

## December 12, 2017 - USDA World Supply and Demand Estimates

### Corn

**Market Reaction:** March 2018 corn futures closed down 1 ¼ cents at \$3.47 ¾ with a trading range for the day of \$3.47 ½ to \$3.53. December 2018 corn futures closed down 1 ¼ cents at \$3.80 ¼ with a trading range for the day of \$3.80 to \$3.85 ½. No major surprises on the domestic balance sheet. Ethanol use was increased 50 million bushels which dropped ending stocks by the same amount. Globally, the major news was no news, as the USDA did not amend South American production choosing to hold off on potential revisions until January when more will be known about the South American crop. Domestic stocks (over 2.4 billion bushels) still remain problematic for short term price improvements; however looking at the global picture a projected decrease in foreign stocks of over 1 billion (\*\*if realized\*\*) from the 2016/2017 to 2017/2018 marketing year provides hope for price improvements.

**USDA Summary:** This month's 2017/18 U.S. corn outlook is for increased corn used to produce ethanol and reduced ending stocks. Corn used to produce ethanol is raised 50 million bushels to 5.525 billion, based on increased sorghum export commitments, and the most recent data from the Grain Crushings and Co-Products Production report, which estimated a lower-than-expected amount of sorghum used to produce ethanol during October. With no other use changes, ending stocks are down 50 million bushels from last month. The projected season-average farm price is unchanged this month at a midpoint of \$3.20 per bushel but the range is narrowed 5 cents on each end to \$2.85 to \$3.55 per bushel.

Global coarse grain production for 2017/18 is forecast higher. The 2017/18 foreign coarse grain outlook is for larger production, increased consumption, and higher stocks relative to last month. Foreign corn production is forecast higher with increases for China, the EU, Laos, and Guatemala more than offsetting a reduction for Russia. China's corn production is raised based on the latest data from the National Bureau of Statistics. EU corn production is higher, mostly reflecting an increase for Romania that more than offsets declines for several countries. Corn exports are lowered for Russia but raised for the EU. Foreign corn ending stocks are raised from last month, largely reflecting increases for China, the EU, and Brazil that more than offset declines for Egypt and Mexico. Global corn stocks, at 8.035 billion bushels, are up slightly from last month.

	2013/14	2014/15	2015/16	2016/17 Est.	2017/18 Projected November	2017/18 Projected December	2017/18 Change From Previous Month	Change 2016/17 to 2017/18
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**Planted and Harvested Acres & Yield**

Acres Planted (Million Acres)	95.4	90.6	88	94	90.4	90.4	0.0	-3.6
Acres Harvested (Million Acres)	87.5	83.1	80.8	86.7	83.1	83.1	0.0	-3.6
U.S. Average Yield (Bu/Acre)	158.1	171.0	168.4	174.6	175.4	175.4	0.0	0.8

**Supply (Million Bushels)**

Beg. Stocks	821	1,232	1,731	1,737	2,295	2,295	0	558
Production	13,829	14,216	13,602	15,148	14,578	14,578	0	-570
Imports	36	32	68	57	50	50	0	-7
Total Supply	14,686	15,479	15,401	16,942	16,922	16,922	0	-20

**Use & Ending Stocks (Million Bushels)**

Feed and Residual	5,040	5,280	5,114	5,463	5,575	5,575	0	112
Ethanol	5,124	5,200	5,224	5,439	5,475	5,525	50	86
Food, Seed & Industrial	1,369	1,401	1,424	1,452	1,460	1,460	0	8
Exports	1,920	1,867	1,901	2,293	1,925	1,925	0	-368
Total Use	13,454	13,748	13,664	14,647	14,435	14,485	50	-162
U.S. Ending Stocks	1,232	1,731	1,737	2,295	2,487	2,437	-50	142
Foreign Stocks	5,653	6,529	6,723	6,655	5,538	5,597	59	-1,058

**Price and Stocks to Use Ratio**

U.S. Avg. Season Price (\$/Bu)	\$4.46	\$3.70	\$3.61	\$3.36	\$2.80- \$3.60	\$2.85- \$3.55	\$0.00	-\$0.15
U.S. Stocks/Use	9.16%	12.59%	12.71%	15.67%	17.23%	16.82%	-0.4%	1.16%

