

## This Week in Agriculture:

USDA Supply and Demand Report Summary: September 12, 2013

- The USDA released their updated supply, demand and carryout numbers this morning. Overall corn and wheat numbers could be considered somewhat bearish with both crops seeing new crop carryout numbers come in higher than pre-report estimates. Soybean numbers were bullish overall, with production numbers coming in right around pre-report expectations, but carryout coming in lower.
- Many traders were disappointed to learn that the updated FSA numbers that caused such a stir last month would not be included until the October report. Though those numbers indicated record large prevented plant acreage both soybeans and corn saw no change to planted or harvested acreage in today's report.
- The USDA made several small adjustments to corn supply and demand figures. The marketing year for old crop corn wrapped up September 1<sup>st</sup>. As a result the USDA made adjustments to overall demand in all three major sectors; lowering imports, while increasing ethanol and feed usage. These changes resulted in a 58 million bushel reduction in old crop carryout. Unless something dramatically different is shown in the Quarterly Stocks Report expected later this month, it appears as though we had around 619 mln bushels of old crop corn to carry into the new marketing year.
- From a new crop perspective the USDA reversed their yield adjustment lower from last month and went against pre-report expectations by increasing their yield estimate by .9 bpa. This overall increase in yield resulted in approximately 80 million bushels more of overall production. At 13.8 bln bushels this year's crop is projected to be record large and over 3 bln bushels larger than last year.
- Demand-wise the USDA left their projections unchanged from last month, but did lower projected imports a touch. Overall with all factors brought into play the USDA feels we will have a 1.855 bln bushel carryout at the end of the 2013/14 marketing year. This number was 128 million bushels higher than the average pre-report estimate, and one of the highest projected carryout figures seen in recent memory.
- Wheat numbers really didn't hold much in the way of surprises, but did come in slightly higher than anticipated ahead of the report. 10 million bushels worth of imports from Canada were the most significant change from a wheat complex standpoint. Soft Red Wheat carryout figures were lowered slightly, with White Wheat numbers left unchanged from last month.
- As expected, and as we'll likely see as the year progresses, soybeans were the story of the day. Lack of rainfall and heat really hurt yields in already late planted beans. The USDA acknowledged less than desirable conditions in today's report reducing yields 1.4 bpa from last month. This reduction in yields resulted in an overall production reduction of 106 mln bushels. Down to 3.149 bln bushels overall, within 10 million bushels of the average pre-report production estimate.
- From a usage perspective the USDA left old crop supply, demand and carryout numbers unchanged at 125 million bushels. To compensate for lower production the USDA feels we will see a 20 mln bushel reduction to crush and a 15 mln bushel reduction to exports from last month's outlook. These reductions combined with lower production dropped carryout estimates 70 mbu from last month, down to 150 mbu overall. Ahead of the report traders were expecting a 165 mbu carryout.
- State by state, production numbers are interesting. Here in Michigan corn yield expectations and overall production was left unchanged from last month, with the USDA anticipating a 158 bpa state-wide yield and a 390 mln bushel crop. Other states saw little changes made, with Kansas and South Dakota seeing big jumps in their yield projections and Iowa seeing a 1 bpa decline.
- The soybean production break-down by state is likely to be scrutinized heavily. With August conditions substantially drier than a year ago many traders were expecting drops to state yields from last year, the USDA disagrees. While yields were lowered from last month's expectations Iowa, Minnesota and South Dakota were the only major producing states to see yield estimates below a year ago. Here in Michigan, the USDA is anticipating a 43 bpa yield. This is 2 bpa lower than last month's estimate and the same as last

**year. From an overall state production standpoint the USDA is expecting 4.3 million bushels less beans than a year ago here in Michigan due to a reduction in planted acreage.**

**Overall for the day November soybeans were 38 cents higher, with December wheat up 5. December corn closed down 6, in a somewhat strong showing considering the hand it was dealt. Traders will likely take today's numbers as confirmation soybeans will need to stay supported to help discourage demand enough to keep ending stocks adequate. The support in beans should spill over into corn and wheat short-term, with too many uncertainties to say for sure today's numbers are far from gospel. It's likely we'll see updated FSA numbers sometime next week, giving traders something to chew on ahead of September 30<sup>th</sup>'s quarterly stocks report.**

**In the meantime keep in mind the opportunities presenting themselves. Any pop in corn price should be looked at seriously if you know you have bushels to move at harvest. Soybean prices are likely to remain extraordinarily volatile meaning target orders are the best way to catch the quick bursts to the upside. Give us a call with any questions, we're here to help!**

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

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