

This Week In Agriculture:

USDA Acreage and Quarterly Stocks Report Summary: June 29, 2018

- **Today's USDA report went off like a wet firework, no boom merely a sizzle as numbers came in within the range of pre-report estimates and relatively free of surprises. When all was said and done we saw corn close up 5 for the day but down 7 for the week, soybeans were down 3, down 36 for the week, while wheat was up 17 finishing the week up 6.**
- **Looking at corn we saw both acres and quarterly stocks come in higher than pre-report estimates. On the acreage side of things we saw the USDA estimate 89.1 million acres were planted this spring. That's up just under a million from their March estimate and was 750,000 higher than the average pre-report estimate.**
- **Prior to today's release though the common agreement among many analysts was that a 90 million plus number would easily cause further erosion to price, dodging that bullet may allow some to breathe a little easier as we move ahead.**
- **Year over year changes by state to corn acres appeared to be relatively minor with Ohio and Nebraska increasing their acreage 150,000 while Michigan upped theirs by 50k. Reductions were seen in IL (-200k), IN (-250k), MN (-250k) and SD (-500k). Iowa, Missouri and Wisconsin left their corn acres unchanged from last year.**
- **On the stocks side we saw corn come in 30 million bushels higher than pre-report estimates indicating that feed usage was likely lower than anticipated over the last quarter. Of the stocks on hand on farm supplies are 2.75 billion bushels, down 90 million bushels from last year with commercial holdings up 170 million bushels. By state stock reductions were seen in IA, NE, SD, and ND with increases seen in IL, MN and OH.**
- **Soybean acres came in at 89.6 million, up 620,000 from March and in-line with pre-report estimates. If realized this will be only the second time in history soybean acres outpace corn, and the first time in history they would do so organically as 1983 had an interesting market incentive to do so.**
- **By state we saw big increases in IL (+300k), IN (+250k) and KY (+150k), with reductions in MO (-150k), MN (-350k), NE (-200k) and KS (-300k).**
- **Soybean stocks came in relatively in-line with pre-report estimates at 1.22 billion bushels, versus the trade expectation of 1.204 and last year's 966 million. Of the increase in stocks the majority is in the hands of commercials, with their holdings up 211 mbu from a year ago while on farm stocks are up 44.5 million. Iowa and Illinois both saw significant jumps in available supply versus a year ago while many other states saw increases as well.**
- **All wheat acres came in 700k above expectations with much of that coming in the form of increased spring wheat acres. Durum acres came in slightly below expectations. However with stocks coming in close to pre-report estimates and supportive numbers coming from both Stats Canada on planted acreage there and Strategie Grains reducing the French crop outlook by 4 mmt we saw wheat close higher on the day.**
- **When looking over the numbers it is important to take into consideration the USDA track record, though of course it means very little to what this year could hold. Looking at a 20 year history though the USDA has overestimated acres in June versus final 16 out of the last 20 years in corn and 13 of the last 20 in soybeans. Traders will likely now look ahead to FSA information to see if any major changes could be made in subsequent reports.**

Now that the report and the likelihood of a surprise is out of the way we will likely return to trading weather and trade war news. Overnight we saw discussion resurface regarding President Trump's desire to leave the WTO. While he has spoken about this several times since the campaign and his election victory the media narrative combined with the current vulnerable feel in the market it definitely did not help price action.

On the weather side we are looking at what could potentially be record breaking heat settling over much of the Corn Belt—particularly the Eastern Belt in the week ahead. With much of the corn looking to pollinate in this stretch it will be interesting to see if there's an impact. Many are quick to point out nighttime lows are more important than daytime highs for corn after pollination and with lows expected to stay above 70 degrees for the duration of the next week or so we could start to see some interesting insight from agronomists and farmers on what that could mean. Of course their opinion means very little if the trade isn't looking to buy.

Next week will likely be a very thin trade with the holiday falling in the middle meaning we could see volatile moves depending heavily on headlines and updated forecast models. As always don't hesitate to call if you have any questions. We're here to help!

All the Best!
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