

This Week in Agriculture:
USDA Quarterly Stocks Report Summary: September 30, 2013

- Going into today's report there was a wide range of expectations. Many traders were wary of the kind of numbers the USDA would produce-especially after seeing extraordinarily wide swings in stocks numbers and market reaction in the last 2 September Quarterly Stocks Report. Today was no different as soybean and corn numbers were both bearish with wheat numbers coming in somewhat bullish.
- Any bullish enthusiasm traders held going into the report washed away relatively quickly once the numbers were released. Overall for the day December corn finished the day 12 lower, November soybeans were down 37, December wheat closed 4 lower, and July 2014 wheat down 7.
- The biggest surprise of the day was in corn numbers. As we've discussed before the numbers released today for both corn and soybeans are the true ending stock figures for the 2012-13 crop year. Last month the USDA projected old crop ending stocks at 661 mln bushels. Going into today's report traders were expecting September 1 stocks to come in around 681 mln bushels. The USDA put September 1st stocks at 824 million.
- From a state by state perspective some of the biggest surprises came out of where the corn was held. Judging by the basis levels paid in the Western Corn Belt for much of the year, and reports that stocks were historically tight to non-existent, the USDA indicated in today's report that the majority of corn was sitting in Minnesota (101 mbu), Iowa (204 mbu) and Nebraska (79 mbu). Illinois also had a tremendous amount of corn on hand, as of September 1st the USDA pegged the state's stocks at 129 mbu.
- Here in Michigan an estimated 17.6 mln bushels was on hand at the beginning of the month. Of those stocks 8.4 mln were still on farm, with 9.2 million in the hands of commercials.
- Spreads, historical basis levels and reports of inadequate stocks were the story of the soybean market throughout the crop year. In the September Supply and Demand report the USDA pegged old crop ending stocks at 125 mbu. Going into today's reports traders were expecting beans to come in a touch lower at 124 mbu. The USDA surprised everyone by releasing a 141 mbu ending stocks projection for the crop year.
- With exports and crush reported steadily throughout the year the increase in stocks was surprising. The USDA solved the math problem by increasing last year's overall production. They claim we had an additional 60,000 acres planted that went unaccounted for for the year, as well as a yield increase of 0.2 bushel per acre nationwide.
- The largest supply of soybean stocks on hand per the USDA from a state perspective was in Iowa, where an estimated 40 mbu was stored. Illinois held on to an estimated 16 mbu, while Minnesota had 15.7 mbu on September 1st. Here in Michigan an estimated 2 mbu remained in storage, of those 300,000 were on farms, with 1.7 mln held by commercials.
- All-wheat stock numbers came in less than anticipated ahead the report, indicating a possible increase in feed usage. From a by class production standpoint All-winter wheat production came in slightly lower than expected. Hard Red Winter Wheat production come in 44 mbu lower than expectations and 47 mbu lower than the last USDA estimate. Soft Red Winter Wheat came in 20 mbu higher than anticipated and 23 mbu above the last USDA estimate.
- Here in Michigan all wheat stocks are 8.7 mln bushels higher than last year. On farm stocks at 4.9 mbu are 2.3 mln bushels higher than a year ago, commercial stocks were estimated at 42.6 mbu, 6.4 mbu higher than last year. From a production standpoint 68% of our production is Soft Red Wheat with 32% Soft White.

Today's numbers were a blow to an already weak market. At this point the path of least resistance may be lower as the market searches for a harvest low. But remember, the market can and will stay irrational and likely very volatile until we start getting a solid understanding of not only what we're looking at domestically, but globally as well. In the meantime take advantage of any rally that presents itself, and as we've stated several times remember you can't go broke making money.

All the Best!
Angie Maguire
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