

This Week in Agriculture:
USDA Supply and Demand Report Summary: April 9, 2015

- **The USDA released their monthly update to supply and demand projections today with little in the way of surprises. When all was said and done many traders viewed the report as neutral, quickly turning their attention to weather and outside market factors.**
- **After corn stocks came in higher than anticipated last Tuesday most traders were expecting a reduction to feed demand and a subsequent increase in corn ending stocks. Coming into today's report the average pre-report estimate put ending stocks at 1.857 billion bushel, a 77 million bushel increase from last month's estimate. The USDA was hesitant to lower feed usage as much as expected, instead only reducing their outlook by 50 million bushel. At 1.827 billion bushels of expected carryout we are back to where we were projection-wise in February.**
- **Global corn ending stocks were increased by 125.20 million bushels from last month. Increases in carryout projections for the US, China and several small adjustments to a variety of other countries were the contributing factors in this increase. Production-wise the USDA is expecting a slightly larger corn crop out of Argentina this year than estimated in their March estimate, but left their Brazilian outlook unchanged from last month.**
- **While the corn supply and demand outlook had little in the way of significant changes, the Milo outlook has some traders scratching their head. With export sales already exceeding the latest USDA projection it was a given we would see an increase in sorghum export demand. How the USDA would make those adjustments work with only 27 million bushels of ending stocks left in the March report was the million dollar question.**
- **In the end the USDA increased milo export projections by 50 million bushels, lowering overall domestic demand by 41 million bushels and adjusting carryout 9 million bushels lower to 18 million bushels. It is interesting to note the decrease in domestic demand came from a 16 million bushel drop in milo used for ethanol after the most recent Grain Crushings and Co-Products Production report indicated zero bushels of milo were processed into ethanol in February.**
- **Perhaps the most interesting piece of the sorghum puzzle was what the USDA had to say about Feed and Residual use. Though usage through the first half of the marketing year indicates milo used in feed or lost through residual demand should come in close to 154 million bushels, the USDA projected only 85 million bushels worth of use in that sector in today's report.**
- **To cover this shortage the USDA explains 80% of the Texas milo crop was mature by mid August last year, believing a good portion of our old crop needs will be covered by new crop supplies hitting the market place the last 2 weeks of the marketing year. With the slow start to planting (23% planted vs 40% as the 5 year average and 29% planted last year) it will be interesting to see if we can cover needs when supplies start to run dry towards the end of summer. Clear insight as to whether tight milo supplies will impact potential corn feedings is not likely to be seen for several weeks, if not a few months.**
- **Soybean ending stocks came in at 370 million bushels, down 15 million bushels from last month and in line with pre-report expectations. While crushings and exports were left unchanged, the increase in planted acres and lower than anticipated stocks outlined in last week's report prompted the USDA to increase seed and residual use by 15 million bushels.**
- **On the global production side of things the USDA left Brazil's production outlook unchanged from last month and raised Argentina's by 1 million metric tonne (36.74 million bushels). Global ending stocks came in slightly above last month's projection and the pre-report estimate, but still well within the range.**
- **Wheat numbers came in below pre-report trade estimates both globally and domestically. From a domestic standpoint imports are lower than anticipated, while domestic usage is higher than anticipated. This increase in demand prompted a 7 million bushel cut to ending stock projections, while traders were anticipating a 1 million bushel increase. From a by class perspective the biggest adjustments were seen in a 16 million bushel cut in Soft Red Wheat carryout (all due to increased domestic usage) was offset by a 5**

million bushel increase in Soft White Wheat ending stocks (due to a small cut in exports) and a 5 million bushel increase in Hard Red Wheat ending stocks (also due to a cut in exports).

In the end a decrease in old crop soybean export sales announced this morning before the report and a lack of a bullish surprise allowed the soybean market to trade much lower into the close, losing 17 in the May and 14 in the November. A sharply higher dollar continued to create headwinds for both corn and wheat, trumping today's bullish (perhaps not bearish is a better term) numbers and pushing both markets lower into the close as well.

From an historical standpoint the USDA tends to underestimate carryout levels for both global and domestic wheat ending stocks, while overestimating carryout projections for domestic soybeans and corn. Global soybean ending stock numbers have been increased after the April report 21 of the last 33 years.

Now that we have our information hurdles out of the way for the next 4 weeks trade attention will turn to weather. At this point we've seen a pretty solid "Haves" versus the "Have Nots" develop when it comes to soil moisture and precipitation. Dry conditions in the West are allowing early field work to take place, but rain would definitely be welcome. While those in the Eastern Belt, especially in the Delta would love to see the rain shut off and the sun come out for a string of several days to allow fieldwork to commence. Extended forecasts tonight are calling for a continuation of wet weather in the Eastern Belt—especially in the 6-10 day period. Sunday night's forecast is likely to give us direction as we work into Monday. In the meantime don't hesitate to give us a call with any questions, we're here to help!

All the Best!

Angie Maguire

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