

Feed Grain Outlook

August 25, 2017

Volume 26, Number 51

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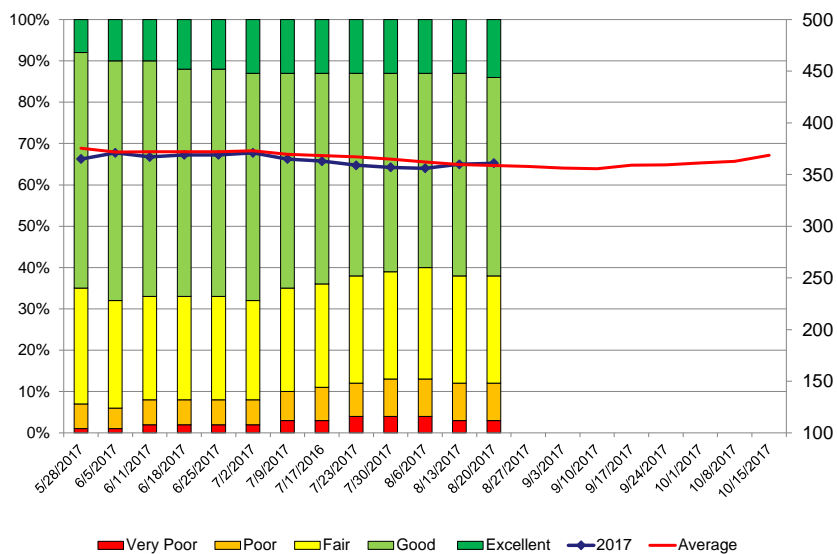
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Market Situation

Crop Progress. The crop condition index for U.S. corn improved this week from 360 to 361, just above the average index rating of 359. There was a 1% decrease in corn rated good and a 1% increase in the excellent category. Corn in the dough was about normal at 76% but corn in the dent stage is behind normal, 29% to 35%.

2017 U.S. Corn Crop Condition Ratings



Source: Crop Progress, USDA

USDA August WASDE 169.5 Trend:167.9

The list of major corn producing states with double digit ratings of poor and very poor held at 8 this week (% change from last week): Illinois, 14% (+3%), Indiana, 17% (+1%); Iowa, 12% (+0%), Kansas, 14% (-1%), Michigan, 12% (-1%), Nebraska, 13% (+0%); North Dakota, 17% (-3%), and South Dakota, 27% (-4%).

Yield estimates from the Farm Journal/Pro Farmer Crop tour are not directly comparable to USDA's numbers due to differences in sampling and yield calculations, but they came in pretty close. Pro Farmer pegs the 2017 crop at 167.1 bushels per acre compared to 169.5 from USDA.