Source: USDA-WASDE December 12, 2017

**World Corn Supply and Use (Million Bushels) 2017/18 (December)**

<b>Country / Region</b>	<b>Beginning Stocks</b>	<b>Production</b>	<b>Imports</b>	<b>Domestic Feed</b>	<b>Domestic Total</b>	<b>Exports</b>	<b>Ending Stocks</b>
World	8,950	41,130	5,767	25,684	42,045	5,969	8,034
US	2,295	14,578	50	5,575	12,560	1,925	2,438
Foreign	6,655	26,553	5,717	20,109	29,485	4,044	5,597
Argentina	227	1,653	0	335	492	1,142	247
Brazil	377	3,740	12	2,047	2,421	1,339	369
South Africa	118	492	4	228	461	67	87
Egypt	74	236	394	528	626	0	78
EU	297	2,366	630	2,205	2,945	79	269
Japan	52	0	591	453	594	0	48
Mexico	213	1,031	650	957	1,665	51	178
Southeast Asia	124	1,179	555	1,421	1,720	28	109
South Korea	72	3	382	295	386	0	71
Canada	80	555	39	331	551	51	72
China	3,965	8,499	118	6,535	9,448	2	3,132
Ukraine	62	984	1	150	201	807	40
ROW	993	5,812	2,341	4,625	7,975	478	897

**World Corn Supply and Use (Million Bushels) 2017/18 December-November**

<b>Country / Region</b>	<b>Beginning Stocks</b>	<b>Production</b>	<b>Imports</b>	<b>Domestic Feed</b>	<b>Domestic Total</b>	<b>Exports</b>	<b>Ending Stocks</b>
World	30	33	-4	-5	55	-	9
US	-	-	-	-	50	-	-50
Foreign	30	34	-4	-5	5	-	58
Argentina	-	-	-	-	-	-	-
Brazil	12	-	-	-	-	-	12
South Africa	-	-	-	-	-	-	-
Egypt	-9	-	-	-	-	-	-9
EU	18	20	-	-	4	20	15
Japan	-	-	-	-	-	-	-
Mexico	-7	-	-	-	-	-	-7
Southeast Asia	4	-	-	-	-	-	4
South Korea	-	-	-	-	-	-	-
Canada	-2	-	-	-	-	-	-2
China	-	35	-	-	-	-	35
Ukraine	-2	-	-	-	-	-	-2
ROW	16	-21	-4	-5	1	-20	12

Source: USDA-WASDE December 12, 2017

## **Cotton**

**Market Reaction:** March 2018 cotton futures closed down 0.09 cents at 72.91 with a trading range for the day of 72.76 to 74.19 cents. December 2018 cotton futures closed down 0.37 cents at 71.56 with a trading range for the day of 71.51 to 72.27 cents. At face value, today's WASDE should have been bullish (increased exports, reduced domestic and foreign stocks); however the pre-report expectation was for a reduction in domestic production and larger increase to exports. Cotton futures prices may have a difficult time improving beyond current highs unless additional export sales and shipments are confirmed. A slip back into the high 60 cent range is not out of the question, so protect the downside.

**USDA Summary:** This month's 2017/18 U.S. cotton forecasts include higher exports, slightly higher production, and lower ending stocks. Production is raised 63,000 bales as increases in the Southwest are largely offset by decreases in other regions. Domestic mill use is unchanged, but exports are raised 300,000 bales due to reduced production in other countries. Ending stocks are now projected at 5.8 million bales, 200,000 lower than forecast in November, but more than double their 2016/17 level. The forecast range for the marketing year average price received by producers is raised 3 cents at each end, to a midpoint of 66 cents.

The global 2017/18 cotton forecasts include lower beginning stocks, production, and ending stocks. Global production is reduced 1.5 million bales as reductions for Pakistan, India, Burkina Faso, Argentina, and Australia are only partly offset by increases in Turkey and Central Asia. A 1.0-million-bale decline in India's estimated beginning stocks results in a similar decline in global 2017/18 beginning stocks. The revision in India's beginning stocks reflects higher estimated consumption since 2015/16, and both India's and world 2017/18 consumption is forecast higher this month—a 335,000-bale increase in the global forecast. World consumption is forecast to grow at a 4.2 percent annual rate in 2017/18, more than double its long-run level. Projected world ending stocks are 2.9 million bales lower this month than in November, and at 87.9 million bales are now forecast marginally higher than the year before.

