



New Crop Estimates, Yet Not Much Bullish

Seungki Lee, Assistant Professor, Department of AEDE

Highlights

- New Crop Production Update
- Record-level Corn and Soybean Yield in Ohio
- Exports Still Remain as a Wildcard
- Red Flag: Low Water Level

Summary of Coffee & Grain Markets

Overall, the production forecast follows the acreage shifts – corn production up by 10% but soybean production down by 3% from last year. Although a slight increase in domestic demand is predicted, the export is projected to remain sluggish. The season average price is forecast to be \$4.9/bu for corn and \$12.9/bu for soybeans. Several factors are underscored: export competition and low water levels in Ohio and Mississippi River systems.

1 Please give us a quick summary of September USDA WASDE report.//

The September report is the first WASDE report of this market year that incorporates objective yield estimates, so the new crop production should be the most important piece here. **Table 1** presents the balance table about supply and demand estimates of corn and soybean. In corn, the new crop yield projection is predicted to be the same as last year. But the total production is expected to be 10% larger. The hidden figure here is the harvested acreage. In fact, the corn harvested acreage is estimated to be 10% larger than the 2022/23 season. Similar story in soybean yet with a different direction of supply move. Soybean yield is forecast to be 1% above the 2022/23. However, the harvested acreage reduction, 4% down, was dominating, which led to the total production being 3% smaller than the previous year.

Speaking of the demand forecasts, all the demand sectors, except for the exports, are expected to have a slightly increased consumption this year when compared to the 2022/23 market. The export will

Table 1 Sep WASDE summary for corn and soybean

	Corn		Soybean	
	23/24F	Δ22/23	23/24F	Δ22/23
Marketing Year (Sep-Aug)				
Yield (bu/a)	173.8	0%	50	1%
Production	15,134	10%	4,146	-3%
Total Supply	16,611	10%	4,426	-3%
Feed & Residual	5,625	4%		
Ethanol	5,300	2%		
Crush			2,290	3%
Domestic Use	12,340	3%	2,416	3%
Exports	2,050	23%	1,790	-10%
Total Use	14,390	5%	4,206	-3%
Ending Stocks	2,221	53%	220	-12%
Price (\$/bu)	4.90	-25%	12.9	-9%

Note: The default unit of all numbers is a million bushels.

likely determine the direction of total use at the end. For instance, corn is expected to have a larger total



use with a positive export change (+23%), however, soybean's total use is expected to be smaller attributable to the smaller exports (-10%). Thus, exports will be the key variable determining the final balance between supply and demand, remaining as a key source of uncertainty similar to the previous year.

Elaborating on Ohio estimates, we are seeing 195 bu/acre for corn, and this is a record level (**Figure 2**). If this is the case, in terms of yield, Ohio will take the third productive state, following Iowa and Illinois. Similarly, for soybeans, we are expecting a record-level soybean yield of 58 bu/acre. This is again the third highest yield across the US.