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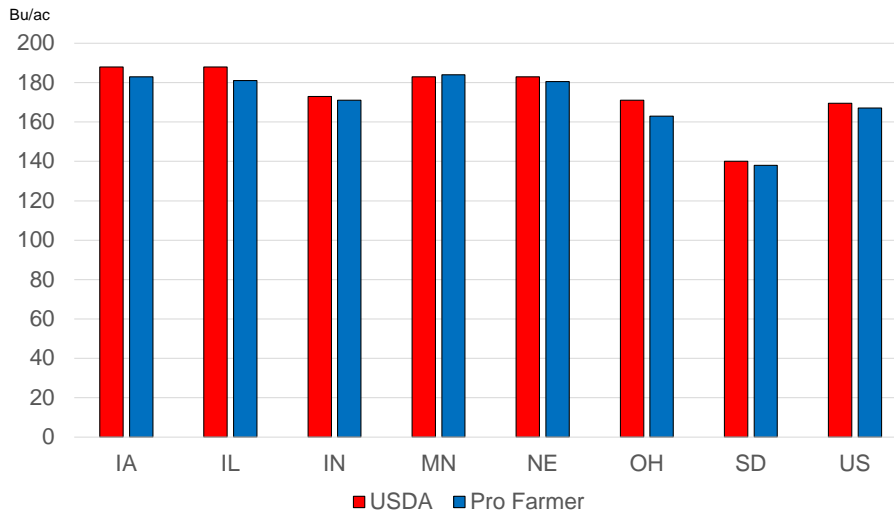
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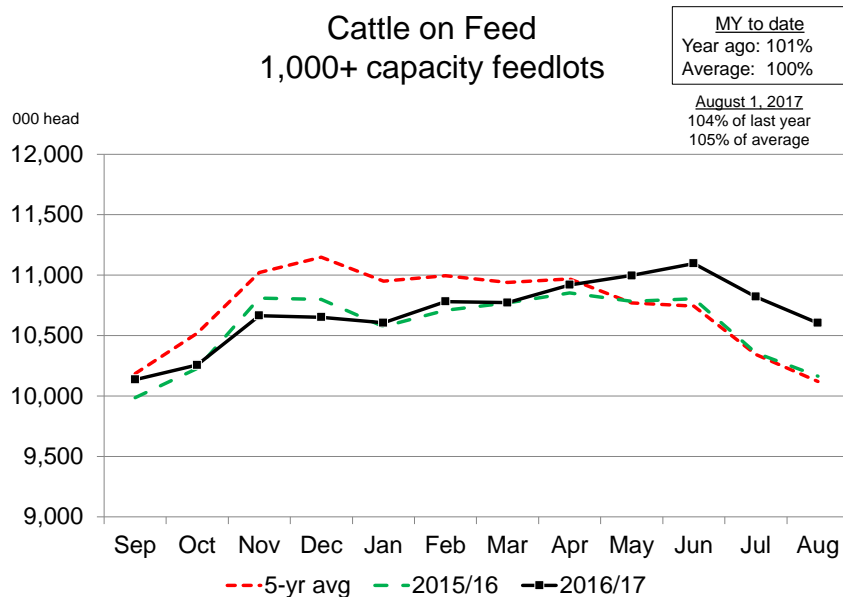
Notable in the Pro Farmer commentary was the better than expected yields in Iowa and Nebraska given this season's dry conditions. Additional field level surveys from USDA will appear in the September WASDE.

2017 Corn Yield Estimates



Grain Use. Today's Cattle on Feed report showed on-feed inventories in lots of 1,000 head or more at 10.604 million on August 1, 104% of a year ago and 105% of the 5-year average. Over the course of the corn marketing year, on feed numbers are up 1% compared to a year ago and right at the 5-year average.

Cattle on Feed 1,000+ capacity feedlots



MY to date
Year ago: 101%
Average: 100%

August 1, 2017
104% of last year
105% of average

Source: USDA/NASS, August 25, 2017

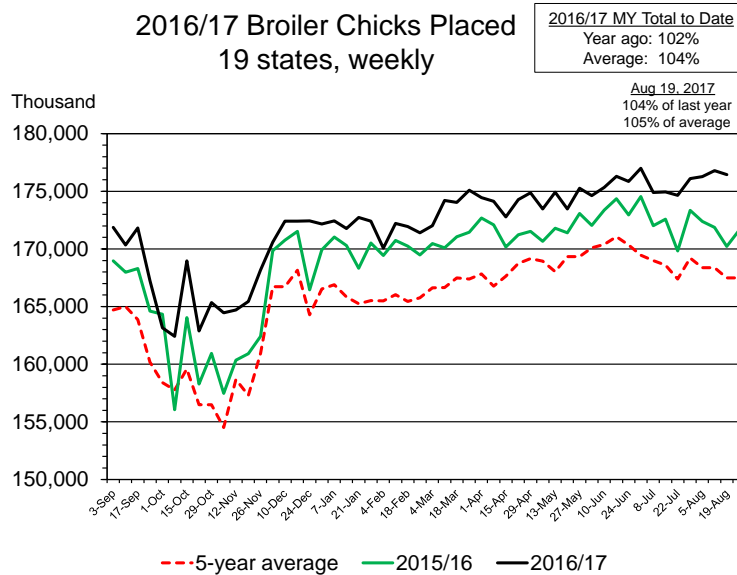
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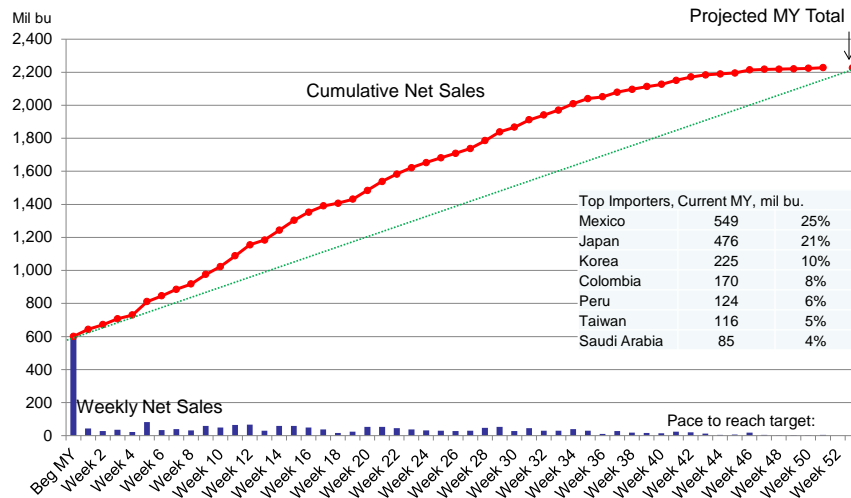
August 19th ended another strong week of broiler chick placements: up 4% compared to the same week a year ago, up 5% over average. For the 2016/17 corn marketing year, broilers placed are up 2%.



