

This Week in Agriculture:
USDA Supply and Demand Report Summary: July 11, 2014

- Coming in to today's report most traders were anticipating a relatively bearish supply and demand outlook update from the USDA. With the acreage increase seen in soybeans and spring wheat and higher than anticipated stocks in the June 30th report an increase to new crop carryout projections was all but guaranteed. The USDA did not disappoint, increasing the new crop ending stock outlook across the board.
- On the corn side of things old crop carryout was increased from last month's projections. The surprising increase in stocks from the June 30th report was carried through into today's estimates. The USDA believes corn and feed usage will actually be 125 million bushels lower than they had anticipated last month. The reduction in feed usage was partially offset by a 25 million bushel increase in corn used for ethanol.
- Ahead of the report traders were expecting old crop carryout to come in around 1.232 billion bushels, the USDA expects 1.246 billion bushels will be left over at the end of the marketing year.
- With historically high crop condition ratings many traders were expecting a yield increase in today's new crop supply and demand outlook for new crop corn. The USDA made it clear today though, that while conditions are currently favorable for corn production it was a little early for them to make any increases to an already record high yield outlook.
- With the 100 million bushel increase in old crop ending stocks carried through to the new crop year and an additional 50 million bushel adjustment lower in new crop feed use projections the carryout expectations for the 2014-15 crop were increased 75 million bushels. Ahead of the report traders were anticipating a 50 million bushel increase. If realized, a 1.8 billion bushel carryout would be the largest seen in recent memory.
- From a global perspective we saw a further increase in expected ending stocks. If projections prove true we would see a 575 million bushel increase in leftover global corn stocks than we did a year ago.
- Coming in to today's report old crop soybean supply and demand appeared to be somewhat of a wildcard. With the surprising increase in June 1st stocks many traders were scratching their heads as to what adjustments the USDA would make to cover the extra bushels.
- From an overall standpoint the USDA made adjustments higher to both crush and exports, but added in a historically large negative 69 million bushels worth of residual usage. Or in English, they basically increased the crop size from last fall—or in super layman's terms, found an extra 69 million bushels under a rock.
- As for new crop the USDA factored in the extra acres found in the June 30th report, left yield unchanged and came up with a record 3.8 billion bushels worth of expected production. New crop demand is expected to be up slightly, but nowhere near high enough to offset the massive expected production coming our way. The USDA expects we will have 415 million bushels of soybeans left over at the end of the new crop marketing year. This was right around pre-report estimates, and up 90 million bushels from last month's projection.
- Wheat numbers came in much higher than expected. At this point the anticipated increase global production and supplies on hand will very likely slow export interest as we move ahead. Cheap feed grain prices will also cut into feed demand for the crop as well.

- Ahead of the report traders were expecting carryout to come in around 591 million bushels. The USDA put all wheat ending stocks at 660 million bushels. Increases in spring wheat production coupled with the already discussed slowdown in demand was the leading factor in this increase.

Moving forward yield estimates and the search for increased demand will be the name of the game. At this point the range in corn yield estimates is around 159 to 180 bushel per acre. Much cooler than normal temperatures are in the forecast for the bulk of pollination as well; with stress from cool weather much less evident than stress from hot weather, traders may have a tough time bringing their yield outlooks back down to earth in the short term. The same can be said for soybeans.

In the meantime don't forget to take a realistic look at what you have to move for old crop and at harvest and start putting a plan in place. There are marketing options available to help cushion the blow. Until next week, have a great weekend and stay safe!

All the Best!!

Angie Maguire

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