

This Week in Agriculture:
USDA Supply and Demand Update: December 10, 2014

- I would say today's report was "much anticipated," but I would be lying. For most in the industry the December report is generally a non-event and when everything was said and done today wasn't much different. From an overall perspective domestic numbers were somewhat supportive in the sense that they were not bearish, while global numbers continue to grow, limiting much in the way of enthusiasm.
- On the corn side of things the USDA lowered domestic carryout slightly from last month. At 1.998 billion bushels carryout projections came in lower than pre-report expectations and below that magical 2 billion bushel number once again. The only change in today's outlook was a 10 million bushel increase corn used for High Fructose Corn Syrup. This increase was slightly odd since it was only 4 short weeks ago the USDA lowered their HFCS corn usage projections.
- From a global outlook perspective the USDA expects an increase in global carryout from last month, while much of the trade was expecting a small decline ahead of the report. At 192.2 million metric tons (7.6 billion bushels) expected global carryout is an astonishing 2 billion bushels higher than what we saw in 12/13 and up 762 million bushels from last year.
- Domestic numbers for soybeans came in nearly 20 million bushels lower than the pre-report estimate. At 410 million bushels carryout is projected to decline 40 million bushels from last month. The reduction in carryout was simply a result of an increase in exports. The record setting early export pace and relatively slow start to the South American production year has the USDA anticipating over 1.76 billion bushels of soybeans will leave the U.S. destined for our global buyers. The USDA left crush expectations unchanged though early season indications are we're off to a phenomenal start.
- Globally we saw bean carryout expectations come in a touch below last month's projection, but above the pre-report trade estimate. Similar to what we've seen in corn, global ending stocks for soybeans are up an incredible 1.2 billion bushels from the 12/13 crop year and 855 million bushels higher than we saw last year. It's interesting to note though, the USDA appeared to compensate for the increase in U.S. export projections by reducing South American export estimates. China import projections at this point were left unchanged from last month at 74 million metric tons (2.72 billion bushels).
- Domestic wheat stocks continue to perplex the crowd slightly as end users try to get a grip on what we have for quality. At this point the USDA has made little in the way of mention when it comes to some of the quality issues that are cropping up, particularly in the South. While it will have little in the way of a lasting impact in the global market, getting our hands on milling quality wheat that will move with ease has been a bit more challenging than many thought it would be at the end of harvest.
- Today's domestic wheat supply and demand numbers showed little in the way of changes, with only slight adjustments to expected Canadian imports here in the U.S. At 654 million bushels USDA carryout projections came in right at pre-report expectations and 10 million bushels higher than last month.
- Nothing says "Global Market" quite like wheat. Though U.S. ending stocks are down over 73 million bushels from the 2012/13 crop year global carryout is an amazing 20 million metric ton higher (735 million bushels). To put it in perspective the USDA believes at the end of the year we will have 194.9 million metric tons of wheat left over, that's 7.16 billion (with a B) bushels just hanging out waiting to be used.
- From a performance standpoint the USDA tends to underestimate the amount of grain left over in their December outlook. 70% of the time in the last 33 years the USDA has been too low when it comes to projecting global carryout on wheat, they have underestimated domestic carryout 64% of the time. Global course grain carryout has been too low in their December report 82% of the time, while domestic estimates were too low 58% of the time.
- Soybeans are the only commodity where the USDA tends to overestimate domestic carryout (70% of the time), while underestimating domestic ending stocks (61% of the time).

With today's report out of the way the traders who weren't in holiday mode before may be so now. Aside from weekly export reports there is little in the way of new information coming to the market until the January 12th Quarterly Stocks and Supply and Demand report. Until then the cash market is showing signs of weakening in some areas due to increased grain flow after this last leg higher in futures. While at the same time quality issues and a lack of true pressure from the farmer on the end user has some bids remaining steady to firm. At this point we're still 70+ cents above the pre-harvest lows in corn and a 1.32+ higher in soybeans. Opportunities are still present, and with this year's quality concerns in the Northern Belt moving the grain when you want to versus when you have to will be key. Don't hesitate to give us a call with any questions, we're here to help!

All the Best!

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