

## December 11, 2018 - USDA World Supply and Demand Estimates

### Corn

**Market Reaction:** March 2019 corn futures closed up  $\frac{3}{4}$  cents at \$3.84  $\frac{3}{4}$  with a trading range for the day of \$3.81  $\frac{1}{4}$  to \$3.86. December 2019 corn futures closed up  $1\frac{3}{4}$  cents at \$4.04 with a trading range for the day of \$4.00  $\frac{1}{2}$  to \$4.04. Only two changes were made to the domestic balance sheet a 5 million bushel decrease in imports and a 50 million bushel decrease in ethanol use. World stocks were up 51 million bushels (46 million domestic + 6 million foreign).

**USDA Summary:** This month's 2018/19 U.S. corn outlook is for lower corn used for ethanol, reduced imports, and larger ending stocks. Imports are lowered based on observed trade to date. Corn used to produce ethanol is reduced 50 million bushels to 5.6 billion, based on the most recent data from the Grain Crushings and Co-Products Production report and weekly ethanol production data as reported by the Energy Information Administration for the month of November. These data imply corn used for ethanol during the September to November quarter declined relative to the prior year for the first time since 2012. With no other use changes, ending stocks are up 45 million bushels from last month. The season-average corn price received by producers is unchanged at a midpoint of \$3.60 per bushel but the range is narrowed 5 cents on each end to \$3.25 to \$3.95 per bushel.

Global coarse grain production for 2018/19 is forecast higher. The 2018/19 foreign coarse grain outlook is for larger production, and virtually unchanged consumption and ending stocks relative to last month. Foreign corn production is forecast higher with increases for Ukraine, the EU, and Thailand more than offsetting reductions for South Africa and Canada. EU corn production is higher reflecting a larger forecast for Romania. Ukraine corn production is raised based on harvest results to date, and if realized, this month's yield forecast would surpass the previous record set during 2016/17 by nearly 20 percent. South Africa corn production is lowered as dry planting conditions are expected to reduce area. Canada corn output is down on declines in both area and yield. Corn exports are raised for Ukraine, but lowered for Mexico. Imports are raised for Vietnam, Canada, Japan, Iran, and Colombia, with partially offsetting reductions for Libya and Venezuela. Foreign corn ending stocks are higher than last month, mostly reflecting increases for the EU, Mexico, Vietnam, Ukraine, and Japan, that more than offset declines for Brazil, Canada, and South Africa.

	2014/15	2015/16	2016/17	2017/18 Est.	2018/19 Projected November	2018/19 Projected December	2018/19 Change From Previous Month	Change 2017/18 to 2018/19
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**Planted and Harvested Acres & Yield**

Acres Planted (Million Acres)	90.6	88	94	90.2	89.1	89.1	0.0	-1.1
Acres Harvested (Million Acres)	83.1	80.8	86.7	82.7	81.8	81.8	0.0	-0.9
U.S. Average Yield (Bu/Acre)	171.0	168.4	174.6	176.6	178.9	178.9	0.0	2.3

**Supply (Million Bushels)**

Beg. Stocks	1,232	1,731	1,737	2,293	2,140	2,140	0	-153
Production	14,216	13,602	15,148	14,604	14,626	14,626	0	22
Imports	32	68	57	36	50	45	-5	9
Total Supply	15,479	15,401	16,942	16,934	16,816	16,811	-5	-123

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

Feed and Residual	5,280	5,114	5,470	5,298	5,500	5,500	0	202
Ethanol	5,200	5,224	5,432	5,605	5,650	5,600	-50	-5
Food, Seed & Industrial	1,401	1,424	1,453	1,453	1,480	1,480	0	27
Exports	1,867	1,901	2,294	2,438	2,450	2,450	0	12
Total Use	13,748	13,664	14,649	14,793	15,080	15,030	-50	237
U.S. Ending Stocks	1,731	1,737	2,293	2,140	1,736	1,781	45	-359
Foreign Stocks	9,260	10,523	11,495	11,253	10,370	10,376	6	-877

