

This Week in Agriculture:

USDA Quarterly Stocks Report Summary: September 30, 2016

- **The USDA released their Quarterly Stocks and Small Grains Summary today giving us a look what final carryout was for the 2015/16 crop year as well as national wheat production. While historically stocks reports have contained surprising figures catching the trade off guard both positively and negatively, today's numbers came out in line with where they needed to be to leave corn and bean ending stocks unchanged. Wheat stocks came in slightly larger than anticipated. For the week corn finished unchanged, soybeans were down a penny with wheat down 3 cents.**
- **Coming in to today traders were anticipating a nearly 25 million bushel increase in old crop corn ending stocks. The USDA disagreed projecting the largest 4th quarter usage on record and adjusting ending stocks only slightly higher up to 1.74 billion bushels vs trade expectations of 1.754 billion and September carryout projections of 1.731 billion.**
- **Of the 1.74 billion bushels on farm supplies are up 6% from a year ago at 627 million bushels, with commercial stocks down 2% at 1.1 billion. The by state breakdown continues to show just how much of these large supplies are sitting in high producing states. Versus a year ago Iowa corn stocks are up 46.9 million bushels, with Nebraska stocks up 34.1 million bushels. The two states account for 37% of the nation's ending stocks.**
- **With September 1st stocks projected at 197 million bushels the USDA bumped soybean ending stocks up 6 million bushels versus their estimate from earlier this month. Traders were expecting the USDA to bump carryout by 10 million bushels up to 201 million. While 4th quarter soybean usage was also a record a slight adjustment to 2015 harvested acreage and subsequent production helped to lower carryout as well.**
- **Soybeans have made their way to the market at the very least with on farm stocks down 16% from a year ago, while commercial stocks are up 10%. By state Illinois and Iowa are holding the bulk of soybeans accounting for a third of available old crop supplies.**
- **All wheat stocks came in 133 million bushels higher than traders were anticipating and 300 million higher than a year ago. As expected the biggest jump in end of quarter one supplies was seen in Kansas where wheat supplies grew 155 million bushels from a year ago, topping a half a billion bushels. Big increases were seen in Oklahoma (up 47 mbu) and Ohio (up 21 mbu) as well.**
- **Michigan corn stocks are projected 11.2 million bushels higher, with soybean stocks up 1.3 million from a year ago. Wheat supplies are up 13 mbu from last year with most state supplies in the hands of commercials.**
- **Today's small grains report confirmed large yield and production estimates with only a few surprises in the by variety breakdown. The Hard Red Winter crop grew coming in slightly larger than expected while the Soft Red Winter and Spring wheat crops came in below expectations. White wheat production was higher than expected as well.**
- **Michigan is projected to have produced a record crop with a record average yield of 89 bushels per acre. Overall production was up nearly 16 million bushels from last year.**
- **In other news: the corn market was troubled by reports this morning indicating China had issued export licenses for up to 2 mmt (79.5 million bushels) of corn. With already large stockpiles and the fear that even larger supplies loom the idea of China exporting corn has always frightened traders. However many wonder if this doesn't have more to do with the recent surge in domestic DDG prices, or the potential trade spat looming between the U.S. and Chinese officials than anything else. It will definitely warrant watching in the meantime.**

- **Traders will also be monitoring news surrounding Deutsche Bank as well as liquidity concerns hit the financial institution this week. Brexit issues, a large fine and a potential reallocation of investor money (just to name a few) rumors rocked the markets leaving some wondering if we could potentially be heading back towards a 2008 style meltdown. While a repeat of 2008 banking issues is highly unlikely the idea that this is still a concern after the tremendous amount of capital injected into these institutions these last few years will weigh heavy on the minds of traders.**

Weather-wise the Western Corn Belt has dried out just in time for the Eastern Belt to be hit with a stubborn and strong rain system. While the slow pace to the start of harvest hasn't taken place everywhere the slow start nationally has helped mitigate some of the shock to that pipeline that could come from a quick harvest pace of a crop that's projected as large as this one. The National Weather Service expects above normal precipitation to last in the Northern Corn Belt through the 10 day period, with warmer and drier conditions expected in the 8-14 day outlook.

Now that we know there will be no surprise modifications to new crop beginning stock projections we can focus on actual production reports and demand estimates. So far though it's early it does appear the corn crop is more variable than expected, with somewhat better than anticipated soybean reports. As we work our way into harvest basis moves as well as spread action will give us more insight into whether the crop is there as expected. As always don't hesitate to contact us with any questions, we're here to help.

All the Best!

Angie Setzer

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