Source: USDA/NASS, Broiler Hatchery, August 23, 2017

With two more weeks to report, corn export sales commitments reached USDA's target this week. Total sales commitments stand at 2.227 billion bushels with the current marketing year projection of 2.225 billion.

U.S. Corn Export Sales Commitments, 2016/17 MY



Export Sales Commitments for the week 8/17/2017: 4 million bushels
 Total Export Sales Commitments this marketing year: 2,227 million bushels
 100% of the 2016/17 MY Export Sales Target of 2,225 million bushels (August WASDE)
 Normal pace of sales end of August: 100%

USDA, Foreign Agricultural Service: August 24, 2017

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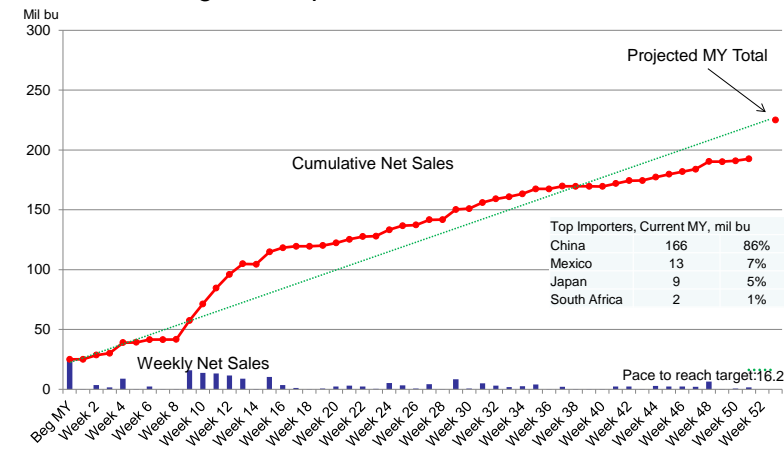
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Grain sorghum exports for the 2016/17 marketing year look like they will come up short compared to the 225 million bushel target set by USDA. Sales for the week of 8/17 totaled 2 million bushels with 32 million needed in the next two weeks to reach the goal.

U.S. Grain Sorghum Export Sales Commitments, 2016/17 MY

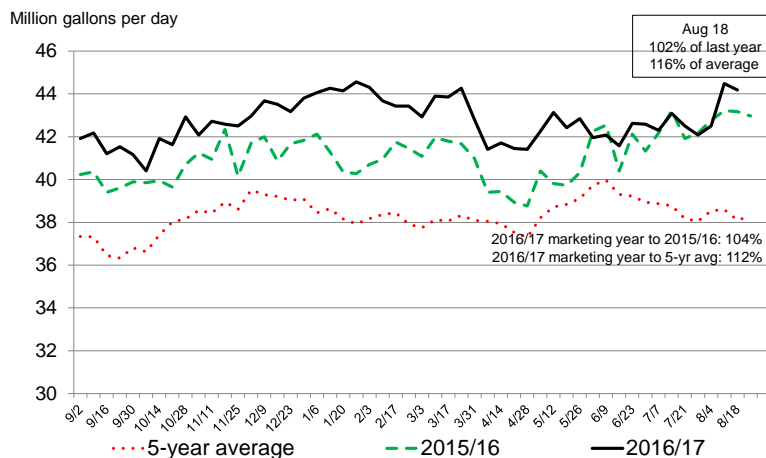


Export Sales Commitments for the week 8/17/2017: 2 million bushels
 Total Export Sales Commitments this marketing year: 193 million bushels
 86% of the 2016/17 MY Export Sales Target of 225 million bushels (August WASDE)
 Normal pace of export sales by the end of August: 100%
 USDA, Foreign Agricultural Service: August 24, 2017