**Price and Stocks to Use Ratio**

U.S. Avg. Season Price (\$/Bu)	\$3.70	\$3.61	\$3.36	\$3.36	\$3.20- \$4.00	\$3.25- \$3.95	\$0.00	\$0.24
U.S. Stocks/Use	12.59%	12.71%	15.65%	14.78%	11.51%	11.85%	0.3%	-2.93%

Source: USDA-WASDE December 11, 2018

**World Corn Supply and Use (Million Bushels) 2018/19 (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	13,393	43,301	6,289	27,508	44,537	6,553	12,157
US	2,140	14,626	45	5,500	12,580	2,450	1,781
Foreign	11,253	28,676	6,244	22,008	31,957	4,103	10,376
Argentina	94	1,673	0	335	488	1,102	176
Brazil	355	3,720	39	2,205	2,618	1,142	355
South Africa	103	472	0	228	461	75	40
Egypt	72	268	382	539	638	0	84
EU	388	2,378	827	2,520	3,268	59	266
Japan	55	0	610	468	610	0	55
Mexico	226	1,024	657	1,004	1,720	51	135
Southeast Asia	91	1,158	669	1,472	1,785	31	102
South Korea	74	3	402	315	405	0	73
Canada	93	547	47	335	547	63	78
China	8,761	10,078	197	7,637	10,866	2	8,168
Ukraine	56	1,378	1	217	272	1,102	60
ROW	885	5,976	2,412	4,733	8,279	476	783

**World Corn Supply and Use (Million Bushels) December-November 2018/19**

<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	-28	38	102	81	-41	32	51
US	-	-	-5	-	-50	-	45
Foreign	-28	38	107	81	9	32	6
Argentina	-	-	-	-	-	-	-
Brazil	-59	-	-	-	-	-	-59
South Africa	-	-39	-	-31	-35	-	-4
Egypt	2	-	-	-	-	-	2
EU	14	35	-	20	20	-	30
Japan	-	-	20	12	12	-	8
Mexico	10	-	-	-	-	-8	18
Southeast Asia	2	7	39	39	41	1	6
South Korea	-	-	-	-	-	-	-
Canada	-	-24	28	8	8	-	-4
China	-	-	-	-	-	-	-
Ukraine	-	59	-	8	12	39	8
ROW	2	0	20	26	-48	0	0

Source: USDA-WASDE December 11, 2018

## **Cotton**

**Market Reaction:** March 2019 cotton futures closed up 0.14 cents at 80.02 with a trading range for the day of 79.11 to 80.66 cents. December 2019 cotton futures closed up 0.19 cents at 77.82 with a trading range for the day of 77.41 to 78.13 cents. Average US yield was increased 8 lb/acre. Foreign stocks were up 480,000 bales and domestic stocks were up 100,000.

**USDA Summary:** This month's 2018/19 U.S. cotton forecasts include slightly higher production and ending stocks. Production is raised 180,000 bales due mainly to a 300,000-bale increase in Texas. Domestic mill use and exports are unchanged. Ending stocks, forecast at 4.4 million bales in 2018/19, are 100,000 bales above both last month and the 2017/18 estimate. The forecast range for the marketing year average price received by producers is unchanged from November, 71 to 77 cents per pound, with a midpoint of 74 cents.

The global 2018/19 forecasts compared with last month include lower production, lower consumption, higher trade, and slightly higher ending stocks. Global production is 645,000 bales lower with smaller crops in Pakistan, China, India, Turkmenistan, and Turkey. These changes more than offset a 1.0-million-bale increase in Brazil and smaller increases in the United States and Cote d'Ivoire. Global consumption is 1.3 million bales lower largely due to a 1.0-million-bale decline for China, but consumption is also lower in Pakistan, Turkey, and Uzbekistan. Global trade is 600,000 bales higher, with imports up in Pakistan, India, and Malaysia, while exports are higher from Brazil, Argentina, Cote d'Ivoire, India, and Uzbekistan. Projected 2018/19 global ending stocks are nearly 600,000 bales higher this month, but at 73.2 million bales are down 7.3 million bales from the year before.