	2013/14	2014/15	2015/16	2016/17 Est	2017/18 Projected November	2017/18 Projected December	2017/18 Change From Previous Month	Change 2016/17 to 2017/18
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**Planted and Harvested Acres & Yield**

Acres Planted (Million Acres)	10.41	11.04	8.58	10.07	12.62	12.62	0	2.55
Acres Harvested (Million Acres)	7.54	9.35	8.07	9.51	11.41	11.41	0	1.9
U.S. Average Yield (lbs/acre)	821	838	766	867	900	902	2	35

**Supply (Million Bales)**

Beg. Stocks	3.8	2.35	3.65	3.8	2.75	2.75	0	-1.05
Production	12.91	16.32	12.89	17.17	21.38	21.44	0.06	4.27
Imports	0.01	0.01	0.03	0.01	0.01	0.01	0	0
Total Supply	16.72	18.68	16.57	20.98	24.14	24.2	0.06	3.22

**Use & Ending Stocks (Million Bales)**

Domestic	3.55	3.58	3.45	3.25	3.35	3.35	0	0.1
Exports	10.53	11.25	9.15	14.92	14.5	14.8	0.3	-0.12
Total Use	14.08	14.82	12.6	18.17	17.85	18.15	0.3	-0.02
U.S. Ending Stocks	2.35	3.65	3.8	2.75	6.1	5.8	-0.3	3.05
Foreign Stocks	100.63	108.09	91.56	84.9	84.78	82.2	-2.58	-2.7
Chinese Stocks	62.71	66.92	58.2	48.42	39.67	39.67	0	-8.75

**Price and Stocks to Use Ratio**

U.S. Avg. Season Price (\$/lb)	\$0.779	\$0.613	\$0.612	\$0.68	\$0.60- \$0.66	\$0.63- \$0.69	\$0.030	-\$0.020
U.S. Stocks/Use	17%	25%	30%	15%	34%	32%	-2.22%	16.82%
Chinese Stocks/Use	182%	197%	166%	129%	102%	102%	0.00%	-27.40%

Source: USDA-WASDE December 12, 2017

**World Cotton Supply and Use (Million 480 lb Bales) 2017/18 (December)**

<b>Country / Region</b>	<b>Beginning Stocks</b>	<b>Production</b>	<b>Imports</b>	<b>Domestic Use</b>	<b>Exports</b>	<b>Loss</b>	<b>Ending Stocks</b>
World	87.65	119.96	38.48	119.59	38.46	0.06	88
US	2.75	21.44	0.01	3.35	14.8	0.25	5.8
Foreign	84.9	98.52	38.47	116.24	23.66	-0.2	82.2
Central Asia	2.39	6.3	0	3.22	2.49	0	2.98
Afr. Fr. Zone	1.78	5.1	0	0.13	4.46	0	2.3
Australia	2.39	4.7	0	0.04	4.3	-0.15	2.91
Brazil	7.61	7.8	0.13	3.4	4	-0.15	8.28
India	11.13	29.5	1.6	24.75	4.3	0	13.18
Mexico	0.44	1.5	0.8	1.8	0.28	0.03	0.64
China	48.42	25	5.3	39	0.05	0	39.67
EU	0.27	1.52	0.71	0.74	1.41	0	0.36
Turkey	1.58	4	3.5	7	0.3	0	1.78
Pakistan	2.27	8.2	2.7	10.4	0.3	0.03	2.44
Indonesia	0.62	0	3.45	3.4	0.01	0	0.67
Thailand	0.2	0	1.25	1.2	0	0.03	0.23
Bangladesh	1.66	0.13	7.25	7.2	0	0.01	1.82
Vietnam	0.88	0	6.5	6.1	0	0	1.29
ROW	3.26	4.77	5.28	7.86	1.76	0.01	3.65

**World Cotton Supply and Use (Million 480 lb Bales) 2017/18 December-November**

<b>Country / Region</b>	<b>Beginning Stocks</b>	<b>Production</b>	<b>Imports</b>	<b>Domestic Use</b>	<b>Exports</b>	<b>Loss</b>	<b>Ending Stocks</b>
World	-1.02	-1.5	0.45	0.34	0.42	0.07	-2.88
US	-	0.06	-	-	0.3	0.06	-0.3
Foreign	-1.02	-1.56	0.45	0.34	0.12	-	-2.58
Central Asia	0.03	0.17	-	0.01	0.18	-	0.02
Afr. Fr. Zone	0.05	-0.21	-	-	-0.12	-	-0.04
Australia	-	-0.1	-	-	0.2	-	-0.3
Brazil	-	-	-	-	0.25	-	-0.25
India	-1	-0.5	-	0.25	-0.3	-	-1.45
Mexico	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-
EU	-	-	-	-	-	-	-
Turkey	-0.1	0.2	0.1	0.25	0.02	-	-0.07
Pakistan	-	-0.95	0.3	-0.2	-0.05	-	-0.4
Indonesia	-	-	0.1	0.1	-	-	-
Thailand	-	-	-0.05	-0.05	-	-	-
Bangladesh	-	-	-	-	-	-	-
Vietnam	-	-	-	-	-	-	-
ROW	-	-0.17	-	-0.02	-0.06	0.01	-0.09

