

This Week in Agriculture:
USDA Acreage and Quarterly Stocks Report: June 30, 2016

- The USDA gave us their updated acreage and quarterly stocks outlook this morning. Most numbers could be considered a miss when compared to trader expectations coming into the report, with the biggest difference seen in both corn stocks and acres.
- As usual the acreage outlook got the biggest play going into today's report. After the significant rally in beans that began in March and continued well into the summer many traders were anticipating a shift away from corn and other crops into beans. The USDA disagreed with this sentiment actually increasing corn acres by 500,000 from their March estimate. At 94.1 million acres farmers are believed to have planted the 3rd largest acreage on record, coming in 1.2 million acres higher than the average trade guess and above the highest pre-report estimate.
- There were many minor adjustments seen across the Corn Belt, with 100,000 acre increases in Iowa, North Dakota, and Missouri. Wisconsin and Minnesota saw the biggest increases from March intentions with 200,000 and 300,000 acre jumps respectively. In Michigan farmers are expected to plant an additional 50,000 acres from March estimates, up 150,000 from a year ago. The only major reduction was seen in Illinois where farmers will plant 400,000 acres less than the USDA thought they would in March.
- In their March report the USDA projected soybean plantings at 82.24 million acres. As mentioned the subsequent \$3 rally led many to believe this number would come in much higher in today's report. It did come in higher, but at 83.6 million the 1.4 million acre increase was below the 2 million acre average expectation, but comfortably within the range in estimates.
- By state the biggest changes from March intentions were seen in Minnesota with a 400,000 acre increase, a 300,000 acre increase in Kansas, 150,000 acre increases in Indiana, Ohio and Kentucky and 100,000 acre increases in Oklahoma, Tennessee, Louisiana and Arkansas respectively. Similar to corn Michigan farmers are expected to plant an additional 50,000 acres from March expectations up 120,000 acres from a year ago.
- Wheat acres came in higher than expected as well with a 320,000 acre increase in Winter Wheat acres and a 780,000 acre increase in Spring Wheat from March expectations. At 50.82 million acres planted overall wheat acres came in 950,000 acres higher than the pre-report estimate. By state the biggest shifts were seen in Texas (+200,000 from March estimates), Montana (+350,000) and North Dakota (+700,000 from March estimates). In Michigan wheat acres were raised 20,000 from March estimates and are expected to be up 90,000 acres from a year ago.
- Quarterly stocks came in higher than expected for both corn and soybeans. On the corn side traders were expecting stocks to come in around 4.528 billion bushels, they came in at 4.722 billion. Higher than anticipated stocks tend to indicate lower than expected demand for the quarter and a subsequent increase in ending stocks in the next supply and demand report. There are questions as to whether today's larger than expected stocks figure could be more an indication of a slower than normal pace to export shipments rather than lacking demand, but in any event it wasn't what the market wanted to see.
- By state the big increases remain indicative of the haves vs the have nots we've been discussing all year. Overall increases from a year ago were seen in Iowa, Minnesota and Nebraska. Of the increases in those states the bushels still held by farmers were huge, accounting for 72% of the year to year increase in Iowa, 78% of the increase in Nebraska and 80% of the increase in Minnesota. Decreases in stocks were seen in Illinois, with 163 million bushels less of corn on hand than a year ago, Indiana with 22 mbu less and Missouri with 44 mbu less.
- At 870 million bushels soybean stocks came in 41 million bushels higher than the average trade expectation and above the high end of estimates. Considering we tend to have a pretty good handle on soybean demand via weekly export sale reports and monthly crush figures it makes one wonder if either the number is lacking accuracy or the crop harvested last year was bigger than originally thought. In any event similar to corn the larger than anticipated stocks number indicates the likelihood is there for an increase in old crop ending stocks in next month's report.

- In the by state breakdown we saw big increases in stocks held across the board, with the biggest increases seen in Iowa (+58 mbu), Illinois (+48 mbu) Minnesota (+46 mbu) and South Dakota (+21 mbu). The bulk of the overall increase in holdings however is a bit more skewed with the majority of soybeans making their way off the farm and into the hands of elevators. Off farm or commercial holdings are up 55% from last year, with on farm holdings up 14%.
- Wheat stocks came in as expected showing some staggering figures in the by state breakdown. The largest gains in wheat holdings were seen in Hard Red Wheat states like North Dakota (+40 mbu), Oklahoma (+31 mbu) and Texas (+30 mbu). Soft Red Wheat states were more of a mixed bag, with stocks in Ohio up 7.4 million from last year and Michigan up 3 million bushels from a year ago, while Indiana holdings were down 1.9 million and Illinois stocks were 4 million lower.

When the dust settled we saw corn down 12, wheat up a penny and beans up 40. It is interesting to note that out of the last 20 years the USDA has overestimated corn plantings 16 times, soybean plantings 13 times, Winter Wheat 15 times and Spring Wheat 13 times. Even with the track record of overestimating the numbers released today will be used in July and subsequent reports meaning an increase in carryout for both old and new crop is likely without a major yield adjustment.

Now that today's numbers are out of the way though traders will turn their attention back to weather with above normal temperatures expected in the 6-10, 8-14 and 30 day forecasts released by the National Weather Service. Traders are watching weather maps closely as a significant rain event is expected in some of the driest areas of the Corn Belt over the holiday weekend. Whether this event is realized and what the temperatures look like when we return to trade after the extended holiday weekend will dictate price action moving forward. At this point there are still opportunities present in soybeans, with corn and wheat values unfortunately hovering just above recent lows. Take a look at where you're sitting from a sales standpoint when looking at updated production potential and give us a call with any questions. Until next week have a great weekend and a safe 4th of July holiday.

All the Best!
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