	2014/15	2015/16	2016/17	2017/18 Est.	2018/19 Projected November	2018/19 Projected December	2018/19 Change From Previous Month	Change 2017/18 to 2018/19
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**Planted and Harvested Acres & Yield**

Acres Planted (Million Acres)	11.04	8.58	10.07	12.61	14.04	14.04	0	1.43
Acres Harvested (Million Acres)	9.35	8.07	9.51	11.1	10.37	10.37	0	-0.73
U.S. Average Yield (lbs/acre)	838	766	867	905	852	860	8	-45

**Supply (Million Bales)**

Beg. Stocks	2.35	3.65	3.8	2.75	4.3	4.3	0	1.55
Production	16.32	12.89	17.17	20.92	18.41	18.59	0.18	-2.33
Imports	0.01	0.03	0.01	0	0.01	0.01	0	0.01
Total Supply	18.68	16.57	20.98	23.68	22.71	22.89	0.18	-0.79

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

Domestic	3.58	3.45	3.25	3.23	3.3	3.3	0	0.07
Exports	11.25	9.15	14.92	15.85	15	15	0	-0.85
Total Use	14.82	12.6	18.17	19.07	18.3	18.3	0	-0.77
U.S. Ending Stocks	3.65	3.8	2.75	4.3	4.3	4.4	0.1	0.1
Foreign Stocks	108.09	91.11	77.65	76.15	68.31	68.31	0	-7.84
Chinese Stocks	66.92	58.2	45.92	38.02	29.87	30.37	0.5	-7.65

**Price and Stocks to Use Ratio**

U.S. Avg. Season Price (\$/lb)	\$0.613	\$0.612	\$0.68	\$0.69	\$0.71- \$0.77	\$0.71- \$0.77	\$0.000	\$0.054
U.S. Stocks/Use	25%	30%	15%	25%	23%	24%	0.55%	-0.89%
Chinese Stocks/Use	197%	166%	119%	102%	70%	73%	2.90%	- 29.24%

Source: USDA-WASDE December 11, 2018

**World Cotton Supply and Use (Million 480 lb Bales) 2018/19 (December)**

Country / Region	Beginning Stocks	Production	Imports	Domestic Use	Exports	Loss	Ending Stocks
World	80.45	118.74	41.71	125.63	41.73	0.35	73.19
US	4.3	18.59	0.01	3.3	15	0.19	4.4
Foreign	76.15	100.15	41.71	122.33	26.73	0.16	68.79
Central Asia	2.72	5.47	0	3.61	2.21	0	2.37
Afr. Fr. Zone	1.8	5.86	0	0.14	5.45	0	2.07
Australia	2.94	2.5	0	0.04	3.6	0	1.81
Brazil	8.66	11	0.08	3.5	5.8	0	10.43
India	8.68	27.5	1.6	25.3	4.4	0	8.08
Mexico	0.66	1.73	0.9	1.95	0.6	0.03	0.71
China	38.02	27	7	41.5	0.15	0	30.37
EU	0.27	1.66	0.71	0.75	1.53	0.05	0.32
Turkey	1.88	4.3	2.9	7	0.4	0	1.68
Pakistan	2.83	7.4	2.9	10.6	0.15	0.03	2.36
Indonesia	0.62	0	3.65	3.6	0.01	0	0.66
Thailand	0.18	0	1.18	1.15	0	0.03	0.18
Bangladesh	1.86	0.14	8.1	8	0	0.01	2.08
Vietnam	1.19	0	7.6	7.5	0	0	1.29
ROW	3.84	5.59	5.08	7.69	2.43	0.01	4.38