Source: USDA-WASDE December 12, 2017

## **Soybeans**

***Futures Market Reaction:*** January 2018 soybean futures were down 6 ¾ cents at \$9.75 ¾ with a trading range for the day of \$9.75 to \$9.86 ¼. November 2018 soybean futures closed down 4 ½ cents at \$9.94 ¾ with a trading range for the day of \$9.94 to \$10.02 ½. U.S. soybean exports were dropped 25 million bushels which may be premature; however this will be dependent on the growing South American crop. No revisions were made to Brazil and Argentina production which creates the potential for an interesting January WASDE report. Chinese (and global) demand for soybeans remains strong; however the share of the supply - U.S. versus South America remains a moving estimate. Soybean price direction will be dictated by South American Crop progress and production projections as we move into 2018.

***USDA Summary:*** Total U.S. oilseed production for 2017/18 is projected up slightly due to a small increase in cottonseed. Soybean exports are reduced 25 million bushels to 2,225 million on stronger-than-expected competition from Argentina and Brazil during the first quarter of the marketing year. Seed use is raised in line with projected plantings in the recently released tables to be included in the upcoming Long Term Agricultural Projections to 2027 report <https://www.usda.gov/oce/commodity/projections.htm>. Soybean ending stocks for 2017/18 are projected at 445 million bushels, up 20 million from last month and still the highest since 2006/07. The U.S. season-average soybean price range for 2017/18 is narrowed to \$8.60 to \$10.00 per bushel. The soybean meal and soybean oil price ranges are unchanged at \$295 to \$335 per short ton and 32.5 to 36.5 cents per pound, respectively.

The global oilseed supply and demand forecasts for 2017/18 include higher production, exports, and ending stocks compared to last month. Global oilseed exports for 2017/18 are raised with higher soybean exports for Argentina and Brazil and higher rapeseed exports for Canada. Partly offsetting are lower soybean exports for the United States and Canada, and lower sunflowerseed exports for Argentina. Global soybean stocks are up 15 million bushels to 3.281 million, with lower stocks in South America offset by higher stocks in the United States, Canada, and the EU.

	2013/14	2014/15	2015/16	2016/17 Est.	2017/18 Projected November	2017/18 Projected December	2017/18 Change From Previous Month	Change 2016/17 to 2017/18
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**Planted and Harvested Acres & Yield**

Acres Planted (Million Acres)	76.8	83.3	82.7	83.4	90.2	90.2	0.0	6.8
Acres Harvested (Million Acres)	76.3	82.6	81.7	82.7	89.5	89.5	0.0	6.8
U.S. Average Yield (Bu/Acre)	44.0	47.5	48	52	49.5	49.5	0.0	-2.5

**Supply (Million Bushels)**

Beg. Stocks	141	92	191	197	301	301	0	104
Production	3,358	3,927	3,926	4,296	4,425	4,425	0	129
Imports	72	33	24	22	25	25	0	3
Total Supply	3,570	4,052	4,140	4,515	4,752	4,752	0	237

**Use & Ending Stocks (Million Bushels)**

Crushing	1,734	1,873	1,886	1,899	1,940	1,940	0	41
Exports	1,638	1,842	1,942	2,174	2,250	2,225	-25	51
Seed and Residual	107	146	115	141	136	141	5	0
Total Use	3,478	3,862	3,944	4,214	4,326	4,306	-20	92
U.S. Ending Stocks	92	191	197	301	425	445	20	144
Foreign Stocks	2,211	2,658	2,666	3,249	3,172	3,167	-5	-82

**Price and Stocks to Use Ratio**

U.S. Average Season Price (\$/Bu)	\$13.00	\$10.10	\$8.95	\$9.47	\$8.45- \$10.15	\$8.60- \$10.00	\$0.00	-\$0.17
U.S. Stocks/Use	2.65%	4.95%	4.99%	7.14%	9.82%	10.33%	0.51%	3.19%

