Tool

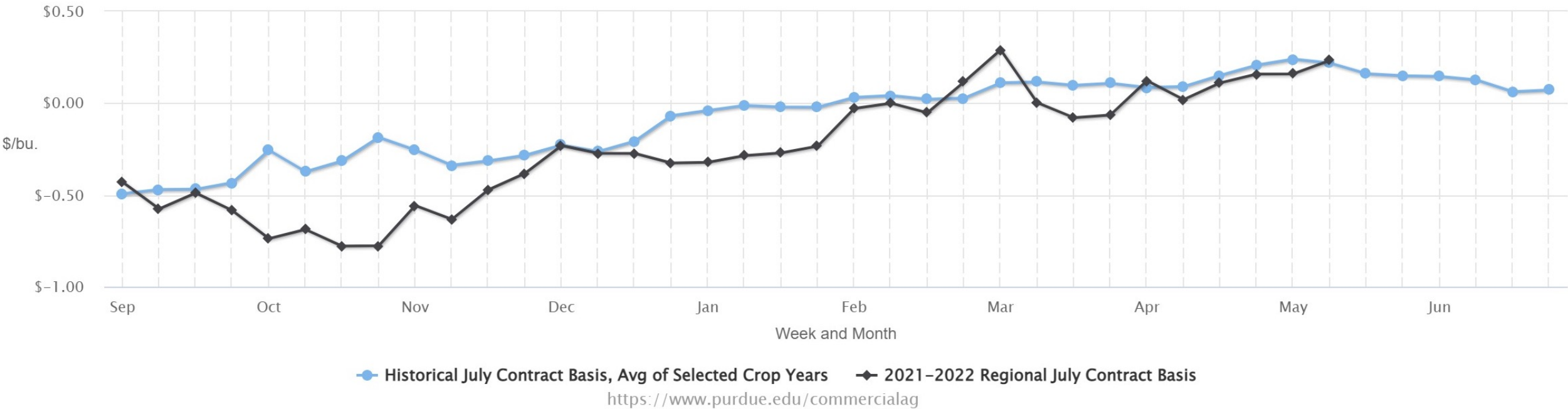
Soybeans: IN CENTRAL Region, July Contract Basis, Weekly  
Avg. of Selected Historical Crop Years [2019-2020,2020-2021]  
vs. Current Crop Year



