



Indiana Farm Bureau®

USDA Surprises Corn and Soybean Markets with Increased Yields and Ending Stocks

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Summary:

- USDA projects record U.S. corn yield and production.
- Indiana harvests record corn and soybean yields of 203 and 61 bushels per acre, respectively.
- Ample corn stocks will limit pricing opportunities. Soybean stocks are tighter and may provide pricing opportunities under a supply or demand shock.

The U.S. Department of Agriculture (USDA) January crop production annual report provides the final production estimates for the 2023 corn and soybean crops. The USDA's National Agricultural Statistics Service (NASS) uses a combination of producer surveys, FSA-certified acres data, and failed acres data from Farm Service Agency (FSA) and Risk Management Agency (RMA).

Before the report's release, analysts surveyed expected the USDA to make slight reductions in the size of the U.S. corn crop with a corresponding adjustment to ending stocks. USDA surprised the market by estimating a record U.S. corn yield and a record U.S. corn crop above the analysts' expectations.

USDA increased the U.S. corn yield by 2.4 bushels per acre to a record yield of 177.3 bushels. The higher yield and increased corn acres combined for a record production level of 15.34 billion bushels, an increase of 1.7 billion bushels from last year.

USDA also increased Indiana's projected corn yield by 3 bushels per acre from the November estimates to an average corn yield of 203 bushels per acre. The 2023 corn yield is a 13-bushel increase from 2022 and a record state average corn yield. USDA projects the 2023 Indiana corn crop to increase by 10% from 2022 due to increased harvested area and the higher yield.

The corn market faces a 1.67 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 439 million bushels, 26%, 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 2.16 billion bushels, an 802 million-bushel rise from last year. The 59% increase in stocks will limit price potential, with the U.S. average farm price projected at \$4.80 per bushel, a \$1.74-bushel reduction from the previous year.

Before the report's release, analysts surveyed expected USDA to hold the U.S. soybean yield at 49.9 bushels per acre. USDA surprised the soybean futures market by increasing the average soybean yield to 50.6 bushels per acre and increasing the crop size more than expected.

The 2023 U.S. soybean crop is projected to be about 2.5% smaller than the 2022 crop, as farmers harvested 3.8 million fewer acres this year, muting the impact of a larger yield. USDA pegged Indiana soybean yield at 61 bushels per acre, a 3.5-bushel increase from last year and a new record yield. However, the 2023 Indiana soybean crop is slightly smaller, 0.3%, than last year, as the reduced harvested area offset the record soybean yield.

USDA increased soybean ending stocks to 280 million bushels, a 35 million-bushel increase from the December report and a 6% increase from last year. This increase in stocks will reduce the price received by farmers. The U.S. average farm price is projected at \$12.75 per bushel, which is \$1.45 per bushel lower than for the 2022 crop.

The soybean market has about a 25-day supply of soybeans available on Sept. 1, 2024, which means that 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, which will be a headwind for corn prices.

USDA will now focus on Southern Hemisphere production and factors impacting domestic and export demand for corn and soybeans. Any weather event threatening South American soybean or corn production could provide a pricing opportunity for vigilant managers.