

AgCountry Farm Credit Services
OCTOBER 2023 MARKET UPDATE
Cody Didier, Marketing Education Specialist

This month's USDA World Agricultural Supply and Demand Estimates report stated yield reductions in both corn and soybeans, resulting in lower production for both crops. Although that is a major market influencer, there were other things that factored into the market.

Corn

Over the course of the last month, new crop December 2023 corn futures continued to struggle to find momentum, trading in a \$0.32 range between \$4.67 and \$4.99. Creating new lows like last month, we haven't witnessed these prices since September of 2021.

In this month's WASDE report, USDA lowered U.S. corn production estimates from last month's 15.134 billion bushels to 15.064 billion bushels, a 70-million-bushel reduction. That is due to an estimated 173 yield, a decrease of 0.8 bushels per acre (bpa) from last month. Ending stocks decreased from 2.221 billion bushels to 2.111 billion bushels, a 110-million-bushel drop, which was less than pre-report trade estimates. It is important to note that would still be the highest ending stocks in five years.

Looking at South America, USDA increased Argentina's new crop estimate from 54.0mmt to 55.0mmt and left Brazil's new crop estimate unchanged at 129.0mmt compared to Brazil's estimate of their crop at 119.4mmt.

Soybeans

Since last month's USDA WASDE report, new crop November 2023 soybean futures have been on a downhill slope. November soybeans have traded in a \$1.17 range between \$13.67 and \$12.50. We set the month high just after September's WASDE report before setting the low the day October's WASDE report was released.

USDA estimates U.S. soybean production at 4.104 billion bushels, a decrease of 42 million bushels from last month due to a reduced yield of 49.6bpa. The new production estimate of 4.104 billion bushels would be the lowest production in four years. USDA left ending stocks unchanged at 220 million bushels, which would be the lowest ending stocks in eight years. From this news of the estimated smallest production in four years and the tightest stocks in eight years, we would have to think that the soybean market is filled up with bullish influence. Although heavy bearish pressure into the market from continued harvest production as well as a high dollar index are major influences.

A great sight to see is China's recent soybean purchases, despite recent talks of an economic slowdown in China. Currently, total U.S. soybean shipments for 2023-2024 are nearly one-third higher than this time last year. These sales are much needed as barge traffic on the Mississippi River is restricted due to low water levels affecting grain movement.

Wheat

Throughout the month, we have witnessed December 2023 spring wheat futures set new contract lows. December futures have traded in a \$0.84 range between \$7.91 and \$7.07. On September 29th, Nation Agricultural Statistics Service (NASS) released their Small Grains Summary report, which stated total wheat production at 1.81 billion bushels for 2023. This is an increase of 10% from last year's 1.65 billion bushels. Spring wheat production was reported at 505 million bushels, an increase of 5% from 2022 production. Due to the increase in production and unchanged exports, USDA increased ending stocks from 615 million bushels to 670 million bushels.

Sugarbeets

Due to lower beginning stocks, U.S. sugar supply for 2023/2024 is reduced by 182,212 STRV. A reduction in sugar beet production of 71,200 STRV is due to NASS reporting a lower yield in several states. Ending stocks are estimated at 1.557 million STRV, creating a lower ending stocks-to-use ratio of 12.29 compared to last month's 13.51.

Ethanol

To start out October, ethanol production has been consistent at 1.009 million barrels per day. Ethanol exports are estimated at 122,000 barrels per day, which is a 58.4% increase in exports to the end of September.

Lean Hogs

With a higher-than-expected slaughter pace and a larger growth in pigs per litter, pork production is higher for the second half of the year. Exports were lowered for 2023 although raised in 2024 due to interest from Asian markets. With a larger hog supply, price forecasts for 2023 and 2024 are lowered.

Feeder/Live Cattle

Due to a higher slaughter rate, beef production is higher. For 2024, beef production is raised from higher feedlot marketings. For both 2023 and 2024, exports were lowered due to an increase in competition. With a weaker expected demand for cattle going into the fourth quarter, price forecasts for 2023 are lowered.

Dairy

With slightly more growth in milk per cow, milk production has risen from last month. Due to reduced sales in both a fat basis and skim-solids, exports for 2023 are reduced. With lower cheese price forecasts, the Class III milk price forecast is reduced for both 2023 and 2024.