

## **This Week in Agriculture:**

### **USDA Supply and Demand Report Summary: April 12, 2016**

- **The USDA released their updated old crop supply and demand outlook today. As expected the report held little in the way of fireworks, but appeared to be enough to bring some of the bullish enthusiasm traders had been feeling in regard to soybeans down a notch or two initially.**
- **After the corn stocks came in relatively close to slightly above expectations in the March 31<sup>st</sup> Quarterly Stocks report most traders were expecting a slight increase in old crop ending stocks. The USDA agreed, actually bringing their ending stocks estimate in slightly higher than the average pre-report estimate. A 50 million bushel cut in feed and residual usage was partially offset by a 25 million bushel increase in corn used for ethanol. As a result old crop ending stocks came in 25 million bushels higher than last month at 1.862 billion bushels, 13 million bushels higher than the pre-report guess.**
- **Globally the USDA increased Argentina beginning stocks due to an increase in estimated production last year. This increase as well as an increase in expected 15/16 production was mostly offset by a 2 million metric tonne increase in exports. Slight changes in U.S, Argie, EU and others offset a drop in Chinese ending stocks resulting in an overall increase in global corn carryout of 1.94 mmt (76 mbu). At 208.91 mmt global stocks came in slight above the pre-report average estimate.**
- **Fun fact: even with the reduction in Chinese ending stocks due to increased feed usage the country still holds an estimated 52% of the world's total corn supply.**
- **Going into today's report soybeans have staged an impressive rally, beating even the most bullish analyst price estimates and hitting the highest level seen since August. After last month's slightly lower than anticipated quarterly stocks numbers traders were expecting a slight cut in carryout. Ahead of today traders were expecting old crop carryout estimates to be cut 4 million bushels from March, down to 456 million bushels—however with the recent rally in play there was underlying talk that perhaps traders were anticipating a much larger cut. The USDA agreed a larger cut was needed, taking old crop ending stocks down 15 million bushels to 445 mbu.**
- **The reduction in ending stocks came from a 15 million bushel increase in exports due to greater Chinese demand, as well as some perceived changes in currency ranges and South American supply availability.**
- **On the global front some traders were talking about a possible cut in Brazilian production due to the recent trend lower in private estimates. The USDA left Brazilian production for this crop year unchanged, but did make minor adjustments higher to last year's crop, as well this year's Argentina production. When all adjustments were factored in global ending stocks increased ever so slightly to 79.02 mmt, slightly lower than the pre-report guess of 79.4 mmt.**
- **Global soybean fun fact: unlike in corn and wheat China does not hold the bulk of global soybean supplies. Instead an estimated 37% of the world's soy stocks are sitting in Argentina.**
- **Wheat continues to struggle with negative supply and demand fundamentals. Today did nothing to change that perception. The USDA increased overall wheat ending stocks 10 million bushels from last month bringing them up to 976 million bushels, the highest number seen since 1987. This number was in line with pre-report estimates and 10 million bushels higher than last month's estimate due to a reduction in domestic usage.**
- **What's concerning about today's reduction in domestic usage was that the USDA left export numbers unchanged. We continue to lag the pace needed to hit current projections with only 7 weeks left in the marketing year. This will likely keep traders hesitant to buy even as we work our way through the most critical weather market/production period.**
- **Globally ending stocks increased yet again to another record high. The bulk of today's increase in global ending stocks came out of China who is the proud owner of 40% of the world's overall wheat supplies.**

**After the report was released the market seemed slow to react, sold off, then rallied again back close to highs established early in the day. At this point soybeans are back up to the highest level seen in months and are producing great opportunities for sales above \$9.00 cash for both old and new crop. Corn has shaken off much of the negative feeling seen after the March 31<sup>st</sup> and recovered on the thoughts that acreage could potentially be lowered from the intention number released, with a weaker dollar helping benefit our export pace. Wheat continues to languish after yesterday's sell off as weather forecasts continue to show heavy drought busting rains possible for the Southern Plains in the week ahead.**

**At this point old crop basis levels have weakened slightly in our area as increased grain movement for cash flow ahead of planting, as well as the recent rally in beans has allowed end users to cover their needs short term. However, even with the slight downturn they still remain historically strong. When looking at new crop pricing opportunities make sure you keep your break evens in mind and don't be afraid to start scale selling into this rally if you haven't already. Beans have gained a substantial amount of value these last few weeks and are likely to encourage increased plantings in the months ahead. 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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