

This Week in Agriculture:
USDA Supply and Demand Update: May 9, 2014

- Much of the week was spent monitoring weather and planting conditions while traders squared their positions ahead of today's USDA supply and demand update. As the dust settled at the end of the day we saw July wheat up 6. July corn was up 8 while December corn was up 4. Old crop soybeans rallied strong on today's updated carryout number gaining 17 cents, while November beans were up 4 for the week.
- In addition to the USDA making adjustments to old crop ending stocks they also gave us insight into what new crop supply and demand prospects look like. From a domestic perspective corn numbers looked supportive, but a significant increase in potential global supplies was enough to keep buyers at bay.
- Ahead of today's report traders were anticipating the USDA to reduce old crop corn carryout from last month. With 99% of projected USDA exports already sold many thought we would see a continued increase in export sale numbers. As expected we saw an increase in exports of 150 million bushels, while also seeing a 35 million bushel increase in Food, Seed and Industrial usage overall.
- This 185 million bushel increase in usage produced an equal decrease in old crop ending stocks. Coming in to today traders were anticipating an old crop carryout number of 1.3 bln bushels on average. The USDA put carryout at 1.15 billion bushels.
- The reduction in old crop carryout of course, spills over into new crop supply and demand numbers as carry in-or available stocks when we start the new marketing year. At this point new crop corn numbers look adequate, but vulnerable if a production issue were to develop.
- The quick run through shows the USDA anticipating "normal" weather and a firm trend line yield of 165.3 bushels per acre on 84.3 million acres harvested. If realized we would have a 13.935 billion bushel crop, some 10 million bushels above last year's production. On the usage side the USDA is anticipating a reduction in feed usage and a reduction in exports. With all pieces factored in the USDA believes we will see 1.726 billion bushels worth of carryout when we reach the end of next marketing year.
- Old crop global corn carryout numbers came in nearly 11 million metric tonnes (433 mln bushels) higher than the average pre-report estimate. Increased production in South America appears to be the driving factor behind the adjustments. For new crop global ending stocks numbers came in 22 million metric tonnes (879 million bushels) higher than the pre-report estimate. If realized global corn ending stocks for the 14/15 crop year would be the highest seen in nearly 15 years.
- Old crop soybeans have been a thorn in the side of the USDA as usage has more than outpaced early projections. In today's report the USDA increased bean imports an additional 25 million bushels from last month's record projection. The 25 million bushel increase in imports was offset by an additional 30 million bushels of usage. Ahead of today's report traders were expecting old crop carryout of 134 million bushels. The USDA put that at 130 million bushels.
- For new crop the USDA is anticipating record setting production. With 80.5 million acres harvested at 45.2 bushels per acre projected yield the 14/15 soybean crop would be 3.635 billion bushels. Usage projections year to year indicate a 20 million bushel increase in crush and a 25 million bushel increase in exports. Even with the increase in usage and subsequent reduction in imports the USDA projects the 2014/15 carryout to come in at 330 million bushels, some 27 million bushels higher than the pre-report estimate.
- From a global perspective old crop soybean numbers came in slightly below pre-report estimates, with new crop numbers coming in slightly higher than estimates.
- Wheat ending stocks numbers came in below pre-report expectations for both old and new crop. Traders had been expecting a slight increase from last month when it came to old crop ending stocks, the USDA left numbers unchanged.

- From an overall new crop prospective carry out numbers came in below pre-report estimates, but well within the range of expectations. Domestic supplies for the new marketing year are expected to be the lowest we've seen since 2007/08. From a global perspective though supplies are expected to fall by less than 1% from the current marketing year as increases in world wheat production and carryover will help offset the loss in domestic wheat production.
- Here in Michigan the USDA sees overall state production dropping by nearly 10 million bushels from a year ago.

Today's report was loaded with numbers. Many of which will likely take days for the trade to digest. From an overall perspective traders will be monitoring soybean import numbers as we move through summer. Ahead of today's report many in the know were questioning how we would hit the 65 mbu projection from last month, the USDA increasing this expectation by an additional 25 mbu only further adds to the confusion and apprehension of the trade. New crop corn numbers are suspect as well. To achieve 165 bushel to the acre nationwide weather would have to be nearly ideal, so it is likely a safety net will have to remain in place price-wise until new crop production is solidified.

It is also key to take note of global numbers and their impact on the market as a whole. Domestic corn and wheat numbers were very supportive to price today, but increasing global supplies were quick to extinguish any rally that had developed. Bottom line, current cash and futures prices are higher than USDA on-farm price projections and are likely high enough to help you maintain a positive revenue flow in the new crop year and beyond. Do not get complacent with sales at this point simply because you're hoping the prices continue higher. Target orders will help you catch quick pops and keep you active in the market while you're busy in the field. In the meantime, give us a call with any questions, we're here to help!

All the Best!
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