

## This Week in Agriculture:

### USDA Supply and Demand Report Summary: February 10, 2014

- Today's USDA report managed to hold two surprises, first being it was bullish for both corn and wheat, while it was slightly bearish for beans. Second the market's reaction was lukewarm at best, with corn actually finishing the day slightly lower.
- Considering January's report had held a somewhat surprise reduction to carryout projections most traders weren't expecting much in the way of a surprise in today's corn numbers. In fact the average pre-report estimate had corn ending stock coming in just 12 million bushels lower than the USDA's January 1.631 bln bushel projection. The USDA instead lowered carryout 150 mbu, down to 1.481.
- The record early corn export sales pace was the reasoning behind the 150 mbu adjustment lower to carryout. The USDA believes we will export 1.6 bln bushels of corn this marketing year, more than double that of a year ago, and 7 mln bushels higher than exports seen in the 2011-12 crop year. While export sales pace has been strong actual shipments have been somewhat slower than anticipated-this will have traders on their toes, likely waiting to see a strong surge in shipments to cover the large sale projections.
- From a global perspective overall global ending stocks came in slightly lower than anticipated, with South American production coming in line with pre-report estimates. Larger feed usage on the world stage was the reasoning behind the slight decrease in ending stocks projections. It is important to note though, at 157.3 million metric tones (6.2 bln bu) global ending stocks are still at a 13 year high.
- Wheat may be finally catching the break it has been hoping for after months of seemingly nothing but lower trade and negative reports. Ahead of today's report traders were expecting nothing in the way of major supply and demand adjustments. The average trade guess was calling for a 5 mln bushel reduction in carryout, down from 608 mbu in January. The USDA adjusted carryout 50 mln bushels lower due to higher than anticipated food use and exports more than offsetting a minor adjustment higher in imports. With all adjustments factored in the USDA projects 558 mbu old crop carryout for all classes of wheat.
- From a global perspective ending stocks came in slightly lower than anticipated as well, but still more than adequate. With domestic carryout tight, it is interesting to point out global ending stocks are just under 290 mbu higher than the 2012-13 crop year.
- Coming in to today traders knew soybeans were capable of a surprise; today's numbers just were not surprising in the way many had anticipated. In January the USDA put overall soybean carryout at 150 mln bushels, strong export pace and solid domestic crush had traders expecting an adjustment lower to carryout projections. The average trade guess had soy carryout down 7 mln bushel from last month, with the most aggressive of guesses expecting carryout to drop to 125 mbu.
- A 5 million bushel increase to imports, combined with a 10 million bushel adjustment lower in residual use offset the 15 million bushel projected increase in export projections. With updated crush numbers due out a week from tomorrow traders are going to continue to monitor basis and spreads closely to get an accurate gauge of true demand. Of course we continue to hold our breath while we wait for confirmation of Chinese cancellations as supplies out of South America start moving.
- On the South American production side the USDA made minor adjustments to crop prospects, coming in somewhat close to pre-report estimates. Brazilian corn production was left unchanged at 70 mmt (2.76 bln bu), while their soybean crop saw a 1 mmt increase and is expected to come in around 90 mmt (3.31 bln bu). In Argentina the USDA trimmed the corn crop slightly from last month, to 24 mmt (945 mbu), with the soy crop expected to come in slightly lower than last month as well at 54 mmt (1.98 Bln bu).

Today's closes were less than spectacular when you look at what the USDA gave us number-wise. It is important to note that for the first time in USDA numbers we are seeing signs of the PED Virus hitting the hog supply. With the USDA projecting a 1% increase in hogs, and private industry analysts anticipating a 3% decline overall feed demand could remain in the balance. Keep realistic targets in mind when it comes to looking at selling opportunities. In the meantime don't hesitate to call with any questions, we're here to help!

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