This Week in Agriculture:

USDA Supply, Demand, Quarterly Stocks and Crop Production Overview: January 10, 2014

- **The USDA provided the market with a plethora of much needed information today, releasing their World Supply and Demand, Quarterly Stocks and Crop Production numbers midday. From an overall perspective corn numbers were bullish, soybean numbers were neutral, with wheat numbers bearish.**
- **The biggest surprise in today's report were the numbers seen in corn. Ahead of the report the March corn contract put in new contract lows, losing over 24 cents from their recent high put in place on Tuesday. Traders were anticipating a possible increase to production, subsequently resulting in an increase to ending stocks. The USDA disagreed with trade sentiment however, lowering production, increasing demand and lowering ending stocks in the end.**
- **There were several important adjustments made in the overall corn supply and demand update, starting with production figures. Coming in to today traders were anticipating the corn crop to move above 14 billion bushels, with the average trade guess coming in just below 14.1 billion. Overall production today came in at 13.93 bln bushel. An unexpected and surprising 1.6 bushel per acre yield drop more than offset the 400,000 acre increase in harvest area.**
- **Ahead of today traders were anticipating December 1st stocks would come in around 10.8 billion bushels. The USDA put that number at 10.4 billion. The adjustment lower in stocks can only be partially explained by the smaller than expected production number, the remaining adjustment came directly from better than expected usage in the first quarter of the marketing year.**
- **From a demand perspective first quarter usage was somewhat phenomenal. As a result the USDA increased their feed usage projection by 100 million bushels from last month. They also increased ethanol usage by 50 mbu, but offset that increase by reducing other food, seed and industrial usage by the same amount. Taking lowered production and higher demand into consideration the USDA lowered their overall 2013-2014 ending stocks estimate by 161 mln bushels from their December projection. At 1.63 bln bushels today's ending stocks projection was 230 million bushels lower than the average pre-report estimate.**
- **Important tidbits to note: today's stocks number showed a dramatic increase in corn bushels on the farm. According to the USDA's December 1st stocks there are over 1.8 billion bushels more on the farm waiting to ship than there was a year ago. This is reflected currently in tight spreads and solid basis opportunities. But things could really get interesting as we head through the marketing year and the grain starts moving.**
- **Here in Michigan the USDA believes there are 40 million bushels more on farm and 15 million bushels more in the hands of commercials than there was in 2012.**
- **Soybean numbers weren't quite as exciting as corn, with overall numbers coming in relatively close to pre-report expectations. Production-wise the USDA raised their yield estimate by .3 bushel to the acre, that, combined with a slight increase in harvested area resulted in a 31 million bushel increase overall. With soybean export sales already over 100% of projections and meal sales strong as well the USDA raised overall demand by an additional 30 million bushels, offsetting the increase in production.**
- **Ahead of the report traders were anticipating carryout to come in around 149 million bushel. The USDA pegged their 2013-14 carryout projection at 150 million.**
- **From an overall stocks projection there are around 45 million bushels more soybeans on farms than there was a year ago, with over 136 million bushels more in commercial holdings. Here in Michigan there is nearly 10 million bushels less on hand than we saw a year ago. Much of that due to the strong Toledo market well into November. Of the bushels still stored in the state the reduction is split with 5 mln bushels less both on farms and in the hands of commercials than in December 2012.**

- **Wheat can't seem to catch a break. Quarterly stocks numbers came in nearly 10 million bushels higher than expected as cheap corn hitting the market at harvest reduced the amount of wheat fed in the Sept-Dec time period. As a result of slower than expected feedings seen initially the USDA lowered their overall wheat feedings projection by 60 million bushels.**

- **Ahead of the report traders were anticipating all wheat stocks to come in around 557 million. The USDA projects we will have 608 million bushels of wheat left over domestically at the end of the marketing year. What's most amazing about wheat itself is that domestically we are the tightest we have been in 7 years—which is reflected in tight spreads and strong basis levels for old crop—globally though we have more than adequate supplies with increases in production to Chinese, Canadian and the Former Soviet Union crops only adding insult to injury.**

- **Winter wheat seedings are down from a year ago, and came in below expectations. Here in Michigan we have a projected 20,000 acre increase in wheat plantings over last year. The million dollar question as we move ahead is whether or not those acres planted will all make it to maturity, or if growers will start to look at their bottom-line differently as we move ahead. As always, weather will be the final determining factor.**

Overall today's report allowed the corn market to breathe a sigh of relief. It's vital though to keep in mind we still have nearly double the carryout we saw at the end of last year. That, combined with potential future feed loss due to the PED Virus in pigs, import issues in China and the questionable future of the RFS will keep traders from feeling too confident as we move ahead. Keep this in mind when looking at pricing opportunities. The same can be said for beans as South America appears to be producing a pretty monster crop at this point.

The key is to remember what values you would have sold when the market looked to be at its worst. If those were opportunities you wished you would have taken then, they're still good now. As always target orders will be key in catching any quick bursts to the upside, while also allowing you to take the emotionality out of the market. We'll be holding an educational marketing class in Charlotte next Thursday the 16th of January; we hope to see you there! Until next week, have a great weekend and stay safe!

All the Best!
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