Source: USDA-WASDE December 12, 2017



**World Soybean Supply and Use (Million Bushels) 2017/18 (December)**

<b>Country / Region</b>	<b>Beginning Stocks</b>	<b>Production</b>	<b>Imports</b>	<b>Domestic Crush</b>	<b>Domestic Total</b>	<b>Exports</b>	<b>Ending Stocks</b>
World	3,550	12,804	5,527	11,081	12,666	5,602	3,613
US	301	4,425	25	1,940	2,081	2,225	445
Foreign	3,249	8,379	5,502	9,141	10,585	3,377	3,167
Argentina	1,338	2,094	62	1,648	1,817	312	1,366
Brazil	913	3,968	7	1,543	1,679	2,407	803
Paraguay	30	345	0	136	139	220	17
China	749	522	3,564	3,491	4,071	6	758
EU	39	91	514	533	593	7	44
Japan	8	10	121	86	129	0	10
Mexico	6	18	158	173	175	0	6
ROW	166	1,330	1,074	1,531	1,982	424	164

**World Soybean Supply and Use (Million Bushels) 2017/18 December-November**

<b>Country / Region</b>	<b>Beginning Stocks</b>	<b>Production</b>	<b>Imports</b>	<b>Domestic Crush</b>	<b>Domestic Total</b>	<b>Exports</b>	<b>Ending Stocks</b>
World	12	-15	11	-15	-9	1	15
US	-	-	-	-	5	-25	20
Foreign	12	-15	11	-15	-14	26	-5
Argentina	-3	-	7	-	-	18	-14
Brazil	4	-	-	-	-	18	-15
Paraguay	6	-	-	-	1	-	5
China	-	-	-	-	-	-	-
EU	6	-	-	-	-	-	6
Japan	-	-	-	-	-	-	-
Mexico	2	-	-	-	-	-	1
ROW	-2	-15	3	-15	-14	-11	12

Source: USDA-WASDE December 12, 2017

## **Wheat**

***Futures Market Reaction:*** March 2018 wheat futures closed down 2 ¾ cents at \$4.10 ¾ with a trading range for the day of \$4.10 ½ to \$4.18 ¾. July 2018 wheat futures closed down 4 ¼ cents at \$4.37 ¼ with a trading range for the day of \$4.37 to \$4.45 ¾. Wheat remains in the status quo – massive supply and stagnant demand. Dramatic price improvements seem very unlikely given the current fundamental outlook.

***USDA Summary:*** Projected 2017/18 U.S. ending stocks are raised this month by 25 million bushels on reduced exports. This reduction is primarily attributed to heightened Canadian competition expected from its increased exportable supplies. Canada and the United States compete in several of the same markets in Latin America and East Asia. No other supply or use categories are revised this month. Based on NASS prices reported to date and price expectations for the rest of the marketing year, the projected 2017/18 season-average farm price (SAFP) is unchanged at the midpoint of \$4.60 per bushel. However, the SAFP is narrowed by 10 cents at both ends of the range to \$4.50 to \$4.70.

Global 2017/18 wheat supplies are increased, primarily on higher production forecasts for Canada and the European Union more than offsetting production declines in Brazil, South Africa, and Yemen. Canadian wheat production is raised 110 million bushels to 1.102 billion, largely on increased yields in the Prairie Provinces as reported in Statistics Canada's Production of Principal Field Crops report, released on December 6. EU wheat production is raised 37 million bushels to 5.603 billion, mainly on higher production in Romania, Poland, Latvia, and Bulgaria.

World 2017/18 trade is greater this month as higher exports from Canada, Russia, and Ukraine more than offset reduced U.S. exports. Projected imports are increased for Indonesia, China and Brazil. Indonesia's imports are raised 37 million bushels to 423 million, primarily on higher expected feed wheat usage. Total world consumption is projected 77 million bushels higher, primarily on greater usage from Indonesia, Canada, and the EU. Projected global ending stocks are 33 million bushels higher this month at 9.862 billion, which is a new record.

