

This Week in Agriculture:

USDA Supply and Demand Report Overview: June 12, 2013

- **The USDA released their updated supply and demand information at noon today, giving some insight into what they expect for both old and new crop. Today's report was considered bearish for both corn and wheat and somewhat neutral for soybeans.**
- **Ahead of the report traders were anticipating a nearly 11 million bushel reduction in old crop ending stocks from last month's 759 mbu estimate. The USDA went the opposite direction, increasing old crop ending stocks by 10 million bushels overall. This month's ending stock increase came from minor adjustments made throughout usage. We saw an increase in corn imports, a decrease in exports and an increase in ethanol usage. Other food use was projected 15 mbu higher as well, with increased use in cereals, beverages and alcohol projected.**
- **New crop corn production was the focus of most traders. With an estimated 4.8 million acres of corn unplanted based on Monday night's planting progress numbers, many traders were expecting a reduction in planted acreage. In the last 20 years the USDA had adjusted planted acres lower only 4 times in their June S and D report. Today followed the average as the USDA left acres unchanged from last month.**
- **The USDA does believe the slow start will impact yields though, as they reduced their nationwide yield estimate by 1.5 bu per acre. With a harvested acre projection of 89.5 mln (using an average 92% harvest rate) the USDA anticipates we will see just over 14 billion bushels of overall corn production, down 135 mbu from last month's estimate.**
- **The 135 million bushel reduction in production was partially offset by a 70 mbu reduction in usage. The USDA reduced feed usage by 125 million bushels. This seems significant this early on, but they cite the smaller crop, higher prices and increased availability of distillers as their reasoning behind the reduction. The decrease in feed usage was offset slightly by a 55 mbu increase in industrial use, with most of that coming from higher expected ethanol usage.**
- **Overall the USDA expects our 2013/14 ending stocks number to come in just below 2 bln bu at 1.95 billion. They did increase their on farm price projection by 10 cents on each end, up to a \$4.40 to \$5.20 average.**
- **Ahead of today's report traders weren't expecting any significant changes to be made to old crop soybean ending stocks. While the USDA left overall ending stock numbers unchanged at 125 mbu, they did make some adjustments within their overall supply and demand projections. With South American beans flowing and the recent slowdown of imports in China, the USDA reduced their export projections, while increasing import projections. To offset those adjustments the USDA increased their crush projections to compensate for higher than anticipated soybean meal export demand.**
- **At this point the USDA has left their new crop soybean projections for production and demand unchanged. With only 71% of the crop planted as of Monday, an estimated 22 mln acres remain unplanted. The USDA feels ending stocks will come in around 265 mbu with an on farm average price range of \$9.75 to \$11.75.**
- **Overall wheat ending stocks were lowered slightly today. With the new marketing year for wheat starting the first of June, this month gave us perspective into overall yield expectations and a final number of carryover from last year's crop. Ahead of the report traders were expecting U.S. ending stocks for all wheat to come in around 634 million bushels, the USDA put their ending stock estimate at 659 million.**
- **Production-wise all of the USDA's estimates came in above pre-report ideas, with Hard Red Winter Wheat coming in 38 million bushels higher than the average pre-report estimate. Soft Red Wheat came in slightly above estimates, while White Winter wheat came in 11 million bushels higher than what traders were anticipating. Here in Michigan the USDA expects a yield of 76 bushel per acre on 10 million acres more than was planted a year ago. Overall they anticipate production in the state will increase 760 million bushels from last year.**

- **One important point: while U.S. ending stocks are down, global ending stocks are expected to stay relatively close to what was seen last year. The USDA projects we will have just over 181 million metric tons of global ending stocks, which is just over 6 billion bushels of wheat left over at year-end.**

July corn finished the day 9 lower, while December corn was down 13. July beans finished unchanged, while November soys were down 11. July wheat was down 15. Overall today's report did little to change the overall direction of the market. With planting still in progress throughout much of the Corn Belt the USDA was careful to point out their projections are "highly tentative." Weather will dominate as we head through the rest of the month, with June 28th's updated Quarterly Stocks and Acres report in the forefront of most traders minds. When looking at how to handle the volatility we are seeing and will continue to see keep your point of profit in mind. Remember you can't go broke making money and to market your crops accordingly. Give us a call with any questions, we're here to help!

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