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USDA Trims Soybean Stocks Further While Increasing Corn Stocks

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The September set of U.S. Department of Agriculture (USDA) reports are the first projections based on in-field measurements of the corn and soybean crops. USDA's *Crop Production* report uses these in-field measurements, along with a survey of about 7,000 farmers and the Farm Service Agency's *Certified Acreage* information, to fine-tune their projections of acreage and yields for the 2023 corn and soybean crops.

Before the report's release, analysts expected the 2023 U.S. corn crop to yield 173.3 bushels per acre. The analysts were incredibly close to USDA's projection of the 2023 corn crop yielding 173.8 bushels per acre. If realized, the 2023 corn yield would be 0.5 bushels per acre larger than last year, and the corn crop would be 10% larger.

USDA trimmed Indiana's projected by one bushel per acre from the August estimates to an average corn yield of 194 bushels per acre, a 4-bushel increase from 2022. USDA projects the 2023 Indiana corn crop to increase by 7% from 2022 due to increased harvested area and higher yields.

The corn market faces a 1.46 billion-bushel increase in supply from last year due to the increase in harvested area and yield. USDA projects total demand to increase from last year, with exports projected to increase by 385 million bushels 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 2.2 billion bushels, a 769 million-bushel increase from last year. Increased stocks will limit price potential, with the U.S. average farm price projected at \$4.90 per bushel, a \$1.65-bushel reduction from the previous year.

Before the report's release, analysts surveyed expected the U.S. soybean yield to be reduced slightly from the August estimates to 50 bushels per acre. USDA's 2023 soybean yield of 50.1 bushels per acre projection did not surprise the market. If realized, the 2023 yield would be a 0.6-bushel increase from last year. However, the 2023 soybean crop is currently projected to be about 3% smaller than the 2022 crop, as farmers are estimated to harvest 3.5 million fewer acres this year.

USDA did not adjust the estimated Indiana soybean yield in the September report. USDA estimates that the 2023 soybean crop will yield 60 bushels per acre, a 2.5-bushel increase from last year. However, the 2023 Indiana soybean crop is currently expected to be about 2% smaller than the previous year due to reduced harvested area that would offset potentially higher soybean yields.

USDA continues to estimate tight soybean stocks for the 2023 marketing year. The September report trimmed the total soybean supply due to a smaller projected carry-in and reduced projection. USDA also made slight reductions in soybean crush and export demand. However, ending stocks are projected at 220 million bushels, a 30 million-bushel decrease from last year.

Because of the projected reduction in ending stocks, USDA increased the marketing year average soybean price by \$0.20 per bushel from the August report to \$12.90 per bushel. If realized, soybean prices will be \$1.50 lower than last year. The soybean market has limited stock cushion to absorb a production shock or an increase in 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. The increase in stocks will be a headwind for corn prices.

USDA continues to warn of the potential for lower prices and tighter profit margins for 2023. Managers should continue to monitor the market for pricing opportunities for corn or soybean bushels that must be sold at harvest. Managers should also fine-tune their budgets to understand the cost of holding corn and soybeans after harvest. Higher interest rates also increase the opportunity cost of storing grain, so managers should be prepared to take advantage of post-harvest pricing opportunities.