

This Week in Agriculture:

USDA Supply, Demand and Crop Production Report Summary: November 8, 2013

- **“Offset” is the USDA action word of the day with acreage reductions partially offsetting yield increases for both corn and soybeans. At the same time increases in demand helped to further offset increases in overall supply. All of these adjustments combined resulted in lower than anticipated year-end figures for both corn and soys allowing both markets to trade higher on the day.**
- **Overall December corn closed the week close to unchanged, but up 6 on the day. January soybeans finished the week 45 higher, with 29 cents of that move happening after today’s report. Supply and demand numbers for wheat weren’t quite as rosy as the others, December wheat finished the day down 5 and down 20 for the week. July 2014 held its own only losing a penny today, but falling 17 for the week.**
- **Corn numbers came in much better than expected from an overall market standpoint. As we’ve discussed before traders were quite uncertain when it came to what to expect on overall production. Yield reports have been much better than anticipated initially, with many traders expecting a national average yield in the 160+ range. The USDA did not disappoint when it came to their yield projection of 160.4 bu per acre nationwide.**
- **The fear coming into today was that the USDA would not follow the FSA’s lead and reduce overall acreage. A 5.1 bushel per acre increase on the acreage reported in September would have resulted in an overall production increase of nearly 450 mln bushels. Luckily the USDA did take FSA numbers into consideration adjusting total harvested acres lower by 1.9 million. This 1.9 mln acre reduction resulted in an overall production estimate of 13.99 bln bushels, just slightly below the average trade estimate of 14 billion.**
- **An adjustment higher in demand helped to keep corn carryout below 2 bln bushels as well. With last year’s ending stocks increased in the September 30th Quarterly Stocks Report and production expectations sky high many traders and analysts were all but sure carryout would creep above the more than burdensome 2 billion bushels mark. However a 100 mln bushel increase in feed usage combined with a 175 mln bushel increase in export projections helped to offset 275 mln bushels of the 307 mln bushel increase in supply.**
- **Ahead of the report the average carryout estimate was 2.029 billion bushels. In the end the USDA put their carryout figure at 1.887 billion.**
- **It’s interesting to note that while the bulk of the nation saw a yield increase in today’s report, the USDA reduced Michigan’s yield by 2 bushel per acre from their September estimate to 156 bpa. The 2 bushel per acre reduction in yields combined with a 130,000 acre decline in planted acreage resulted in an overall state-wide production drop of 25 million bushels. At 365 million bushels of overall production, we will still out produce last year by over 47 mln bushels.**
- **On the soybean side of things we appeared to see more of a sell the rumors, buy the fact mentality after today’s report. Overall production, usage and carryout numbers came in relatively close to pre-report estimates. Ahead of today’s report traders were expecting a bump in yield, but as in corn were concerned about whether or not acreage would be reduced. The USDA followed through on expectations, increasing soy yield 1.8 bpa and reducing harvested acreage by 700,000. These two things together resulted in a 3.26 bln bushel USDA estimate, versus the pre-report estimate of 3.22 billion.**
- **Similar to corn demand expectations were increased for soybeans as well, helping to offset the 124 mln bushel increase in overall supply. Heavy crush activity and strong exports resulted in a 103 mln bushel increase in overall demand. When all was said and done final soy carryout is projected at 170 mbu, up 20 mbu from their September estimate and 2 mln bushels lower than pre-report estimates.**
- **Here in Michigan the USDA estimates we will see 83.2 mbu of overall production. This is 2.4 mbu lower than last year, but 1.9 mln bushels higher than their September estimate.**

- Overall wheat numbers came in higher than anticipated as an increase in overall supply was not offset as much as expected by demand. From a global perspective world ending stocks came in much higher than anticipated with less demand due to higher global coarse grain supplies expected.
- Also of importance, there were rumblings yesterday that the EPA would make an announcement today regarding the amount of biofuels mandated through the Renewable Fuels Standard. A document leaked during the government shutdown had indicated a possible drawdown in blending requirements in 2014. While no announcement was made today traders will be hesitant to get too relaxed until an official confirmation on 2014 RFS plans are announced.

Bottom line: today helped to lift a bit of the downward pressure recently placed on the market due to concerns surrounding overwhelming supplies. The lack of information over the last 6-8 weeks had allowed imaginations to run wild and traders to fear the worst. Not seeing the worst in today's numbers will allow for a sense of relief and the focus to return to ever-increasing demand. Keep in mind though that just because today's numbers weren't overwhelmingly bearish, they weren't incredibly bullish either. Supplies are adequate, demand is good and rising, but from a carryout perspective both domestically and globally there are very few concerns at this point. Remember this when looking at marketing opportunities. In the meantime, have a great weekend, stay safe and please don't hesitate to call with any questions, we're here to help.

**All the Best!
Angie Maguire
Citizens LLC**

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