

## MARKET SNAPSHOT

# Feed Grains

March 31, 2023

### Industry drivers

#### Increased corn acres in the Northwest support lower feed costs

The USDA projects that farmers will plant more corn and soybean acres in 2023, and increased Northwest corn acres will support lower feed costs. Corn planting intentions were aligned with industry expectations. Corn acres are projected at 92 million planted acres, a 3.9% increase year over year. Of the 48 corn-growing states listed in the USDA report, 40 had increases or no changes to corn acre plantings from 2022. Oregon and Washington both posted double-digit percentage increases from 2022 plantings, up 13.3% and 23.1% respectively. If realized, 390,000 corn acres in Idaho will set a state record.

The Northwest is a small corn production area with most corn grown for local feed use. The expected boost to corn silage production due to more planted acres will alleviate some production cost pressures for dairies. In 2022, record hay prices and substantial increases in corn silage prices made it difficult for dairies to find affordable feed. More silage will increase dairies' options for affordable feed. Dairies will likely experience further price relief (not just because of greater supply) as the 2023-2024 season-average corn price is projected at \$5.60 per bushel, down \$1.10 per bushel from 2022.

#### Soybean acres stable

The USDA forecasts soybean acres at 87.5 million acres in 2023, a 0.1% increase from the previous year. While national soybean acres are flat, planting intentions varied widely by state with large statewide losses and record planting intentions balancing each other out. Five states are expected to set soybean acre records, the most surprising is Nebraska. Analysts expected states with lingering drought to see reductions in planted acres with drought most concentrated in Kansas and Nebraska. As of March 28, Kansas had 54% of their soybean acres in drought and unsurprisingly, producers plan to plant 100,000 fewer soybean acres (down 8.9% year over year). Nebraska is currently leading the country with the greatest percentage of soybean acres in drought (97% as of March 28). However, Nebraskan's intention to plant record amounts of soybeans indicates growers assume drought conditions will improve throughout the spring.

#### South American new crop estimates shrink

Adverse weather in Brazil and Argentina, the largest U.S. corn and soybean export competitors, has lowered production estimates for the new crop. Heavy rainfall in February slowed Brazilian soybean harvest which delayed planting the second corn crop. Half of the second corn crop will be planted after the ideal climate window which increases the risk of frost and crop losses. Drought reduced production in Argentina. The Buenos Aires Grains Exchange reduced the corn production estimates to 41 million tons from their original forecast of 50 million tons. Soybean estimates were also lowered to 33.5 million tons, 30.2% below the original prediction. Slow Brazilian soybean harvest boosted U.S. soybean exports in February.

#### Soybean prices fall, but potential tailwinds could support higher prices

The USDA forecasts soybean season-average price for the 2023-2024 crop at \$12.90 per bushel, down \$1.40 per bushel year over year. Futures markets have a more optimistic outlook on new crop soybean prices, supported by tailwinds from a smaller South American crop. However, headwinds from reduced Chinese demand due to lingering African Swine Fever could put downward pressure on soybean prices.

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