

AgCountry Farm Credit Services
FEBRUARY 2023 MARKET UPDATE
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Corn

Between the World Agricultural Supply and Demand Estimates (WASDE) on January 12th and the February WASDE on February 8th, we've seen old crop corn futures off the March contract trade in a narrow \$0.27 trading range while new crop corn off the December contract was in an even smaller range of \$0.23. It almost seems that the trade isn't quite sure how to react with corn futures, other than almost leaving them untouched. The United States Department of Agriculture (USDA) lowered corn production estimates for Argentina due to drought from 2.05 billion bushels to 1.85 billion bushels, which would make that the smallest production in years. On the other hand, Brazil is trying to offset the market with an estimated record production of 4.92 billion bushels. For the U.S., the USDA increased ending stocks by 25 million bushels from 1.242 billion bushels to 1.267 billion bushels. The increase in ending stocks reflected a reduction in demand for ethanol. Even with corn shipments down more than one-third compared to this time last year, the increase wasn't caused by the lack of exports as the export estimates came in unchanged this month.

Soybeans

Old crop soybeans off the March contract traded in a range of \$0.70, while new crop soybeans off the November contract traded in a \$0.66 range. Soybean futures have been as volatile as ever. Currently, the trade is mostly focusing on the South American harvest. The USDA is still estimating Brazil's record soybean production at 5.62 billion bushels, while Argentina's soybean production is now estimated at 1.51 billion bushels. The Argentinian estimate is 161 million bushels lower than last month's estimate, which now puts Argentina's production at a five-year low. The USDA increased U.S. ending stocks by 15 million bushels for a total of 225 million bushels. Even with that increase in ending stocks, the U.S. is at a seven-year low.

Wheat

Old crop spring wheat off the March contract traded in a \$0.51 range, while new crop off the September contract traded in a \$0.45 trading range. Even with the USDA increasing ending stocks for all wheat by 1 million bushels to 568 million bushels, that still puts the U.S. at a 15-year low. USDA increased production estimates for Australia by 51 million bushels to 1.396 billion bushels. Russian production also increased by 36 million bushels to 3.38 billion bushels. Even though this month's WASDE report contained mostly bearish news we can look forward to what is possible to come. The Black Sea Grain Initiative will be expiring in mid-March. This will result in negotiations starting this week. Who knows

how this round of negotiations will go, although we do know that it is a very important factor in markets across the futures board!

Sugar beets

A reduction in sugar production resulted in the U.S. sugar supply being decreased for 2022/2023 by 10,135 short tons. This offset the slight increase in beginning stocks and imports. Sugar beet production was increased by 51,898 STRV to 5.100 million. USDA also increased the projection of sucrose recovery from 15.000 to 15.204 percent based on data from August through December. USDA left Mexico's production unchanged at 5.900 million metric tons.

Ethanol

This month we saw a decrease in ethanol use by 25 million bushels, which corresponded with an increase in corn ending stocks. Ethanol inventory jumped up to 3.8% or 25.3 million barrels. Inventory is now the highest in seven months, resulting in a lack of demand and declining margins.

Lean Hogs

Hogs this month have been on quite the ride. We have experienced contract lows. The market, however, is doing its best to bounce back. Pork production was lowered due to lighter first-half carcass weights.

Feeder/Live Cattle

For the first quarter of 2023, slaughter was raised but offset by lower carcass weights as cow slaughter was more than forecasted. For the second quarter, steer and heifer slaughter is lowered as fourth quarter 2022 placements were lower than expected. For 2023, beef imports are on expected first-half strength.

Dairy

Looking into 2023, milk production is forecasted lower due to weaker milk prices, therefore, resulting in less cow inventory. Output per cow is slightly reduced. Imports in 2023 have increased on higher cheese and milk protein products, while exports have decreased on lowered sales of skim milk powder, cheese, and other products.