Figure 2 Soybean and corn export progress

Fig 2-A Corn yield by state

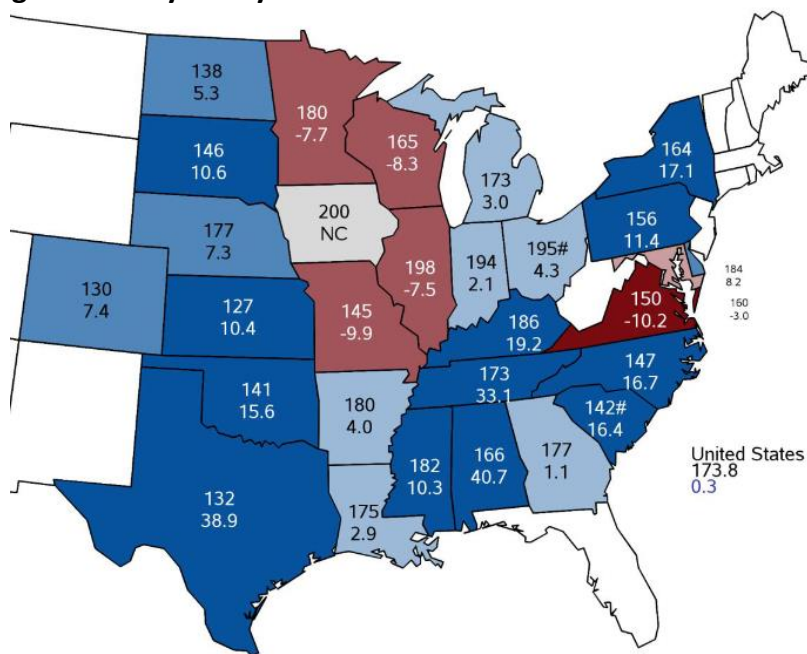
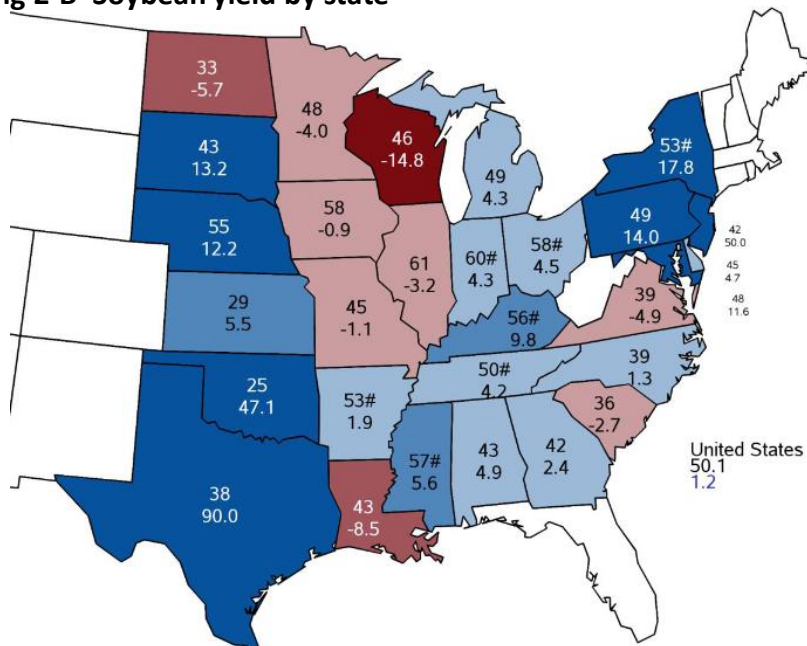


Fig 2-B Soybean yield by state



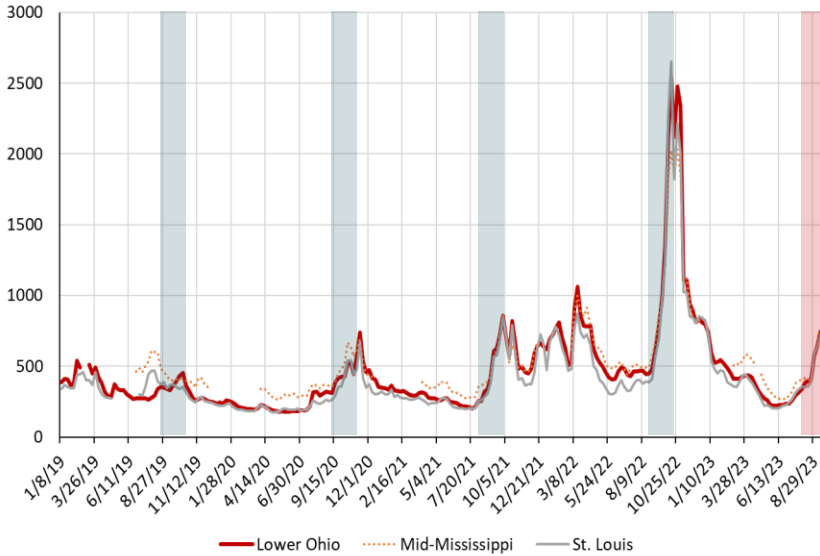
2 . What would you highlight for the wildcards? //

First, as mentioned above, I want to emphasize the importance of **global sales**. Specifically, I would like to remind you that the US has hardly made export progress as of April. For example, the corn export in 22/23 was almost half of what we exported in the 20/21 market, and this was less than when there was a US-China trade dispute. Soybean export was also disappointing, which was recorded to be lower than the past five-year average. Obviously, this resulted from the step-up of Brazilian crops. Brazil is expecting record level exports this year. There is no reason that the same thing cannot happen in the 23/24 market.