**World Cotton Supply and Use (Million 480 lb Bales) December-November 2018/19**

Country / Region	Beginning Stocks	Production	Imports	Domestic Use	Exports	Loss	Ending Stocks
World	0.06	-0.65	0.6	-1.25	0.6	0.08	0.58
US	-	0.18	-	-	-	0.08	0.1
Foreign	0.06	-0.83	0.6	-1.25	0.6	-	0.48
Central Asia	0.06	-0.2	-	-0.15	0.1	-	-0.09
Afr. Fr. Zone	-	0.13	-	-	0.1	-	0.02
Australia	-	-	-	-	-0.1	-	0.1
Brazil	-	1	-	-	0.3	-	0.7
India	-	-0.5	0.1	-	0.1	-	-0.5
Mexico	-	0	-	0.05	-	-	-0.05
China	-	-0.5	-	-1	-	-	0.5
EU	-	-	-	-	-	-	-
Turkey	-	-0.2	-	-0.1	-	-	-0.1
Pakistan	-	-0.6	0.3	-0.2	-	-	-0.1
Indonesia	-	-	-	0.05	-	-	-0.05
Thailand	-	-	0.05	0.05	-	-	-
Bangladesh	-	-	-	-	-	-	-
Vietnam	-	-	-	-	-	-	-
ROW	0	0.04	0.15	0.05	0.1	0	0.05

Source: USDA-WASDE December 11, 2018

## **Soybeans**

***Futures Market Reaction:*** January 2019 soybean futures were up 5 ¼ cent at \$9.15 with a trading range for the day of \$9.06 to \$9.17 ¼. November 2019 soybean futures closed up 4 ¾ cents at \$9.61 ¾ with a trading range for the day of \$9.52 ¾ to \$9.63 ¼. No major movements in domestic soybean fundamentals. Trade negotiations with China and South American growing conditions will continue to dictate price direction.

***USDA Summary:*** Total U.S. oilseed production for 2018/19 is forecast up slightly due to an increase for cottonseed. Soybean supply and use projections for 2018/19 are unchanged from last month. With soybean exports and crush unchanged, soybean ending stocks are projected at a record 955 million bushels. The U.S. season- average soybean price for 2018/19 is forecast at \$7.85 to \$9.35 per bushel, unchanged at the midpoint. Soybean meal and oil price forecasts are also unchanged at \$290 to \$330 per short ton and 28.0 to 32.0 cents per pound, respectively.

Global 2018/19 oilseed production is forecast up with greater soybean production for Brazil and Nigeria. Brazil's soybean production is projected up 55 million bushels to 4.483 billion, reflecting higher yields in the Center-West region where crops have benefitted from favorable weather conditions. Higher global soybean production is partly offset by a reduction to rapeseed, mainly due to lower area projections for Australia and India based on recent government data. Global 2018/19 soybean exports are increased 26 million bushels to 5.736 billion. Soybean exports are increase 147 million bushels for Brazil but are lowered for Argentina, Canada, and Paraguay. Larger competitive supplies in Brazil are expected to slow the export pace and increase the stocks held by other exporters, particularly Argentina.

	2014/15	2015/16	2016/17	2017/18 Est.	2018/19 Projected November	2018/19 Projected December	2018/19 Change From Previous Month	Change 2017/18 to 2018/19
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**Planted and Harvested Acres & Yield**

Acres Planted (Million Acres)	83.3	82.7	83.4	90.1	89.1	89.1	0.0	-1.0
Acres Harvested (Million Acres)	82.6	81.7	82.7	89.5	88.3	88.3	0.0	-1.2
U.S. Average Yield (Bu/Acre)	47.5	48	52	49.3	52.1	52.1	0.0	2.8

**Supply (Million Bushels)**

Beg. Stocks	92	191	197	302	438	438	0	136
Production	3,927	3,926	4,296	4,411	4,600	4,600	0	189
Imports	33	24	22	22	25	25	0	3
Total Supply	4,052	4,140	4,515	4,734	5,063	5,063	0	329

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

Crushing	1,873	1,886	1,901	2,055	2,080	2,080	0	25
Exports	1,842	1,942	2,166	2,129	1,900	1,900	0	-229
Seed and Residual	146	115	146	112	128	128	0	16
Total Use	3,862	3,944	4,214	4,296	4,107	4,107	0	-189
U.S. Ending Stocks	191	197	302	438	955	955	0	517
Foreign Stocks	2,658	2,687	3,282	3,284	3,163	3,283	120	-1

**Price and Stocks to Use Ratio**

U.S. Average Season Price (\$/Bu)	\$10.10	\$8.95	\$9.47	\$9.33	\$7.60- \$9.60	\$7.85- \$9.35	\$0.00	-\$0.73
U.S. Stocks/Use	4.95%	4.99%	7.17%	12.66%	23.25%	23.25%	0.00%	10.60%

