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A source of information on global farming
and food systems

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August Crop Report “Green Lights” 2016-2017 Feed Costs and 2017 Meat and Poultry Production Growth



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Over the last few weeks I have traveled throughout Indiana and the Central Illinois area. Those travels revealed corn and soybean crops that almost without exception were in very good condition, at least visually.

That impression was validated by the August 12 USDA Crop Report. Both corn and soybean crops are estimated to be record-large. Wheat production was also forecast to be up significantly. With a 1.5 billion bushel increase in corn supply (production + stocks), 2017 ending stocks are projected to be over 2 billion bushels, a 700 million year-on-year increase. The farm level average price forecast dropped from prior forecast \$3.10-\$3.70 to \$2.85-\$3.45. The \$3.15 midpoint would be the lowest in the decade since the corn ethanol RFS came into being.

Higher forecast soybean production resulted in a 330 million bushel ending stocks estimate, up 85 million year-on-year. The soybean meal price forecast range was lowered from \$325-\$365 to \$305-\$345. The \$325 midpoint is slightly higher than \$311 in 2009, but otherwise also the lowest since 2006.

Weather risk is almost completely over. These crops are safe from anything but an early frost. Midwest soybean harvest starts in about 2-3 weeks. The bulk of corn harvest will start closely behind.

Global grain and soybean production has not been as favorable as ours, muting the immediate price effects of these bumper crops. Nonetheless, the lower feed costs flowing from our good fortune sets the stage for further 2016-2017 poultry, meat and dairy production increases. The chart below shows change in meat and poultry production from 2008 actual to the current USDA 2017 forecast.

The challenge to the turkey industry is to not regain the small production loss since 2008, but to profitably capture our fair share of pork, broiler and total meat and poultry expansion shown below. Ample corn and soybean supplies will certainly help, but domestic and export demand growth are the real keys.

