

This Week in Agriculture:

USDA Supply and Demand Report Summary: April 9, 2014

- The USDA managed to produce the 5th bullish corn report in a row today. Also producing a somewhat bullish report for soybeans, while their wheat numbers from a global standpoint were less than desirable.
- For corn traders used the updated March stocks number to get a feel for what to expect ahead of today's numbers. With March stocks coming in lower than anticipated it did indicate demand would likely have to be raised in today's report-and it was. Ahead of today traders were expecting carryout to come in around 1.4 bln bushels. The USDA put 2014 ending stocks at 1.33 billion—a far cry from the 2 billion bushel number thrown about in December.
- A healthy increase in export projections was the reason behind today's adjustment lower. A blistering sales pace combined with a recent uptick in shipments pushed the USDA to increase their full year export projection by 125 mbu. At 1.75 bln bushels exports would be the largest seen since the 2010-11 crop year.
- From a global standpoint the USDA increased production by 6.4 million metric tonnes (nearly 252 mbu), with most of the increase coming from Brazil's second crop corn production. The increase in production was more than offset by the increase in demand however, with global ending stocks coming in nearly 20 million bushels lower than last month's projections.
- Ahead of today's report traders were eager to see how the USDA would handle soybean supply and demand figures. With export sales already outpacing USDA projections traders knew we would have to see an increase in imports. How that would affect the rest of the S and D matrix was in question. Pre-report estimates showed carryout expectations around 139 mln bushels. The USDA put that number at 135 mln bushels, down 10 mbu from last month.
- A breakdown of the numbers shows changes to nearly every sector. From the demand side of things the USDA adjusted exports 50 mbu higher, with crushings lowered by 5 mbu, seed usage was increased by 8 mbu, but residual usage was dropped 12 mbu to zero. Putting those together showed a total demand increase of 40 million bushels from last month. To cover the bulk of this increase the USDA believes we will import a record 65 mln bushels of soybeans-up 30 mbu from last month.
- Global ending stocks for soybeans were also reduced slightly, coming in below pre-report estimates. The USDA lowered Brazilian soybean production by a million metric tonnes, down to 87.5 mmt, electing to leave Argentina and Paraguay's production unchanged.
- Wheat numbers domestically could be viewed as neutral to bearish. The increase in overall ending stocks is the bearish twist, but the numbers came in line with what traders were anticipating ahead of time. It was the global numbers that really put a hitch in wheat's giddy up.
- Domestically feed and residual usage was lowered by 30 mln bushels based on pricing projections, and March stocks. This reduction was only slightly reduced by a 5 million bushel decrease in projected imports. By class Soft Red Winter carryout is projected 2 mln bushels lower, Soft White Wheat was increased by 5 mbu, with the biggest increases in ending stocks coming in Hard Red Winter and Spring wheat.
- Ahead of the report traders were anticipating a slight reduction in global wheat ending stocks. The USDA begged to differ increasing global wheat carryout by 110 mln bushels. The bulk of today's increase came from a reduction in projected Chinese feed usage.

Bullish report or no, the corn market seemed to suffer a bit from a “buy the rumor, sell the fact” hangover, trading lower by the end of the day. Wheat was lower as well, while old crop soybeans managed to make new highs before settling back slightly. With the bulk of old crop updates out of the way traders attention will begin to turn to weather. The updated extended forecast released this afternoon continues to show cooler than average temperatures for the next 2 weeks throughout the Corn Belt, with normal to below normal precipitation expected. Keep in mind when it comes to looking at planting delays we managed to plant over half the corn crop during the

last 2 weeks of May last year. Once the weather breaks planting will be in full force. Remember this when looking at both old and new crop sales. Give us a call with any questions, we're here to help!

All the Best!

Angie Maguire

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