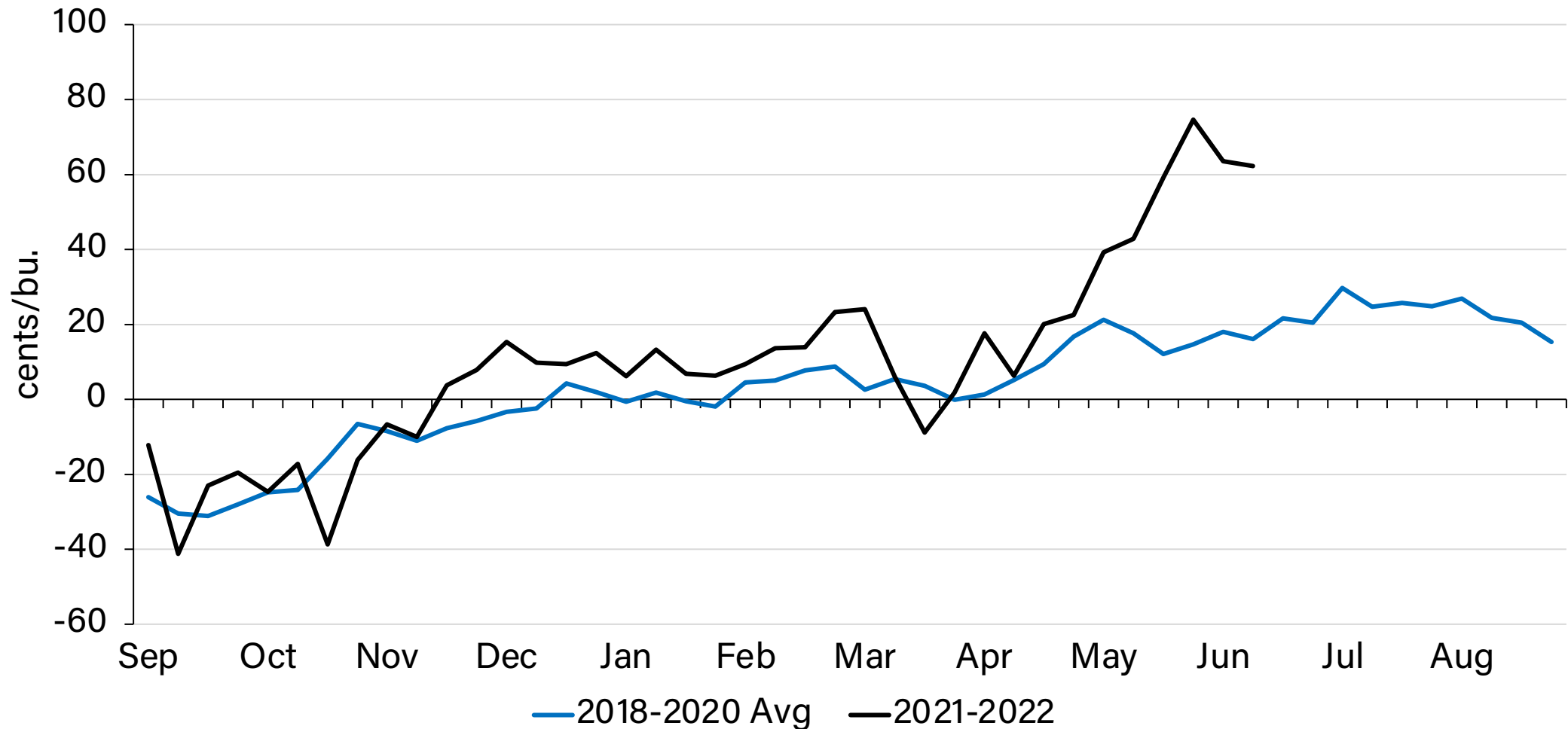
# Soybean basis –Southwest Indiana – 2 year average

