

This Week in Agriculture:
USDA Supply and Demand Report Summary: June 10, 2016

- **The USDA gave us their updated supply and demand outlook for both old and new crop today. Though the big potential market moving report will come at the end of the month with quarterly stocks and an acreage update today's numbers could be considered supportive to market price with demand numbers coming in better than expected for both corn and soybeans.**
- **On the corn side of things we are really beginning to see the impact Brazil's heavy front end export program and loss in second crop corn is having on the global supply and demand picture. The production loss there has resulted in a sharp drop in domestic supplies and the country's exit from the global market structure. This has resulted in an extremely sharp increase in US exports in recent weeks and has prompted the USDA to raise old crop export expectations by 175 million bushels in their last 2 reports.**
- **This month's 100 million bushel increase in old crop export expectations was only slightly offset by an expected 5 mbu increase in imports. With those 2 adjustments being the only ones made to the overall supply and demand picture the USDA dropped their old crop carryout expectation 95 million bushels, to 1.708 billion. Traders were anticipating a 1.770 billion bushel carryout.**
- **Of course the 95 million bushel drop in old crop carryout carried forward into new crop beginning stocks, lowering the overall expected supply available at the end of the marketing year. This reduction in beginning stocks combined with an anticipated 50 million bushel increase in new crop exports dropped new crop carryout 145 million bushels from last month's initial estimate. At just over 2 billion bushels today's new crop carryout came in 104 million bushels lower than the pre-report estimate.**
- **Globally the USDA dropped Brazil's production and export estimate 3.5 mmt (138 million bushels) from last month. This combined with adjustments to the US ending stock outlook lowered global carryout only slightly as the two adjustments offset each other for the most part. On the new crop side a large increase in Argentina corn production is expected, but will not be enough to offset the drop in US carryout. As a result new crop global carryout is expected to drop slightly from this year.**
- **Changes in South American soybean production had an impact on old crop domestic demand as well. A 73.5 mbu adjustment lower in Brazil's production outlook after an adjustment lower in Argentina's last month and a continued strong pace to old crop exports prompted the USDA to increase their soy export outlook 20 million bushels. Continued strength in meal and oil exports resulted in a 10 million bushel increase in old crop soybean crush as well. The adjustments higher in demand dropped carryout 30 mbu from last month to 370 mbu, traders were expecting a 386 million bushel carryout.**
- **As in corn the lower old crop carryout and subsequent lower new crop beginning stocks combined with an anticipated 15 mbu increase in exports lowered new crop carryout expectations 45 million bushels from last month. At 260 million bushels new crop carryout came in 38 million bushels lower than last month and nearly half the 500 million bushel carryout number discussed so often over the winter.**
- **Wheat numbers continue to weigh heavy on the complex as they just seem to just keep getting bigger. Final old crop [carryout numbers were released this morning up only 3 mbu from last month's estimate and in line with pre-report estimates. New crop carryout came in 5 million bushels higher than pre-report estimates and 70 million bushels higher than old crop numbers primarily due to a 79 million bushel increase in expected production. A 30 mbu increase in expected new crop feed usage and a 5 million bushel increase in exports did little to offset the supply jump.**
- **Global wheat stocks continue to grow with China holding 46% of the world's supply—over 4 billion bushels.**
- **On a personal note the Setzer carryout increased by one this month as Kolton Jeffrey David made his way into the world May 30h at 9:16am. Our bouncing baby boy weighed in at 6 pounds 14 ounces and was 19" long. After an initial scare and a few days fighting an infection he's home now and I'm falling more in love by the day. I will be out of the office through the end of next week, slowly transitioning back to work**

beginning Monday the 27th. Amber and Janae will be more than willing to help with anything you need in the meantime.

As mentioned, though important today's report pales in comparison to the report due June 30th. While it was supportive to price at first glance weather and projected acreage outlooks will be in the driver's seat these next couple weeks. Now is not the time to abandon your marketing plan or take a wait and see approach, continue to focus on profit potential and scale sell as the market legs up on any potential production concerns. In the meantime don't hesitate to call with any questions we're here to help.

All the Best!

Angie Setzer

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