	2013/14	2014/15	2015/16	2016/17 Est.	2017/18 Projected November	2017/18 Projected December	2017/18 Change From Previous Month	Change 2016/17 to 2017/18
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**Planted and Harvested Acres & Yield**

Acres Planted (Million Acres)	56.2	56.8	55	50.1	46	46	0	-4.1
Acres Harvested (Million Acres)	45.3	46.4	47.3	43.9	37.6	37.6	0	-6.3
U.S. Average Yield (Bu/Acre)	47.1	43.7	43.6	52.7	46.3	46.3	0	-6.4

**Supply (Million Bushels)**

Beg. Stocks	718	590	752	976	1,181	1,181	0	205
Production	2,135	2,026	2,062	2,309	1,741	1,741	0	-568
Imports	173	151	113	118	150	150	0	32
Total Supply	3,026	2,768	2,927	3,402	3,071	3,071	0	-331

**Use & Ending Stocks (Million Bushels)**

Food	955	958	957	949	950	950	0	1
Seed	77	79	67	61	66	66	0	5
Feed	228	114	149	156	120	120	0	-36
Exports	1,176	864	778	1,055	1,000	975	-25	-80
Total Use	2,436	2,015	1,951	2,222	2,136	2,111	-25	-111
U.S. Ending Stocks	590	752	976	1,181	935	960	25	-221
Foreign Stocks	6,524	7,243	7,895	8,201	8,895	8,902	7	701

**Price and Stocks to Use Ratio**

U.S. Avg. Season Price (\$/Bu)	\$6.87	\$5.99	\$4.89	\$3.89	\$4.40- \$4.80	\$4.50- \$4.70	\$0.00	\$0.75
U.S. Stocks/Use	24.22%	37.32%	50.03%	53.15%	43.77%	45.48%	1.70%	-7.67%

Source: USDA-WASDE December 12, 2017

**World Wheat Supply and Use (Million Bushels) 2017/18 (December)**

<b>Country / Region</b>	<b>Beginning Stocks</b>	<b>Production</b>	<b>Imports</b>	<b>Domestic Feed</b>	<b>Domestic Total</b>	<b>Exports</b>	<b>Ending Stocks</b>
World	9,382	27,749	6,636	5,242	27,268	6,693	9,863
US	1,181	1,741	150	120	1,136	975	960
Foreign	8,201	26,009	6,486	5,122	26,132	5,718	8,902
Argentina	12	643	0	4	206	430	19
Australia	261	790	6	129	257	643	156
Canada	251	1,102	18	129	320	808	244
EU	396	5,603	220	2,094	4,731	1,047	442
Brazil	80	156	294	18	445	29	56
China	4,080	4,777	129	478	4,262	29	4,694
Sel. Mideast	479	714	687	192	1,487	31	362
N. Africa	511	667	1,042	80	1,656	25	539
Pakistan	159	944	1	29	911	22	171
Southeast Asia	206	0	955	286	894	39	228
India	360	3,615	110	184	3,674	18	392
Russia	398	3,050	18	753	1,617	1,231	618
Kazakhstan	123	514	2	77	254	276	111
Ukraine	65	974	1	125	360	625	55
ROW	819	2,460	3,002	544	5,058	463	815

**World Wheat Supply and Use (Million Bushels) 2017/18 December-November**

<b>Country / Region</b>	<b>Beginning Stocks</b>	<b>Production</b>	<b>Imports</b>	<b>Domestic Feed</b>	<b>Domestic Total</b>	<b>Exports</b>	<b>Ending Stocks</b>
World	-10	119	51	70	76	54	33
US	-	-	-	-	-	-25	25
Foreign	-10	119	51	70	76	79	7
Argentina	-	-	-	-	-4	-	4
Australia	-	-	-	-	-	-	-
Canada	-1	110	-	22	22	37	50
EU	10	37	-18	18	18	-	11
Brazil	-	-24	18	-	-	-	-6
China	-	-	18	-	-	-	18
Sel. Mideast	-	-2	-	-	-4	4	-3
N. Africa	-	-	-	-	-	-	-
Pakistan	-	-	-	-	-	-	-
Southeast Asia	-20	-	35	33	37	-	-22
India	-	-	-	-	-	-	-
Russia	-	-	-	-	-	18	-18
Kazakhstan	-	-	-	-	-	-	-
Ukraine	-	-	-	-4	-7	18	-11
ROW	1	-3	-2	-	14	2	-16