## Purdue Center for Commercial Agriculture Crop Basis Tool

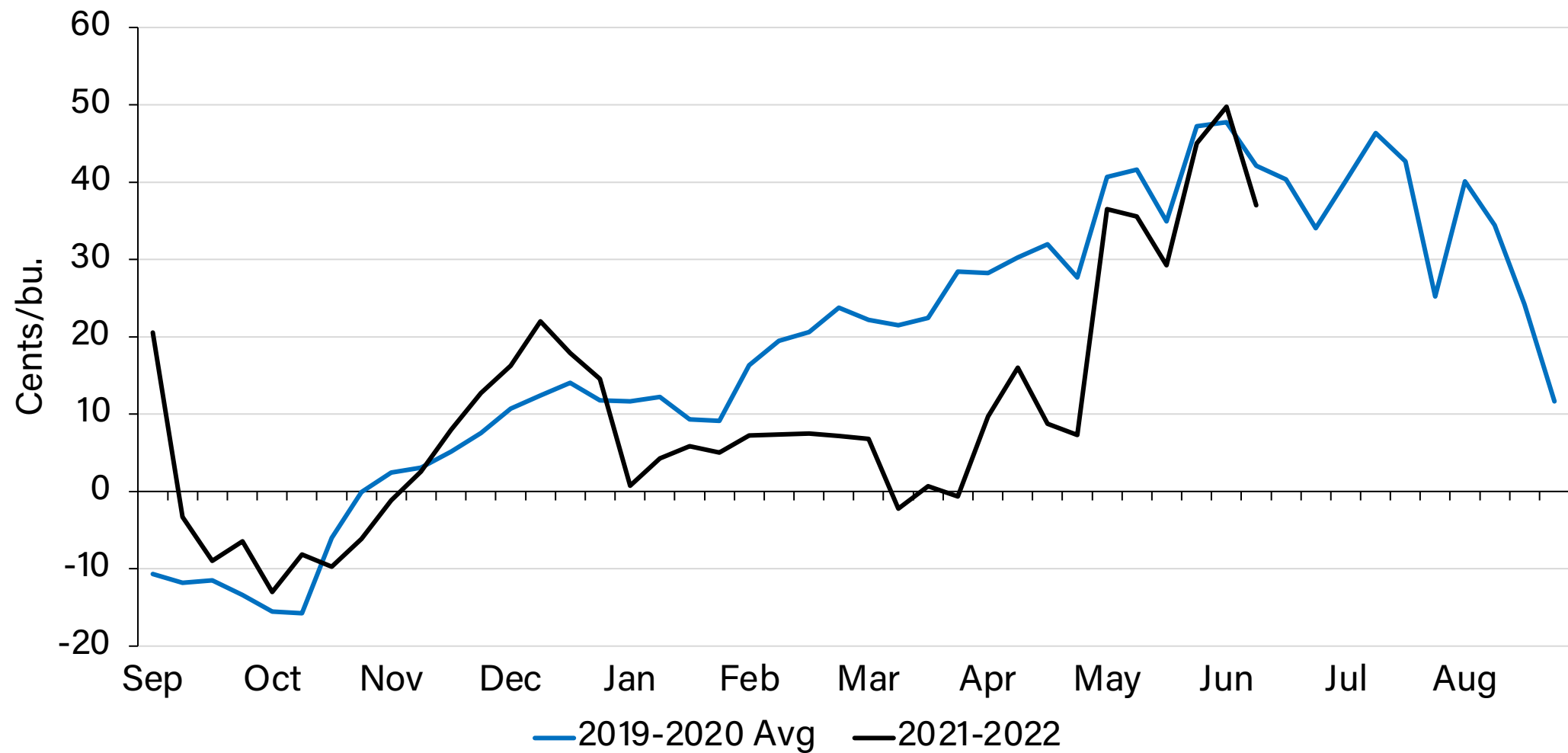
Soybeans: IN SW Region, July Contract Basis, Weekly  
Avg. of Selected Historical Crop Years [2019–2020,2020–2021]  