Ethanol production is ending the corn marketing year on a strong note, up 4% compared to last year and 12% above the most recent 5-year average. This move is likely explained by the same fall off in corn prices we are seeing this year as we did in 2016. For more on this topic, see the farmdoc daily publication, "Ethanol Prices Drive Corn Prices, Right?" by Scott Irwin (<http://farmdocdaily.illinois.edu/2013/10/ethanol-prices-drive-corn-prices.html>).

2016/17 U.S. Ethanol Production

2016/17 daily average = 42.747 mil gal per day
 Implies use of 5,572 mil bu of grain (2.8 gal/bu)
 August USDA estimate = 5,450 mil bu corn for fuel, 110 mil bu sorghum fsi. Total = 5,560 mil bu



Energy Information Administration, Weekly Petroleum Status Report, August 23, 2017
 Ethanol conversion rate, Agricultural Marketing Resource Center, Iowa State University

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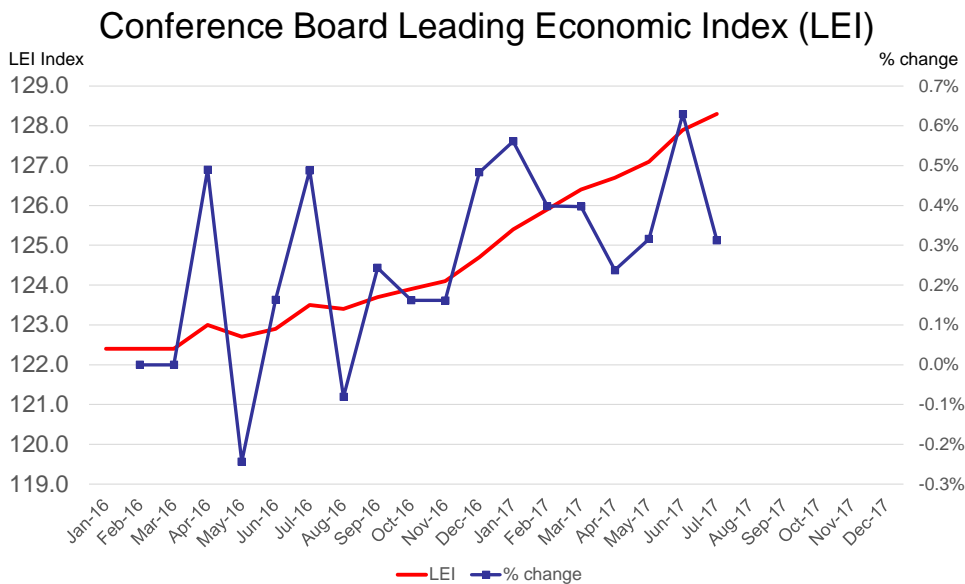
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Outside Markets. Speaking today at the Federal Reserve Bank of Kansas City’s annual symposium in Jackson Hole, Wyoming, Fed Chair Janet Yellen gave a review of the U.S. and global financial system over the last 10 years, from the economic crisis of 2007/08 to the challenges remaining today. She noted that banking regulations have made the U.S. financial system more resilient and better able to absorb adverse shocks to the economy, and that “Enhanced resilience supports the ability of banks and other financial institutions to lend, thereby supporting economic growth through good times and bad” (<https://www.federalreserve.gov/newsevents/speech/yellen20170825a.htm>). Chair Yellen’s remarks did not offer insight into the timing or magnitude of future interest rate adjustments.

The Conference Board Leading Economic Index for July was up 0.3%. In notes accompanying the report, the Board cites widespread gains in almost all of its components except building permits. For the first six months of the year, the index is up at a 4.7% annual rate compared to 1.5% growth for the last 6 months of 2016.

The probability of recession increases when the index is down 0.3% for 3 consecutive months and more than -1% for the 3-month period.



