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USDA Releases First S&D Estimates for the 2023 Corn and Soybean Crops

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The U.S. Department of Agriculture's World Agriculture Supply and Demand Estimates (WASDE) for May gave the market the first estimate for ending stock and price potential for the 2023 crops. USDA is projecting a record 2023 corn crop of 15.3 billion bushels which, if realized, would be a 1.5 billion bushel increase from the 2022 crop. This increase is due to a projected increase in planted area from 2022 and a projected record yield of 181.5 bushels per acre. The record corn crop will increase the 2023 corn supply to 16.7 billion bushels. The 2023 corn supply has the potential to be the largest supply since the 2017-18 crop and 1.56 billion bushels above last year's supply.

USDA is projecting corn use to increase to partially offset this increase in production through increases in domestic use and exports. USDA projects 2023 exports to increase by 430 million bushels from the current marketing year as U.S. corn is projected to be more competitive in the export market. USDA also projects feed and residual use to increase by 325 million bushels from the current marketing year as corn becomes a more competitively priced input in feed rations. USDA also projects ethanol and industrial use to increase by 55 million bushels from the 2022 crop. Total corn demand is projected at 14.5 billion bushels, a 755 million bushel increase from 2022.

The increase in projected demand will not completely offset the increase in supply, and 2023-24 corn ending stocks are projected to increase by 805 million bushels to 2.22 billion bushels. If realized, this would be the largest level of stocks since the 2019 crop, with the stocks-to-use ratio increasing to 15.3%. The increase in stocks will put downward pressure on the U.S. marketing-year average farm price, which USDA projects at \$4.80 per bushel. If realized, this would be \$1.80 per bushel lower than the average price for the 2022 crop.

USDA also projects larger soybean supplies and ending stocks for the 2023 crop. The 2023 soybean crop is projected at 4.5 billion bushels, a 234 million bushel increase from last year's crop. The increase in production is almost entirely due to a projected increase in yield. The Prospective Plantings survey indicated that farmers planned to plant 87.5 million acres, nearly the same as 2022's planted area. USDA estimates the 2023 soybean yield at 52 bushels per acre which is 2.5 bushels more than last year and would be a record if realized. As a result, USDA projects the 2023 soybean supply to increase to 4.75 billion bushels and would be the largest supply since the 2020 soybean crop.

USDA is projecting soybean use also to increase to offset the increase in supply, partially. Soybean crush demand is projected to increase to 2.31 billion bushels due to profitable crush margins and increased demand for soybean oil as a biofuel feedstock. However, soybean exports are projected at 1.97 billion bushels, 40 million bushels less than the projected exports for the 2022 soybean crop.

The increase in use will not completely compensate for the increase in supply, so ending stocks are projected to increase to 335 million bushels, up 120 million bushels from the 2022 soybean crop. If realized, this would be the largest level of soybeans stocks since the 2019 crop. As a result, the stocks-to-use ratio would increase to 7.6%, and the U.S. average farm price is projected to be \$2.10 per bushel lower to \$12.10 per bushel.

As of May 7, USDA projects that the U.S. and Indiana corn crops are 36% and 49% planted, respectively. Indiana and U.S. farmers are making faster progress than experienced for the 2022 corn crop and the five-year average planting pace. Similarly, USDA reports that the U.S. and Indiana soybean crops are 35% and 33% planted, respectively. Like in corn, the soybean planting progress is ahead of 2022 and the five-year average planting progress.

The May WASDE confirms that the corn and soybean markets have the potential to produce large crops that will increase ending stocks and place downward pressure on market prices. However, managers should remember that many supply and demand projections are based on trends and averages. As the crop develops and gets nearer to harvest, these supply and demand projections will be updated and fine-tuned. The first new information to incorporate in the supply and demand projections will be with the June 30 acreage report. This producer survey reflects the acreage planted compared to their intentions from the March Prospective Plantings report.

Managers should continue to update their budgets to know the prices needed for the 2023 corn and soybean crops. In addition, weather uncertainty later this spring or summer may provide a pricing opportunity for those who monitor the markets and know a profitable price when it is presented.