Secondly, I want to highlight the **low water level in the Mississippi River and Ohio River**. Last year, we saw the Mississippi River's low water levels lead to a widening of grain basis prices by 25 to 40 cents along the river, depending on the location, which ate into farmers' profits. Recently, we've observed worrisome signs in several spots along the Mississippi River. Vicksburg in Mississippi and Cairo in Illinois are major flow paths for the Mississippi River and Ohio River, respectively. These areas currently exhibit significantly low water levels and are forecasted to remain low, indicating a concerning possibility. This could result in a 20-25% reduction in barge flow capacity.

In fact, barge rates are already on the rise (see **Figure 3**). Even when accounting for seasonality, the increasing trend in barge rates appears steep. Considering that Ohio is experiencing a successful harvest, this issue could become the most critical challenge. If river transportation malfunctions, it could lead to an oversupply of grain in Ohio and other eastern Corn Belt regions, causing local cash prices to plummet

Figure 3 Barge rate trend (average rate as % of tariff)



(Generated by author, Source: USDA Barge Dashboard)

Figure 4 Quick survey of Ohio farmers

Fig 4-A Issues that Ohio growers focuses on

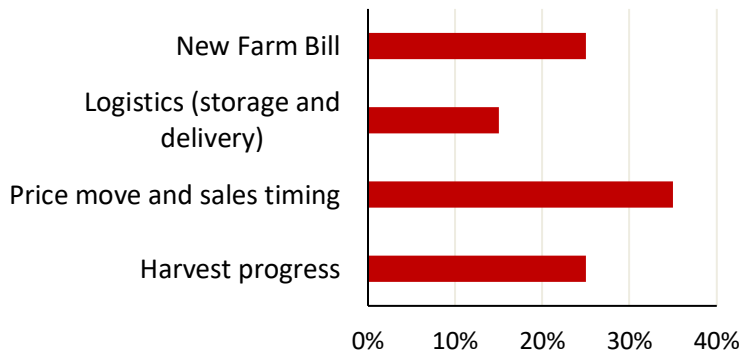
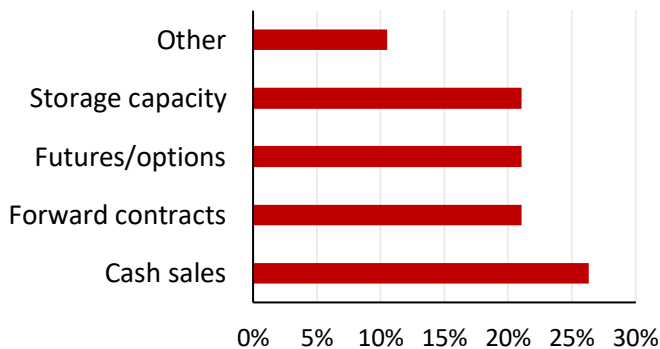


Fig 4-B Primary pricing tool of Ohio farmers



3. Brief discussion about the sentiment survey of Ohio farmers //

In the September sentiment survey, which coincides with the start of a new marketing year, we asked Ohio farmers about their current focus areas and the primary marketing tools they use for pricing.

Figure 4-A presents the major issues that Ohio growers are currently prioritizing. Notably, price and sales are unsurprisingly at the top of their list. Additionally, the new Farm Bill and harvest progress were identified as important concerns.

Regarding the Farm Bill, it's worth noting that 83% of the respondents in our survey expressed interest in the Crop Insurance Program, while 67% showed interest in Commodity Payment Programs (e.g., ARC and PLC). Furthermore, there was moderate interest in the Conservation Reserve Program and Climate Smart Agriculture, with both being selected by 17% of respondents.

As depicted in **Figure 4-B**, cash sales are reported as the most common pricing strategy employed by Ohio growers. However, it's noteworthy that Ohio growers are actively utilizing other risk management tools such as forward contracts, futures and options, and storage handling.

Prepared by

Seungki Lee, Assistant Professor, Dept. of Agricultural, Environmental, and Development Economics (AEDE);
email: lee.10168@osu.edu

Coffee & Grain Talk Program

Moderators:

David Marrison and **Bruce Clevenger**,
Both are Field Specialists, OSU Extension

Sponsor:

Ohio Soybean Council