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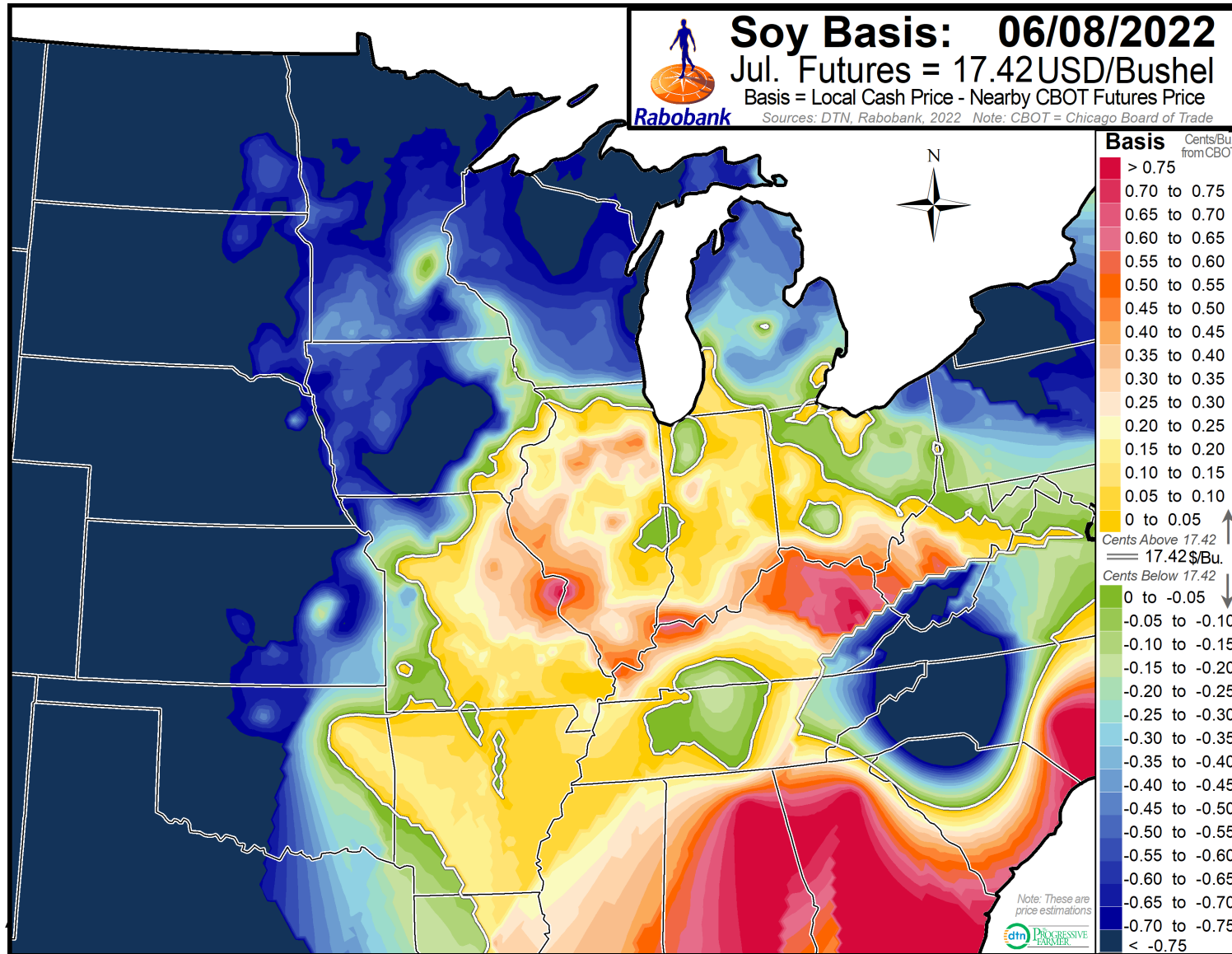
# *Soybean River Basis-Southern Indiana and Southern Illinois River Terminals*