The Conference Board, August 17, 2017
<https://www.conference-board.org/>

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Prices as of 1:30 pm CDT:

III QTR 2017	3-Jul	25-Aug	net change	% change
S&P 500 Index	2429.01	2448.32	19.31	0.79%
CRB Commodity Index	176.16	177.80	1.65	0.94%
DEC '17 Crude Oil	48.01	48.34	0.33	0.69%
SEP '17 Copper	2.69	3.04	0.34	12.72%
SEP '17 Dollar Index	95.97	92.71	(3.26)	-3.40%
SEP '17 Corn	3.89	3.39	(0.4975)	-12.81%
DEC '17 Corn	3.99	3.54	(0.4575)	-11.46%
DEC '18 Corn	4.17	3.94	(0.2325)	-5.58%

2 month charts, 6/26-8/25/17:



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Crude Oil WTI Dec '17 (CLZ17)

48.15 +0.23 (+0.48%) 13:13 CT [NYMEX]

48.15 x 1 48.16 x 24

INTERACTIVE CHART for Fri, Aug 25th, 2017

Set Alerts Watchlist Share Chart

Symbol: CLZ17 f(x) a/b Tools +Study

Save Chart Clear Download

Quick Chart: 1D 5D 1M 3M 6M 1Y 5Y 20Y

Daily 2M



Ethanol Futures Dec '17 (ZKZ17)

1.400 +0.001 (+0.07%) 09:47 CT [CBOT]

1.397 x 1 1.400 x 3

INTERACTIVE CHART for Fri, Aug 25th, 2017

Set Alerts Watchlist Share Chart

Symbol: ZKZ17 f(x) a/b Tools +Study

Save Chart Clear Download

Quick Chart: 1D 5D 1M 3M 6M 1Y 5Y 20Y

Daily 2M



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High Grade Copper Sep '17 (HGU17)

3.0365 +0.0025 (+0.08%) 13:12 CT [COMEX]

3.0365 x 20 3.0375 x 13

INTERACTIVE CHART for Fri, Aug 25th, 2017

Set Alerts Watchlist Share Chart

Symbol: HGU17 f(x) a/b Tools +Study

Save Chart Clear Download

Quick Chart: 1D 5D 1M 3M 6M 1Y 5Y 20Y

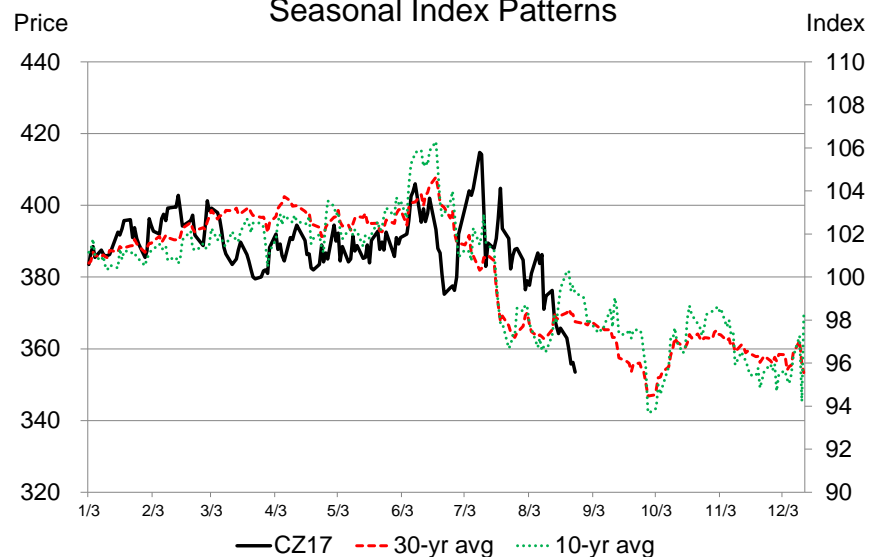
Daily 2M



Marketing Strategies

Seasonality. The seasonal price pattern for the December corn contract shows that prices tend to fall off after we know more about acres (June 30 Acreage report) and weather during the precipitation and temperature sensitive silking and tasseling stages (July). With dry conditions impacting major corn growing areas, yield concerns have propped up prices more so than we would see in a normal year, compounded by significantly fewer corn acres this year. But recent price movement has been in line with seasonal expectations.

