

## **This Week in Agriculture:**

### **USDA Supply and Demand Report Summary: September 12, 2016**

- **The USDA released their monthly supply and demand update this morning again adjusting their production, usage and subsequent carry out expectations. At first glance today's report could be viewed as slightly bearish for corn, bearish for soybeans and neutral for wheat.**
- **With September 1<sup>st</sup> being the official start of the new crop year we are getting a better look at final old crop ending stocks, with confirmation expected in the Quarterly Stocks report released at month's end. The only adjustment made to old crop usage was a small 10 million bushel cut to exports. As a result of this cut old crop carryout was increased 10 mbu to 1.716 billion bushels.**
- **This increase in old crop ending stocks was carried forward into new crop beginning stocks and was more than absorbed by a 60 million bushel cut to corn production expectations. Last month the USDA shocked the trade by estimating a corn yield of 175.1 bushels per acre, a new record high. Early indications are starting to show that number may be a touch optimistic, the USDA agreed lowering their yield expectation slightly to 174.4—still a record high.**
- **The 50 million bushel cut in overall supply was partially offset by an expected 25 million bushel cut in feed and residual usage. In the end final new crop carryout is expected to come in around 2.384 billion bushels, slightly above the average pre-report estimate of 2.329 billion bushels. If realized this would be the highest carryout since 1987/88.**
- **Global figures came in relatively close to pre-report expectations. It is interesting to note the USDA believes farmers in Southern Brazil will increase corn production and reduce soy due to record high domestic corn prices there and struggling livestock feeders. Also interesting, the USDA expects all 2.5 mmt of the country's corn production increase from last month to leave via exports.**
- **For the first time in history the USDA believes we will produce better than 50 bushel to the acre soybeans nationwide. Though some believe the amount of rain seen in August could actually be detrimental to the crop in some areas, the USDA believes yields will be even higher than the 48.9 bushel per acre estimate last month.**
- **This 141 million bushel increase in production was partially offset by a 60 million bushel cut in old crop ending stocks that came from higher than expected exports. It is interesting to note old crop carryout expectations of 195 million bushels are 255 million bushels lower than the USDA's carryout estimate last September.**
- **After the 60 million bushel cut in new crop carry out and 141 million bushel increase in new crop production were factored in the USDA also increased crush demand by 10 million bushels and export demand by 35 million. In the end new crop carryout is expected to come in at 365 million bushels, 35 million bushels higher than last month's estimate with the trade expecting carryout to remain unchanged.**
- **Global changes were minor with most production declines offset by demand reductions or vice versa. The USDA does believe China will lower their imports versus last month's expectations but lower production and carry in domestically will result in lower ending stocks than expected.**
- **While wheat's numbers can in no way be considered bullish their long run of obscenely bearish information has seemingly stopped—for now at least. The USDA kept their domestic carry out outlook unchanged when traders were expecting a slight increase. Globally carryout is expected to come in 3.75 mmt (nearly 138 mbu) lower than last month's estimate as a reduction in Chinese and EU production is expected.**

**When all was said and done corn finished down a penny, soybeans were off 14 cents, with wheat 6 cents higher. It is interesting to note the USDA has been nearly split when it comes to their September estimates being above or below the final figure in wheat ending stocks, and has been above the final number 20 of the last 35 years in corn and 25 of the last 35 years in soybeans.**

**Trade attention will now turn to weather waiting to see if a continued wet pattern or potential cold snap emerges. We will also be looking ahead to final carryout figures released in the September Quarterly Stocks report as any adjustments there will carry through in subsequent supply and demand estimates. Opportunities ahead of harvest are beginning to dissipate as most end users have their needs covered for at least the next 2-3 weeks. What happens when combines actually hit the field is anyone's guess. In the meantime we're here to help in any way we can, don't hesitate to call with any questions.**

**All the Best!**

**Angie Setzer**

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