# Indiana soybean processor basis

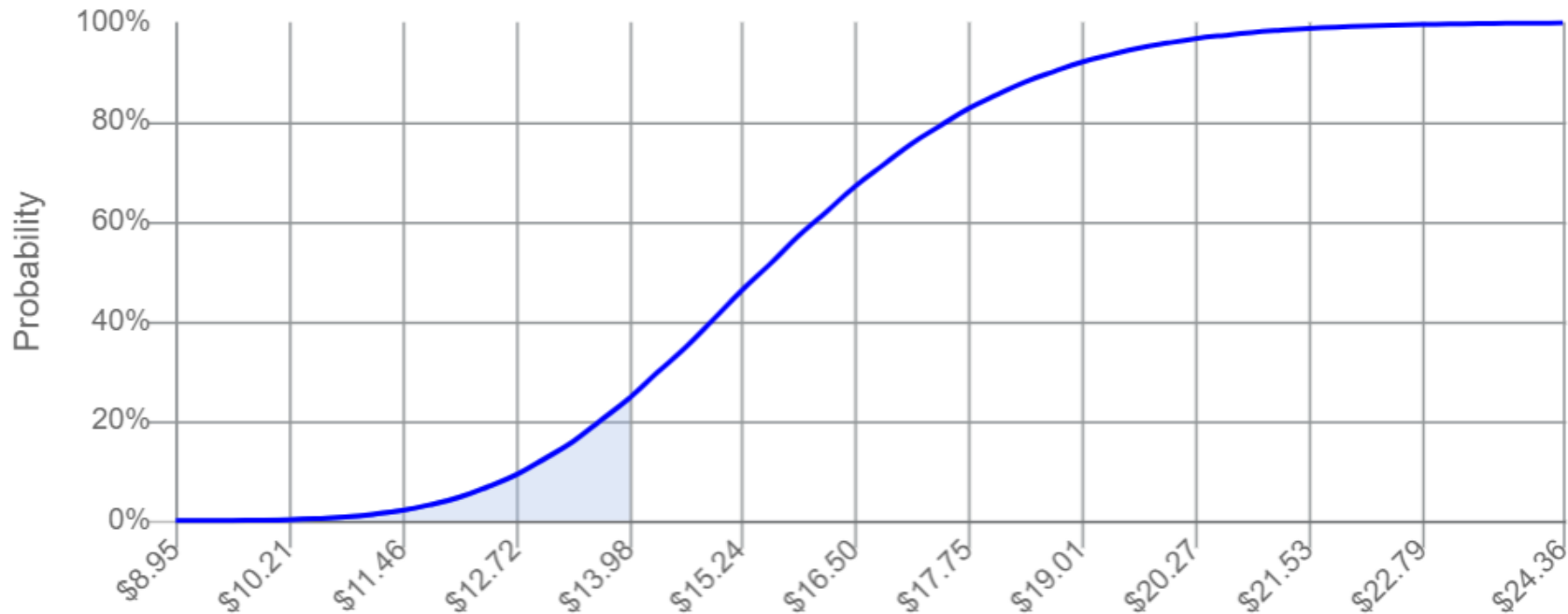


# Soybean Basis Strongest Near River Markets



# *farmdoc Price Discovery Tool: Nov. '22 Soybean Futures*

Cumulative Probability of Prices at Expiration



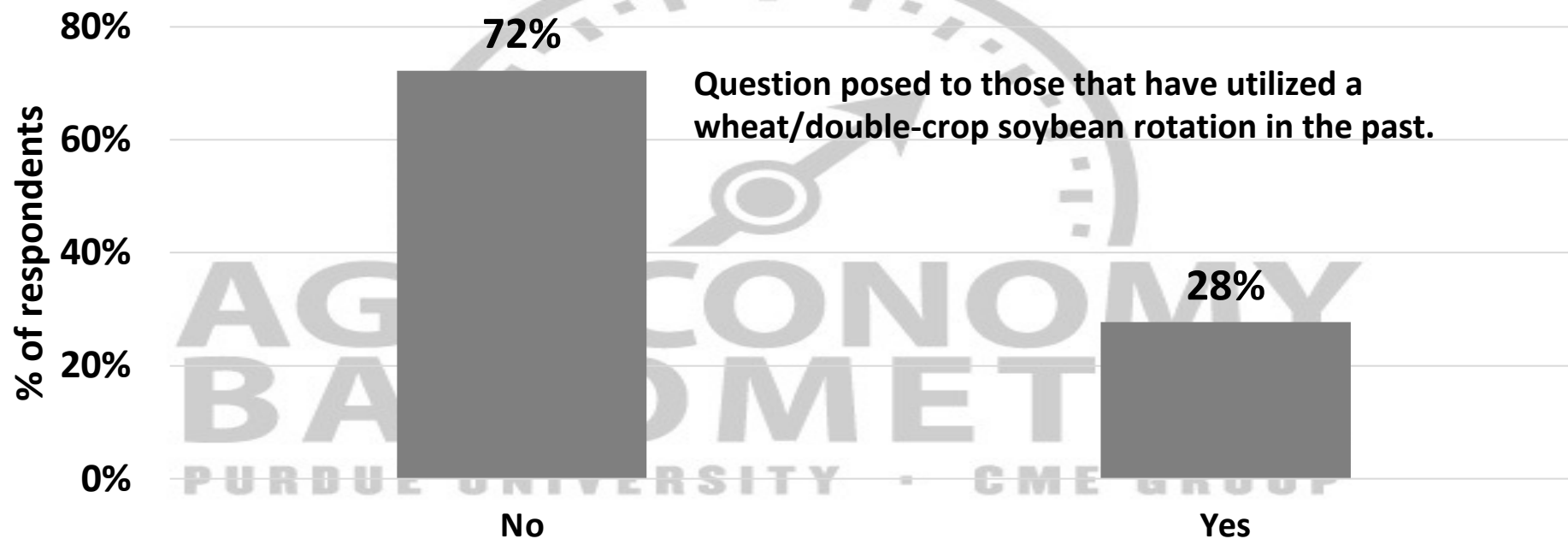
Source: <https://fd-tools.ncsa.illinois.edu/pricedistribution>

