

## **This Week in Agriculture:**

### **USDA Supply and Demand Report Summary: September 11, 2014**

- **Looking at both crop production and ending stock estimates after their release today's USDA report can be summarized by one simple trading cliché, "Big crops get bigger."**
- **Though condition ratings indicated we had the potential for a phenomenal corn crop the USDA was slow to raise their yield projection too dramatically in last month's S and D update. This reluctance had some traders questioning how aggressive they would be with this month's yield outlook. At 171.7 bushels per acre projected the USDA completed the biggest yield jump by percentage from an August to September report on record.**
- **The 4.3 bushel per acre increase in yield estimates raised overall production an amazing 363 million bushels from last month. If realized, 14.395 billion bushels would be the biggest crop on record. Luckily to help soften the blow—if only ever so slightly—the USDA increased demand numbers a bit from last month.**
- **Cheaper prices and reduced South American competition in the last half of the marketing year led the USDA to increase their corn export projection by 25 mbu. Feed and residual usage was increased by 75 million bushels, with ethanol usage up by 50 mbu and corn used for sweeteners up by nearly 20 million bushels. Though the increase in demand helped reduce the overall level of burden slightly, the 2.002 billion bushel carryout would be the largest ending stocks number seen since the 04/05 crop year.**
- **Production numbers by state are somewhat interesting when broken out from the group. Here in Michigan the USDA anticipates a statewide 162 bushel to the acre yield—up 7 bpa from last year's record crop. Missouri saw the largest yield increase by state with the USDA expecting a 9 bushel to the acre yield increase from their August estimate. Other big yield jumps were seen in Nebraska, Illinois, Indiana and Wisconsin with a 6 bpa increase from last month, while Indiana's yield is expected to be 5 bushel higher than the USDA August estimate.**
- **Global numbers were mixed with a reduction in production seen from China and Argentina. Other increases and some reductions in overall demand led global carryout numbers to increase yet again, up to 189.9 million metric tons versus 187.8 million projected last month (82.67 million bushels higher).**
- **Soybeans were not left out of the yield increase parade in the least bit, though the increase was much milder than the one seen in corn. The USDA bumped soy yield up to 46.6 bushel to the acre, 1.2 bushels higher than last month's estimate and a record.**
- **An overall production increase of 78 million bushels from last month was only slightly offset by a 10 million bushel reduction in old crop carryout, a 25 million bushel increase in exports and a 15 million bushel increase in crush. If realized, a 475 million bushel carryout would be the highest amount of beans left over here in the U.S. since the 06/07 crop year.**
- **With South American farmers facing a significant revenue pinch when it comes to growing corn, the shift to more soybeans at this point appears obvious. As a result the USDA projects new crop South American soy production to increase by 4 million metric ton (146.97 million bushels) from last year.**
- **When looking at all classes of wheat the numbers were relatively bearish. An expected increase in imports of Canadian Spring Wheat (though logistics may have something to say about this as we move ahead) combined with reduced usage in Hard Red Winter wheat left overall wheat stocks higher than expected ahead of the report.**

- **The only small bright spot in wheat numbers was seen in the Soft Red Wheat outlook, where a minor 5 million bushel increase in projected exports brought overall carryout down by that same level, but still 77 million bushels higher than we saw in the 2013/14 crop year.**
- **Staying true to form global wheat ending stock numbers came in much higher than anticipated as well. While quality may be an issue in some regions of the world, traders feel comfortable we have more than enough wheat available on a global scale at this point.**

**When the dust settled today we saw December corn down 5, while November beans were down 12. December wheat closed the day 10 cents lower. At this point we are trying to turn the Titanic. Markets are in full bear mode—and unfortunately for good reason. It's going to take a big transition in demand or a significant South American weather problem to get this market moving in the right direction for the grower.**

**At this point we are seeing pricing opportunities pop up if you are holding unpriced old crop bushels, and I'm starting to get a feeling we could see some first half harvest basis opportunities develop in SOME locations as we are slow to see new bushels come to the pipeline. Make sure you keep open lines of communication with your buyer; it could make all the difference in the world when it comes to final price. Until next week, have a great weekend and stay safe!**

**All the Best!**

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