Source: USDA-WASDE December 11, 2018



**World Soybean Supply and Use (Million Bushels) 2018/19 (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	3,722	13,566	5,602	11,324	12,917	5,735	4,238
US	438	4,600	25	2,080	2,208	1,900	955
Foreign	3,284	8,966	5,577	9,244	10,709	3,835	3,283
Argentina	1,268	2,039	154	1,580	1,761	184	1,518
Brazil	924	4,483	7	1,569	1,653	2,976	784
Paraguay	7	360	0	143	146	213	8
China	865	588	3,307	3,399	4,027	4	729
EU	56	99	581	610	671	10	55
Japan	8	10	121	86	129	0	10
Mexico	7	12	185	195	196	0	8
ROW	149	1,375	1,221	1,662	2,125	448	171

**World Soybean Supply and Use (Million Bushels) December-November 2018/19**

<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	59	62	7	22	-15	24	119
US	-	-	-	-	-	-	-
Foreign	59	62	7	21	-15	24	119
Argentina	10	-	-	-	-	-110	121
Brazil	59	55	-	-	-37	147	4
Paraguay	-2	-	-	-2	-2	-4	4
China	-	-	-	-	-	-	-
EU	-12	-	-	-	-	-1	-12
Japan	-	-	-	-	-	-	-
Mexico	-	-	1	-	-	-	1
ROW	4	7	6	24	24	-8	2

Source: USDA-WASDE December 11, 2018

## **Wheat**

***Futures Market Reaction:*** March 2019 wheat futures closed down 4 ¼ cents at \$5.21 with a trading range for the day of \$5.17 ½ to \$5.29. July 2019 wheat futures closed down 1 ¼ cents at \$5.36 with a trading range for the day of \$5.31 ¼ to \$5.40 ¼. Global wheat fundamentals are moving in a positive direction relative to a year ago however revisions to the current marketing year month-over-month have been negative for improved price prospects.

***USDA Summary:*** The outlook for 2018/19 U.S. wheat this month is for unchanged supplies, lower exports, and higher ending stocks. Wheat exports are lowered 25 million bushels to 1.0 billion with all of the reduction in Hard Red Winter (HRW) on historically low exports for this class in the first half of the 2018/19 marketing year (MY). The reduction in HRW is partially offset by higher exports of Hard Red Spring and Soft Red Winter. Projected 2018/19 ending stocks are raised 25 million bushels to 974 million, which are still down 11 percent from last year. Based on NASS monthly prices reported to date and price expectations for the remainder of the MY, the projected season-average farm price is up \$0.05 per bushel at the midpoint with the range narrowed to \$5.05 to \$5.25.

World 2018/19 wheat supplies are increased 29 million bushels as additional Russian carry- in stocks and a larger Canadian crop more than offset a reduction in Australian production. Based on the updated ABARES estimate, Australia's production is lowered by 18 million bushels to 625 million. This would be the lowest Australian wheat output since 2007/08. Canada's wheat production is raised 11 million bushels to 1.168 billion, based on the latest estimate by Statistics Canada. Projected global 2018/19 trade is lower, as reduced Australian, EU, and U.S. exports are partly offset by higher Russian exports, which are increased 55 million bushels to 1.341 billion. Russia and other Black Sea suppliers continue to displace EU and U.S. exports in several markets in the first half of 2018/19 but are expected to be less competitive in the second half based on reduced exportable supplies. Australia's wheat exports are lowered 37 million bushels to 386 million as its export prices are expected to remain uncompetitive and more supplies are consumed domestically for feed. Global ending stocks are raised 51 million bushels to 9.851 billion, primarily on increases for the EU and the United States but are 4 percent lower than last year's record 10.285 billion.