~25% chance that Nov. '22 soybean futures are below \$14 at expiration.

Price at Expiration ▲	Probability Below ▲
\$14.50	33.12%
\$14.75	37.43%
\$15.00	41.83%
\$15.25	46.26%
\$15.50	50.67%
\$15.75	55.00%
\$16.00	59.20%
\$16.25	63.23%
\$16.50	67.07%

# *Strong Wheat Prices Are Increasing Interest in Sowing Wheat in Fall '22*

Do you plan to increase the percentage of your farm's cropland devoted to a wheat/double-crop soybean crop rotation by planting more wheat in fall 2022?

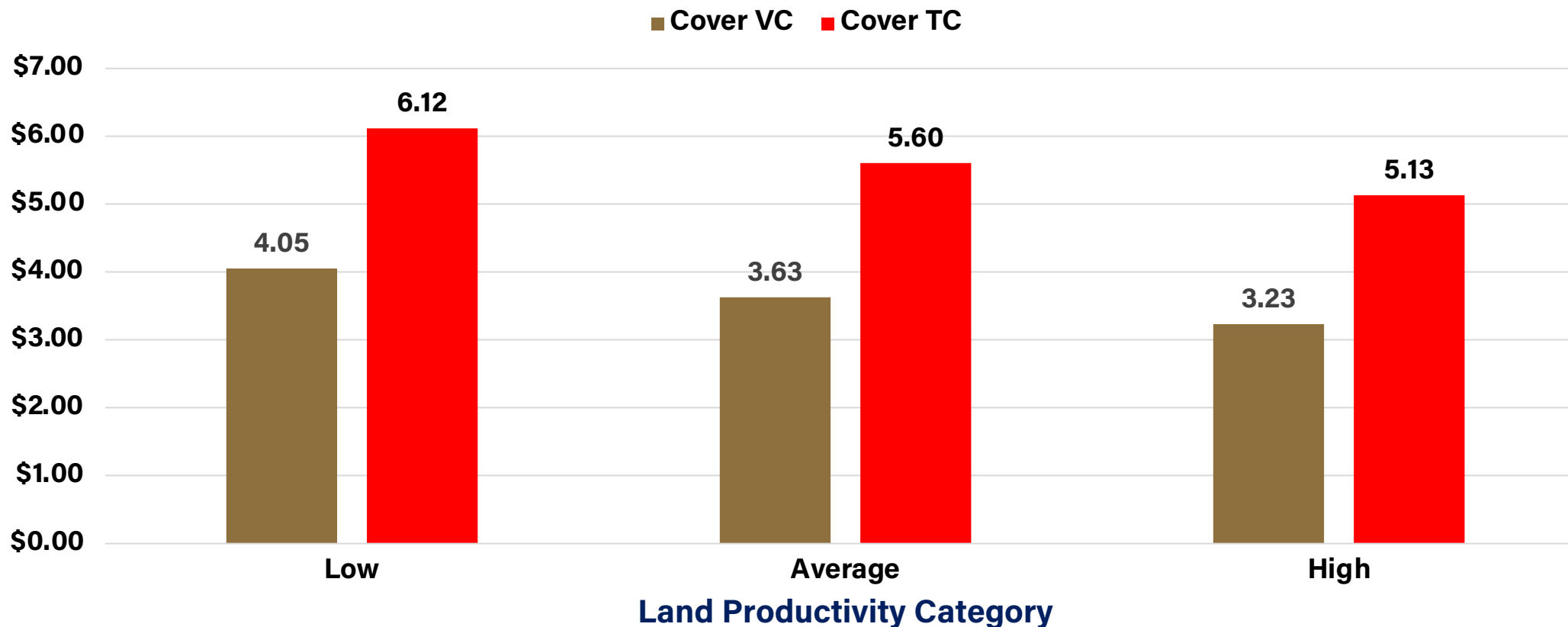


Source: Purdue Center for Commercial Agriculture, Producer Survey, May 2022



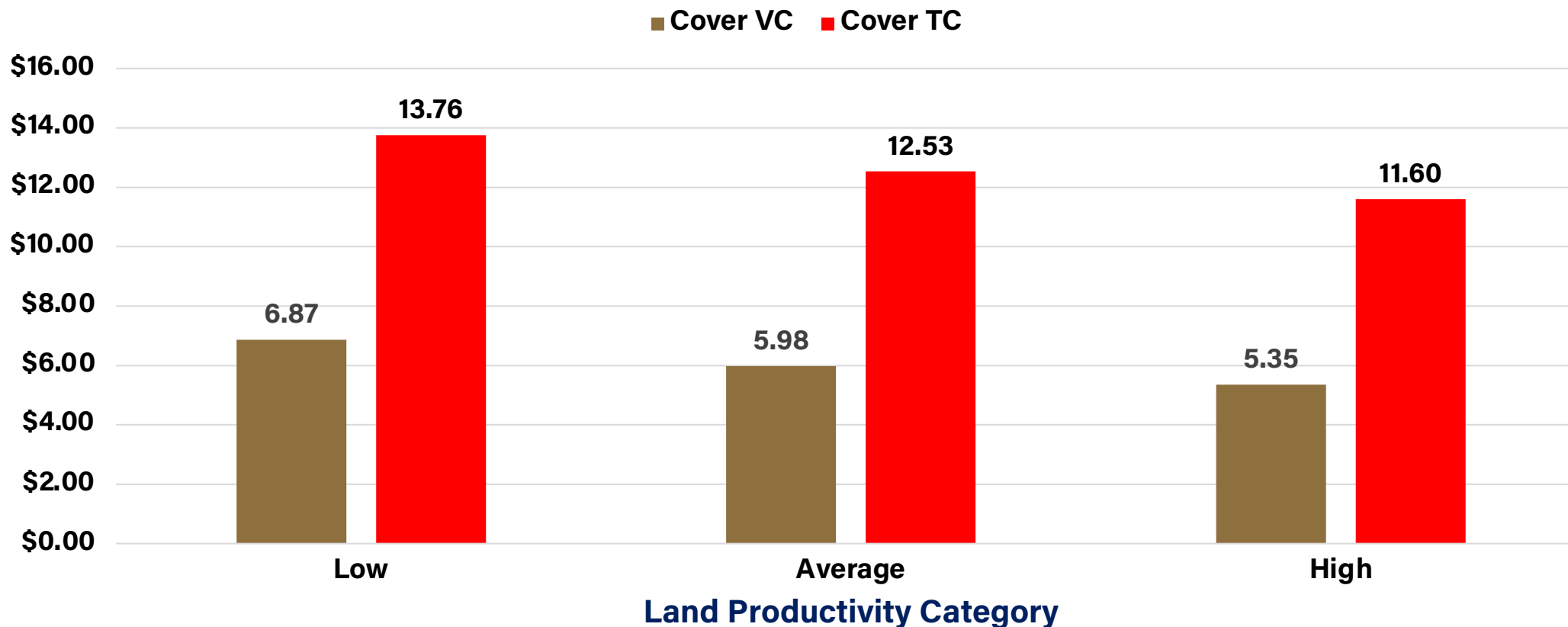
# *Rising Input Costs Are Driving Breakeven Price Projections Up*

