

This Week in Agriculture:

USDA Supply and Demand Report Summary: August 12, 2015

- **The USDA surprised traders, analysts and owners of satellite imagery groups today raising their production outlook versus the expectation of a significant decline.**
- **Coming in to today's report many traders were expecting the USDA to lower yields slightly from their July estimate of 166.8 bushel to the acre, down to 164.5. Using survey information, a small selection of plots and actual field surveys this month the USDA adjusted yield 2 bushel per acre higher, up to 168.8.**
- **Many traders had anticipated we would see a slight reduction in harvested acreage as well, prompting an overall production decline from last month of 203 million bushels. The USDA also disagreed with this sentiment, leaving harvested acreage unchanged and taking total production up to 13.686 billion bushels. Only slightly below the highest estimate in pre-report guesses.**
- **This increase in production more than offset the positive adjustments the USDA made to new crop demand. The USDA is anticipating feed usage to stay right around 5.3 billion bushels. This is 25 million bushels higher than last month's estimate, but unchanged for the year. This will likely leave lots of room for future adjustments, especially considering cattle herds continue to grow and the farms impacted by this spring's Bird Flu will restock barns.**
- **Other adjustments made to demand were to both old and new crop corn industrial usage, which the USDA explains on the old crop side is a sweetener adjustment, while in new crop it is both sweetener and ethanol demand. These increases in demand more than offset the decrease to expected exports, which the USDA lowered 25 million bushels from last month, putting it in line with the export pace we saw this crop year.**
- **When the dust settled old crop carryout came in around 1.772 billion bushels, down 5 million bushels from last month, and 2 million bushels below the average pre-report estimate. New crop carryout came in at 1.713 billion bushels, up 114 million bushels from last month and 289 million bushels higher than pre-report estimates.**
- **On the global side of things we saw old crop carryout increase 3.47 mmt (136.6 mbu) due to larger crops out of Brazil and Mexico. Though many traders were aware of the crop production estimate increases out of Brazil they were anticipating the USDA to leave global old crop carryout unchanged from last month.**
- **New crop ending stocks are up significantly as well, with the combination of increases in old crop carryout and U.S. corn production. At 195.09 mmt (7.68 billion bushels) global carryout followed suit coming in 7.18 mmt (282.7 mbu) higher than pre-report estimates.**
- **Soybeans were not immune from today's extremely bearish numbers, seeing production numbers increase over last month's estimates as well. With over 3 million acres unplanted July 1st—over 1 million of which thought to be in Missouri—many traders were expecting the USDA to reduce harvested acreage significantly from last month. The USDA reduced harvested acreage 900,000 from last month, feeling confident that 'improved weather' allowed the rest to be planted.**
- **While some could understand the drive to get beans planted, many are confused as to how late planting into poor soil conditions could lead to a 0.9 bushel per acre increase in yield over last month's estimates. At 46.9 bushel per acre today's USDA estimate came in 2.2 bushels per acre higher than the average pre-report estimate. With the increase in yield and only slight decrease to harvested acreage overall production is expected to come in around 3.916 billion bushels, up 31 million bushels from last month and 192 million bushels higher than pre-report estimates.**
- **In an interesting turn of events, the one thing traders have been most concerned about was actually one of the few sources of bullish information. Global ending stocks came in lower than pre-report expectations for both old and new crop soybeans. Huge demand out of China was recognized in today's report with the USDA increasing the country's import estimate for both old and new crop beans. Increased domestic usage via crush in China, the US and Ukraine accounted for some of the decline as well.**

- With all of the attention on corn and soybeans wheat seemed to handle today's numbers well. Ending stock expectations were raised 8 million bushels from last month, up to 850 mbu, but below the pre-report estimate of 858 mbu. Lower imports due to drought-induced production declines in Canada, as well as lower production estimates for HRW and SRW helped to offset Spring Wheat production increases.
- Unfortunately from a global standpoint higher production estimates for FSU and Turkey more than offset lower European beginning stock estimates. At 221.47 mmt (an astounding 8.14 billion bushels) global carryout is again production to be record high, coming in 3.32 mmt (121.98 mbu) higher than pre-report estimates.

As one would expect when you see numbers come in extraordinarily higher than pre-report expectations across the board, the move lower was swift and painful for most producers. This marks the second major crop report of the year that came in way outside of the realm of what was expected ahead of its release. Many are wondering how it could be possible for private analytical services to be so far off on actual USDA numbers, especially since it seems as though the more technology we have the less accurate we are.

From a performance standpoint the USDA has underestimated corn production 22 times in the last 34 years, while ending stock estimates have been too high half of the time. On soybeans the USDA has underestimated soy production 21 times in the last 34 years, with carryout estimates underestimated 18 times in those same 34 years.

In the end today's report mixed with emerging currency wars and continued global economic unrest will make catching a bid difficult in the short-term. Many will be putting much more attention than we're used to on FSA information set to be released Monday morning to see if any insight can be gleaned there. The Pro-Farmer crop tour will start Monday as well giving us some actual boots on the ground insight that is well respected globally. Keep in mind your movement needs as well as what you're looking at from a cash flow standpoint. While now doesn't feel like the right time to make actual sales, it is most definitely the right time to get realistic target orders into place. Give us a call with any questions, we are here to help!

All the Best!

Angie Setzer

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