

## This Week in Agriculture:

### USDA Supply and Demand Report Summary: September 11, 2015

- We got our monthly dose of updated USDA supply and demand information this afternoon, with little in the way of surprises. When the dust settled we had corn up 12 for the day and 24 for the week, soybeans up a half a cent (22 cents off their low of the day) and 8 higher for the week. Wheat finished the day 6 cents higher, up 17 for the week.
- Coming in to today's report most traders were expecting a slight reduction in old crop corn ending stocks and subsequent carryin from last month. The USDA agreed, cutting old crop ending stocks 40 million bushels, coming in 29 million bushels below trade expectations ahead of the report. The majority of these cuts came from a 15 million bushel increase in Food, Seed and Industrial usage, 5 million of which was an increase in corn used for ethanol, and a 25 million bushel increase in exports.
- The reduction in old crop ending stocks carried through to what we are projected to have on hand at the start of the new crop marketing year. This 40 million bushel cut combined with a 101 million bushel reduction in production dropped total projected supply 141 million bushels from last month. The drop in overall supply was partially offset by a 25 million bushel reduction in projected feed usage. In the end overall carryout was reduced 121 million bushels from last month. At 1.592 billion bushels new crop carryout came in 50 million bushels below the average pre-report estimate and 121 mbu below August.
- From a production side of things we saw the USDA lower their yield expectations 1.3 bushel per acre from last month's estimates, but leave harvested acreage projections unchanged. What's most interesting is the continuation of the impressive dichotomy we have been seeing in Eastern vs Western Corn Belt yields. When looking at Iowa, Minnesota and Nebraska the USDA is expecting a 314.9 million bushel increase in overall production from a year ago, while in Indiana, Ohio and Michigan they expect a 313.5 million bushel decline in year to year production. Illinois, our proverbial wildcard state is expecting a 335 mbu decline.
- A reduction to global carryout estimates gave corn a nice shot in the arm as well, with the USDA anticipating a 5.4 mmt (212.6 mbu) decline from last month's estimates. Of course, after closer review all today's adjustment did was erase the 5.14 mmt increase in global carryout expectations from August.
- At first glance today's soybean numbers were viewed as bearish with the USDA coming in higher than pre-report expectations for production and subsequent carryout. The larger than anticipated reduction to old crop carryout, strength in both corn and wheat and the fact that we have lost a substantial amount of market value in the last several weeks helped soys manage to keep their head slightly above water.
- Number-wise, as mentioned, the USDA reduced old crop ending stocks 30 million bushels from their August estimate, coming in 13 million bushels below the average analyst estimate ahead of today. This reduction came from a 10 million bushel increase in exports and a 25 million bushel increase in crush demand. Marginal adjustments to seed, residual and imports were seen as well.
- The reduction in old crop ending stocks helped to offset the somewhat surprising increase in production. After what they deemed "decent" weather in August the USDA added an additional 0.7 bushel per acre to their national average estimate, taking us up to 47.1 bushel per acre nationwide. With harvested area left unchanged we saw overall production increase by 20 million bushels from last month, coming in 65 million bushels higher than the average pre-report estimate.
- On the demand side of things the USDA projected new crop crush demand up 10 million bushels from August, and in line with what we saw crushed last year. Export demand was left unchanged from a month ago, projected to come in 110 million bushels lower than last year. In the end overall new crop carryout came in at 450 million bushels, down from last month's 470 million bushel projection, but 35 mbu higher than the average analyst estimate.
- One interesting piece to note on the subject of exports, just a few weeks ago our new crop export pace was running 48% behind a year ago. This incredibly slow pace was causing great concern amongst traders that even a 110 million bushel cut to exports was too rosy. However, over the last several weeks we have seen solid export pace begin to shape up with over 1.5 mmt (55 mbu) sold just last week. As the pace has picked

up the gap between last year and this year has shrunk considerably, down to 33%. Though this is still incredibly slow and something that needs to be monitored, the idea that this export market was a complete disaster could perhaps be considered a bit premature.

- Global carryout projections came in 1.23 mmt (45 mbu) lower than what traders were anticipating ahead of the report. But at 84.98 mmt (3.1 bbu) global carryout is expected to increase by 6.25 mmt (229 mbu) from last year and an incredible 22.28 mmt (818.6 mbu) higher than the 2013/14 crop year. At this point with many traders expecting a significant increase in South American soy plantings it would take a significant production issue to cause any sort of real concern over global supply.
- Wheat continues to be the forgotten market as a slow pace to early exports and continued currency woes plague the market. Ahead of today's report traders were anticipating a slight increase to carryout expectations and were not disappointed. The USDA increased carryout 25 million bushels from last month due to the cut in expected exports.
- From a global standpoint the USDA increased world ending stocks again as well, up another 5 mmt from last month's record high. Much of this increase resulted from a 6.31 mmt increase in the European Union's crop. It is interesting to note that the current USDA estimate is over 24 mmt (881 mbu) higher than other well respected global estimates we've seen as of late.
- From a performance standpoint the USDA has overestimated domestic ending stocks 20 of the last 34 years in coarse grains and 24 of the last 34 years in soybeans. On wheat they tend to see a more even split, with a slight tendency to underestimate ending stocks.

Now that the September supply and demand update is out of the way traders will turn their focus to updated FSA information and the updated quarterly stocks numbers set to be released at the end of the month. In the outside markets continued concerns over the global economy combined with the expected Fed decision on potential rate increases will keep a lot of volatility in the market. Actual yield results as combines start to roll should help offer additional insight as well.

Today's updated extended forecast calls for above normal temperatures, but above normal precipitation for much of the Corn Belt. It will be interesting to see what happens on the cash side of things and whether or not the market will pay attention to any harvest delay concerns as we move through the next couple of weeks. In the meantime, don't forget to get those realistic target orders into place, take advantage of those spikes in price if the market gives them you. Don't hesitate to call with any questions, we're here to help.

All the Best!  
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