	2014/15	2015/16	2016/17	2017/18 Est.	2018/19 Projected November	2018/19 Projected December	2018/19 Change From Previous Month	Change 2017/18 to 2018/19
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**Planted and Harvested Acres & Yield**

Acres Planted (Million Acres)	56.8	55	50.1	46	47.8	47.8	0	1.8
Acres Harvested (Million Acres)	46.4	47.3	43.9	37.5	39.6	39.6	0	2.1
U.S. Average Yield (Bu/Acre)	43.7	43.6	52.7	46.3	47.6	47.6	0	1.3

**Supply (Million Bushels)**

Beg. Stocks	590	752	976	1,181	1,099	1,099	0	-82
Production	2,026	2,062	2,309	1,740	1,884	1,884	0	144
Imports	151	113	118	157	140	140	0	-17
Total Supply	2,768	2,927	3,402	3,078	3,123	3,123	0	45

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

Food	958	957	949	964	970	970	0	6
Seed	79	67	61	63	69	69	0	6
Feed	114	149	161	50	110	110	0	60
Exports	864	778	1,051	901	1,025	1,000	-25	99
Total Use	2,015	1,951	2,222	1,979	2,174	2,149	-25	170
U.S. Ending Stocks	752	976	1,181	1,099	949	974	25	-125
Foreign Stocks	7,243	7,944	8,411	9,187	8,851	8,877	26	-310

**Price and Stocks to Use Ratio**

U.S. Avg. Season Price (\$/Bu)	\$5.99	\$4.89	\$3.89	\$4.72	\$4.90- \$5.30	\$5.05- \$5.25	\$0.05	\$0.43
U.S. Stocks/Use	37.32%	50.03%	53.15%	55.53%	43.65%	45.32%	1.67%	-10.21%

Source: USDA-WASDE December 11, 2018

**World Wheat Supply and Use (Million Bushels) 2018/19 (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	10,286	26,948	6,459	5,216	27,383	6,517	9,851
US	1,099	1,885	140	110	1,149	1,000	974
Foreign	9,187	25,064	6,319	5,106	26,234	5,517	8,877
Argentina	37	717	0	4	213	522	19
Australia	209	625	6	202	331	386	123
Canada	227	1,168	17	158	342	882	188
EU	519	5,056	239	1,947	4,593	808	413
Brazil	48	176	276	18	445	11	44
China	4,823	4,869	147	661	4,519	44	5,275
Sel. Mideast	463	693	654	184	1,444	27	340
N. Africa	538	778	944	83	1,687	25	549
Pakistan	177	937	0	44	930	37	148
Southeast Asia	185	0	919	292	924	39	141
India	485	3,663	7	184	3,601	18	536
Russia	436	2,572	18	661	1,488	1,341	197
Kazakhstan	87	551	2	81	257	312	71
Ukraine	46	919	1	88	320	606	39
ROW	906	2,340	3,089	499	5,142	457	793

**World Wheat Supply and Use (Million Bushels) December-November 2018/19**

<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	35	-4	-1	37	-20	-53	51
US	-	-	-	-	-	-25	25
Foreign	35	-4	-1	37	-20	-28	26
Argentina	-	-	-	-	-	-	-
Australia	-	-18	-	18	18	-37	-
Canada	-	11	-	11	11	-	-
EU	-	-	-	-	-	-37	37
Brazil	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-
Sel. Mideast	-	-	-	7	7	-11	4
N. Africa	-	-	-	-	-	-	-
Pakistan	-	-	-	-	-	-	-
Southeast Asia	-	-	-	-	-	-	-
India	-	-	-	-	-	-	-
Russia	37	-	-	-	-	55	-18
Kazakhstan	-	-	-	-	-	-	-
Ukraine	-	-	-	-	-	-	-
ROW	-2	4	-1	0	-57	2	4

Source: USDA-WASDE December 11, 2018

## 2018 Estimated Returns – Non-Irrigated

The profitability outlook has been updated after the release of the December 11, 2018 USDA WASDE reports. This month's profitability update continues the **transition** to 2019 as producers have made or will soon be making decisions on 2019 crop selection. Yields used for non-irrigated estimates are a 5 year Tennessee state average year plugging in the 2018 state average projection of 173 bushels per acre for corn, 48 bushels per acre for soybeans, 1034 pounds per acre cotton, and 63 bushels per acre wheat. Prices used for 2019 are estimates based on 2019 harvest futures prices. Based on these yields and prices, soybeans and corn are projected to have positive net returns over variable, land, and fixed costs. Cotton and wheat/soybeans are projected to have positive returns over variable and land costs but not able to cover the estimated fixed costs. Costs are based on the 2018 UT Extension Row Crop budgets with adjustments made where warranted. 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 73 cents that is being used in the profitability outlook. The price of 73 cents is made up of a cash price of 71 cents and gin rebates (seed & hauling) of 2 cents. Gin rebates for seed and hauling are an estimate as those are generally not known until harvest time and could be in the range of 0 -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 - \$ 102, Soybeans - \$38, Corn - \$136 (includes 170 units of N), and Wheat/Soybeans - \$99. These cost reflect a slight increase from 2018 to 2019. 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 2018 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.