Source: USDA-WASDE December 12, 2017

## **2018 Estimated Returns – Non-Irrigated**

The profitability outlook has been updated after the release of the December 12, 2017 USDA WASDE reports. This month's profitability update continues the **transition** to 2018 as producers have made or will soon be making decisions on 2018 crop selection starting with wheat. The planning process is on-going and if you are considering wheat, you have to consider how it looks compared to other crops. Yields used for non-irrigated estimates are a 5 year Tennessee state average year plugging in the 2017 state average projection of 171 bushels per acre for corn, 51 bushels per acre for soybeans, 1031 pounds per acre cotton, and 71 bushels per acre wheat. Prices used for 2018 are current forward prices for 2018 harvest. Based on these yields and prices, soybeans, corn, and wheat-soybeans are projected to have positive net returns over variable, land, and fixed costs. Cotton is projected to have positive returns over variable and land costs but not able to cover the estimated fixed costs. Producers with own or cash rent ground may want to consider wheat and double crop soybeans in their rotation. It may also be viable in a share rent situation. Costs are based on the 2017 UT Extension Row Crop budgets with adjustments made based on current input prices. Milo prices are an estimate as very few quotes are available. It depends on a producer's situation on what is showing to be the most profitable crop. Producers with cash rent or owned ground will want to look at Returns Over Variable Expenses as their land cost will be fixed and if their machinery cost are truly fixed and no equipment changes will be made. Producers with share rent will want to plug in their appropriate share rent if their equipment cost are fixed. Producers who may be making some equipment changes may want to look at Net Returns. Visit with your supplier on input cost expectations. Please contact your local County Extension office or Area Specialist – Farm Management for assistance in developing your own budget or farm financial plan. This table below should be used as a guide as yields, prices, and expenses will vary among producers and locations. Expenses will vary among producers and production systems. I would like to point out the cotton price of 70 cents that is being used in the profitability outlook. The price of 70 cents is made up of a cash price of 65 cents and gin rebates (seed & hauling) of 5 cents. Producers should look at these returns as what could be if no adjustments are made in their operation and consider it a warning sign that adjustments will need to be made in 2018 to be sustainable. These estimates do not consider any USDA or crop insurance payments from the new farm bill. Please contact your local County Extension office or Area Specialist – Farm Management for assistance in developing your own budget or farm financial plan. This table below should be used as a guide as yields, prices, and expenses will vary among producers and locations. Expenses will vary among producers and production systems. Cotton prices include revenue for cottonseed and hauling. For reference, in variable expenses below, fertilizer expense per acre is estimated as follows: Cotton - \$ 97, Soybeans - \$38, Corn - \$121 (includes 170 units of N), Milo - \$87, and Wheat/Soybeans - \$93. Cost of production will continue to be adjusted as information becomes available. Weed control costs with resistant weeds have also been difficult to estimate. These costs will vary greatly among producers and individual fields. Production costs are estimates based on the 2017 University of Tennessee Crop Budgets with adjustments made where needed.

Please visit with your farm supplier on estimated cost in your area. Producers with owned land and or cash rent can use Returns Over Variable as a guide in decision making. Producers with share rent ground should use Returns Over Variable and Land Costs as a guide with their appropriate share rent calculated. A land cost of 25% of revenue minus 25% of crop insurance cost is used in the table as a guide or method of comparison and should not be construed as the appropriate rent for a particular area. Producers who are not making major equipment changes can use UT budgets and this table as a guide in developing their own cropping decision budgets. If equipment changes are being made, then a whole farm financial plan would be better suited as a decision aid.

### 2018 Estimated Returns – Non-Irrigated

	Cotton	Soybeans	Corn	Milo	Wheat/Soybeans
Yield	982 lbs.	47 bu.	161 bu.	90 bu.	70 bu./35 bu.
Price (as of 12/12/17)	\$0.70 lb.	\$9.85 bu.	\$3.50 bu.	\$3.20 bu.	\$4.40 bu./\$9.85 bu.
Revenue	\$687	\$463	\$564	\$288	\$653
Variable Expenses	\$403	\$216	\$308	\$229	\$374
Returns Over Variable	<b>\$284</b>	<b>\$247</b>	<b>\$255</b>	<b>\$59</b>	<b>\$278</b>
Land Costs (25% of Revenue-25% crop insurance)	\$170	\$114	\$138	\$69	\$159
Returns Over Variable and Land Costs	<b>\$115</b>	<b>\$133</b>	<b>\$118</b>	<b>-\$10</b>	<b>\$119</b>
Fixed Costs Depreciation & interest on machinery	\$130	\$62	\$56	\$62	\$99
Returns Over Specified Costs	-\$16	\$70	\$62	-\$72	\$20
Breakeven Price at Average Yield and Specified Cost	\$0.72	\$8.37	\$3.12	\$4.02	\$4.91/\$8.29