## 2022 Breakeven Prices for Rotation Corn in Indiana



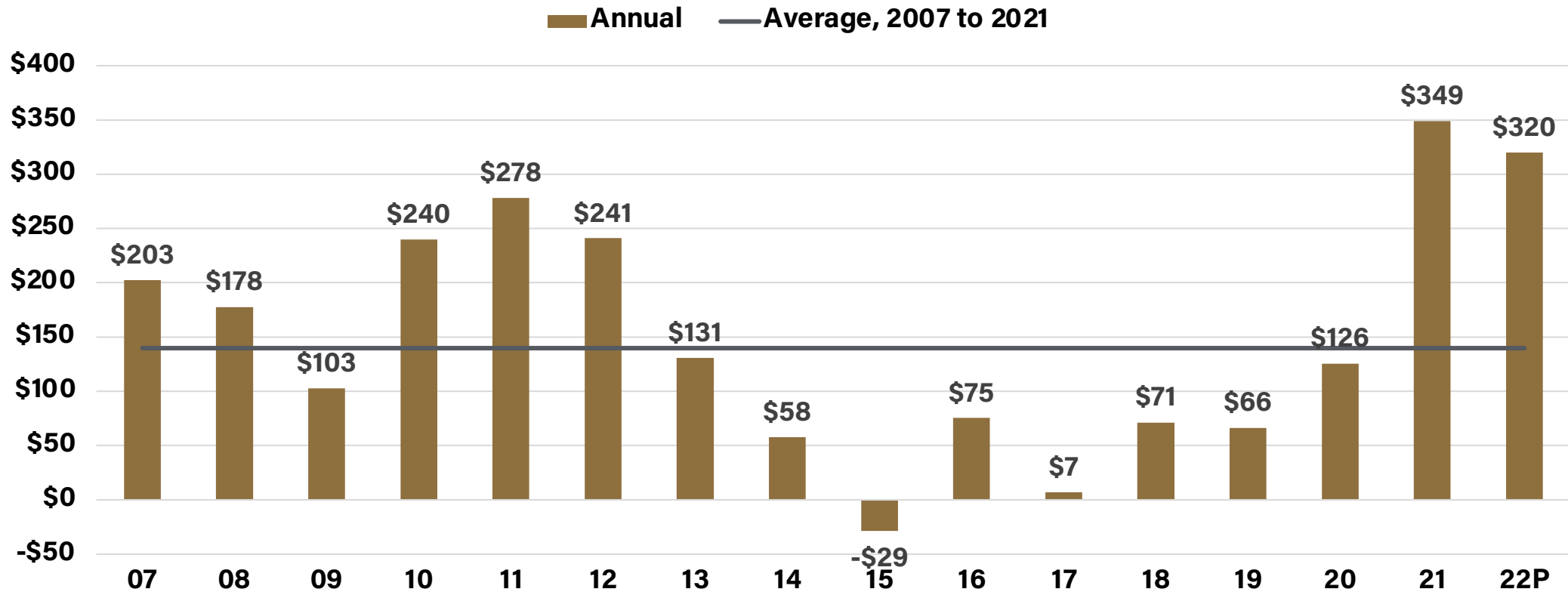
# *Rising Input Costs Are Driving Breakeven Price Projections Up*

## 2022 Breakeven Prices for Soybeans in Indiana



# *Strong Profit Prospects for Corn in 2022*

**Net Farm Income, Corn/Soybean Rotation (\$ per Acre)  
West Central Indiana Case Farm**





## **MONTHLY OUTLOOK**

PURDUE CENTER FOR  
COMMERCIAL AGRICULTURE

Next Webinar, Wednesday, July 13, 2022

Details Available at  
**[purdue.edu/commercialag](https://purdue.edu/commercialag)**



Center for Commercial Agriculture