2017 December Corn Futures and Seasonal Index Patterns



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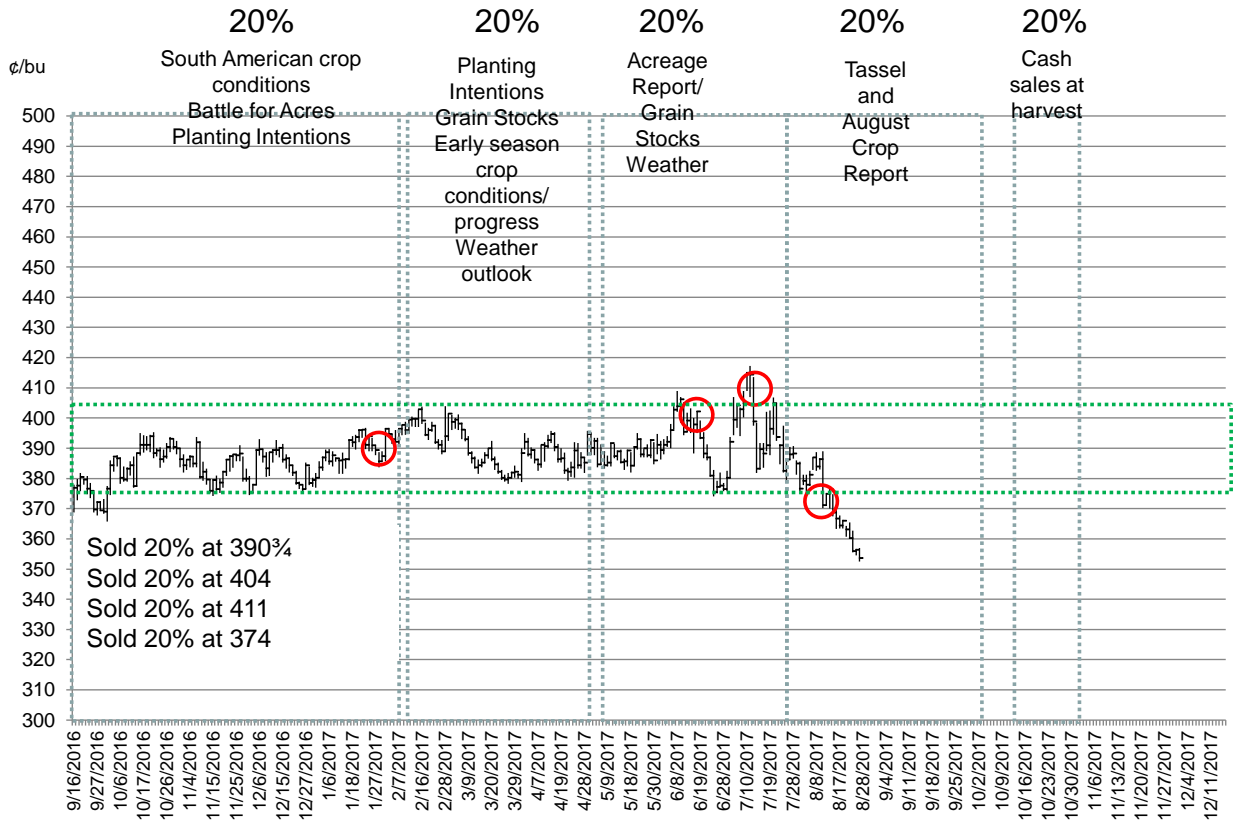
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2017 Feed Grain Marketing Plan. I am 80% sold on the 2017 corn crop and will price the remaining 20% at harvest. I am turning my attention to the December 2018 contract and am prepared to make sales against next year's crop if we get a significant late season rally.

December Corn Futures and 2017 Marketing Plan



Upcoming Reports/Events.

Registration now open for Master Marketer, brochure available at:
<http://agecoext.tamu.edu/files/2017/05/Castroville-2017-Brochure.pdf>.

Registration now open for TEPAP, brochure available at:
<http://tepap.tamu.edu/>

September 12 Crop Production and WASDE
 September 29 Small Grains Summary

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September 18-20 Master Marketer, Castroville, Texas

October 2-3

October 16-17

October 30-31

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