	<b>Cotton</b>	<b>Soybeans</b>	<b>Corn</b>	<b>Wheat/Soybeans</b>
Yield	<b>1019 lbs.</b>	<b>47 bu.</b>	<b>165 bu.</b>	<b>68 bu./35 bu.</b>
Price (as of 12/11/18)	\$0.73 lb.	\$9.17 bu.	\$3.86 bu.	\$5.45 bu./\$9.17 bu.
Revenue	\$744	\$431	\$637	\$692
Variable Expenses	\$437	\$226	\$355	\$422
Returns Over Variable	<b>\$307</b>	<b>\$205</b>	<b>\$282</b>	<b>\$269</b>
Land Costs (25% of Revenue-25% crop insurance)	\$183	\$105	\$156	\$169
Returns Over Variable and Land Costs	<b>\$123</b>	<b>\$99</b>	<b>\$126</b>	<b>\$100</b>
Fixed Costs Depreciation & interest on machinery	\$134	\$64	\$57	\$111
Returns Over Specified Costs	-\$10	\$35	\$69	-\$11
Breakeven Price at Average Yield and Specified Cost	\$0.74	\$8.42	\$3.44	\$5.60/\$9.18

## 2018 Estimated Returns – Irrigated

Considering irrigation, Returns Over Variable, Land, and Fixed cost are positive for soybeans and corn. Returns Over Variable and Land Costs are positive for cotton and wheat/soybeans, but not enough to cover fixed costs. An individual producer's machinery and equipment costs will have a strong influence on profitability. 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 over the previous year. Irrigation fixed costs and energy costs will vary greatly among producers and systems. These projections include in variable expenses energy costs for irrigation of \$30 per acre for corn, \$26 per acre for cotton, and \$20 per acre for soybeans. Irrigation repairs and maintenance are estimated at \$16 per acre for corn, \$14 per acre for cotton, and \$10 per acre for soybeans. Fixed costs of \$86 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 - \$106, Soybeans - \$38, Corn - \$176 (includes 240 units of N), and Wheat/Soybeans - \$99. 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 2018 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.

	<b>Cotton</b>	<b>Soybeans</b>	<b>Corn</b>	<b>Wheat/Soybeans</b>
Yield	<b>1200 lbs.</b>	<b>60 bu.</b>	<b>210 bu.</b>	<b>68 bu./45 bu.</b>
Price (as of 12/11/18)	\$0.73 lb.	\$9.17 bu.	\$3.86 bu.	\$5.45 bu./\$9.17 bu.
Revenue	\$876	\$550	\$811	\$783
Variable Expenses( include energy cost)	\$486	\$257	\$456	\$453
Fixed Irrigation Costs per Acre	<b>\$86</b>	<b>\$86</b>	<b>\$86</b>	<b>\$86</b>
Returns Over Variable & Fixed IR Costs	<b>\$304</b>	<b>\$207</b>	<b>\$268</b>	<b>\$244</b>
Land Costs (25% of Revenue-25% crop insurance-25% fixed irrigation costs)	\$195	\$114	\$178	\$170
Returns Over Variable, IR Fixed Cost and Land Costs	<b>\$109</b>	<b>\$93</b>	<b>\$90</b>	<b>\$74</b>
Fixed Costs- management labor, depreciation & interest on machinery	\$149	\$79	\$72	\$126
Returns Over Specified Costs	-\$39	\$14	\$18	-\$52
Breakeven Price at Average Yield and Specified Cost	\$0.76	\$8.93	\$3.77	\$5.60/\$10.10