## **2018 Estimated Returns – Irrigation**

Considering irrigation, profitability is positive for soybeans and corn considering variable, land and fixed cost. Returns Over Variable and Land Costs are positive for cotton and wheat/soybeans, but not enough to cover fixed costs. Producers should look at these returns as what could be if no adjustments are made in their operation and consider that adjustments may need to be made in 2018 to be sustainable. The table below is an estimate of returns for crops under irrigation. Since irrigated yields are not as of yet kept separate in Tennessee, yields below are an estimate of irrigated yields. Note that due to an increase in dryland cotton and corn 5 year state average yields, irrigated yields have been increased in this projection. Irrigation fixed costs and energy costs will vary greatly among producers and systems. These projections include in variable expenses energy costs for irrigation of \$28 per acre for corn, \$24 per acre for cotton, and \$18 per acre for soybeans and \$15 per acre of irrigation repairs and maintenance. Fixed costs of \$85 per acre for irrigation equipment are used. Please contact your local County Extension office or Area Specialist – Farm Management for assistance in developing your own budget or farm financial plan. This table below should be used as a guide as yields, prices, and expenses will vary among producers and locations. Expenses will vary among producers and production systems. For reference, in variable expenses below, fertilizer expense per acre is estimated as follows: Cotton - \$101, Soybeans - \$37, Corn - \$159 (includes 240 units of N), Milo - \$103, and Wheat/Soybeans - \$93. Cost of production will continue to be adjusted as information becomes available. Hopefully, we will see costs reduced or possibly suitable generic products available. Weed control costs with resistant weeds have also been difficult to estimate. These costs will vary greatly among producers and individual fields. Production costs are estimates based on the 2017 University of Tennessee Crop Budgets with adjustments made where needed. Please visit with your farm supplier on estimated cost in your area. Producers with owned land and or cash rent can use Returns Over Variable and Fixed IR Costs as a guide in decision making. Producers with share rent ground should use Returns Over Variable, Fixed IR Costs and Land Costs as a guide with their appropriate share rent calculated. A land cost of 25% of revenue minus 25% of crop insurance cost minus 25% of the irrigation equipment fixed cost is used in the table as a guide or method of comparison and should not be construed as the appropriate rent for a particular area. A management cost of \$30 per acre is included in Fixed Costs – management labor, depreciation & interest on machinery. This is an additional \$15 above the dryland crop management labor. Producers who are not making major equipment changes can use UT budgets and this table as a guide in developing their own cropping decision budgets. If equipment changes are being made, then a whole farm financial plan would be better suited as a decision aid.



### 2018 Estimated Returns – Irrigation

	<b>Cotton</b>	<b>Soybeans</b>	<b>Corn</b>	<b>Milo</b>	<b>Wheat/Soybeans</b>
Yield	<b>1200 lbs.</b>	<b>60 bu.</b>	<b>210 bu.</b>	<b>130 bu.</b>	<b>70 bu./45 bu.</b>
Price (as of 12/12/17)	\$0.70 lb.	\$9.85 bu.	\$3.50 bu.	\$3.20 bu.	\$4.40 bu./\$9.85 bu.
Revenue	\$840	\$591	\$735	\$416	\$751
Variable Expenses( include energy cost)	\$452	\$250	\$402	\$291	\$409
Fixed Irrigation Costs per Acre	<b>\$85</b>	<b>\$85</b>	<b>\$85</b>	<b>\$85</b>	<b>\$85</b>
Returns Over Variable & Fixed IR Costs	<b>\$303</b>	<b>\$256</b>	<b>\$248</b>	<b>\$40</b>	<b>\$258</b>
Land Costs (25% of Revenue-25% crop insurance-25% fixed irrigation costs)	\$186	\$124	\$159	\$80	\$163
Returns Over Variable, IR Fixed Cost and Land Costs	<b>\$117</b>	<b>\$131</b>	<b>\$89</b>	<b>-\$40</b>	<b>\$95</b>
Fixed Costs- management labor, depreciation & interest on machinery	\$145	\$77	\$71	\$77	\$114
Returns Over Specified Costs	-\$29	\$54	\$17	-\$117	-\$19
Breakeven Price at Average Yield and Specified Cost	\$0.72	\$8.95	\$3.42	\$4.10	\$4.91/\$9.68