

This Week in Agriculture:
USDA Supply and Demand Report Summary: March 10, 2015

- As expected today's report was more of a non-event than a shocker. From a historical standpoint it is rare to see the USDA make any major adjustments in March, and today wasn't really any different. From a pre-report expectation standpoint we saw domestic and global corn numbers come in lower than traders had anticipated ahead of the report. Domestic wheat carryout came in a touch lower than expected, while global numbers came in close to the average trade estimate. Soybean numbers came in slightly higher than expected on both domestic and global fronts.
- A reduction to corn carryout was the surprise of the day. Ahead of the report traders were anticipating corn carryout to stay relatively close to unchanged versus the USDA's February estimates. In today's report the USDA lowered their carryout expectations by 50 million bushels from last month, coming in at the lowest level of the pre-report estimate range.
- From a usage perspective the USDA anticipates a 50 million bushel reduction in corn used for ethanol. In the new "Grain Crushings and Co-Products Production" report released by NASS the amount of ethanol each bushel of corn produced has been higher than anticipated each month of the marketing year so far. Based on the report Oct through Dec we saw 2.8 gallons of ethanol produced per bushel of corn ground, while in January that number increased slightly to 2.85 gallons of ethanol per bushel. The USDA had been using 2.70 gallons per bushel previously.
- According to the USDA the reduction in the amount of corn ground for ethanol has reduced the amount of available DDGs for feedings. So, though the USDA has decreased corn feedings the last 2 months in response to higher ethanol production numbers, they increased corn feedings in today's report by 50 million bushel because of the lower than anticipated available supply of DDGs. An increase of 50 million bushels to export expectations was also included in today's numbers.
- Globally we saw corn production lowered due to extreme dry conditions throughout the growing regions of South Africa. A 2 mmt (78.74 mbu) reduction to the South African crop, coupled with a minor decrease in Belarus was only partially offset by a .5 mmt (just under 20 mbu) increase in Argentinean corn production. Ending stocks for the crop year are expected to come in at 185.28 mmt, which though lower than expectations, is still a 517 mbu increase from last year.
- Domestic soybean figures were left unchanged from last month at 385 million bushels. Ahead of today's report traders believed we could see a slight increase to expected exports since we've seen a continuation of decent buying strength lately and are ahead of where we were last year at this time on shipments. The USDA wants to see more confirmation on continued export demand before an adjustment higher is made.
- Traders were anticipating a slight increase to overall global carryout, so today's 9 million bushel increase in global ending stocks really didn't come as a surprise. The fact that the USDA left all production figures unchanged out of South America surprised some as many traders were expecting a decrease in Brazilian production to be offset by potential increases out of Argentina and Paraguay. Recent heavy rain in Argentina however has offset the gains in other areas per the USDA, therefore overall production estimates were left unchanged for now.
- With all of the terribly bearish talk about wheat, its relationship with the dollar and their terrible relationship with exports many traders were anticipating a slight increase to wheat carryout versus last month. The USDA went the opposite direction and lowered carryout—by 1 million bushel. This reduction came from a slight increase in expected seed usage as outlined in the February Ag Outlook Forum planted area projection. At 691 million bushels our expected carryout is 100 million bushels higher than a year ago, with Soft Red Wheat stocks account for 72 million bushels of that increase.
- Global wheat carryout was reduced again this month, but remains huge at 197.71 mmt (7.3 billion bushels). It is important to note however the USDA made mention of demand growth across the globe and the continued reduction in global ending stock estimates. With the population growing everyday it is easy to chew through burdensome wheat stocks if a production issue were to develop in one or more major

producing country. Spring weather and dollar moves will hold the key to the path wheat takes in the weeks ahead, after the recent drop in price any type of weather scare could get ugly rather quickly.

- **Of note: Brazil's version of the USDA came out with their production estimates as well. They are 1.2 million metric tons below the USDA (44 mbu) on their soybean outlook, but 3.2 million metric tons (126 mbu) higher than the USDA on their corn outlook.**

Overall today's numbers were hamburger compared to the filet mignon the trade is expecting on March 31st when we get the Prospective Plantings and Quarterly Stocks report. In the meantime the dollar remains on a dead run higher continuing to cause great headwinds for any kind of sustained rally. As we get closer to the report it is likely we will see volatility continue to increase, use this to your advantage when it comes to take advantage of any pricing opportunities that may present themselves in the weeks ahead. Do not forget, target orders allow you to capture those moves higher that may only last seconds.

All the Best!

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