

This Week in Agriculture:

USDA Supply and Demand Report Summary: June 10, 2015

- **Though traders are truly waiting for the USDA to release their updated Quarterly Stocks and Acreage report at month end, this morning's supply and demand report was scrutinized and heavily traded. When looking at the numbers it appears as though domestic corn numbers were neutral, while global numbers were bearish. In soybeans both domestic and global numbers could be viewed as somewhat supportive, while wheat numbers continue to reflect hefty supplies both domestically and abroad.**
- **Ahead of today's report most traders were anticipating the USDA to keep their carryout numbers relatively unchanged in corn. However, a new edition to the USDA report docket showed less corn being used for ethanol than previously thought. Though ethanol production numbers appear on track to meet USDA expectations, the updated Grain Crushings and Co-Products Production report released last month indicated we are producing more ethanol from each bushel of corn processed. This increase in ethanol production capabilities prompted the USDA to lower their usage projections by 25 million bushels.**
- **This 25 million bushel decrease in corn used for ethanol carried over into ending stocks, increasing both old and new crop carryout by that same amount. At a projected 1.771 billion bushels, new crop carryout projections managed to come in slightly below pre-report estimates of 1.779 billion.**
- **The adjustments to the global supply and demand outlook were what really hit corn the hardest after the report's release. Coming in to today many traders and private analysts were expecting an increase to the Brazilian corn production outlook as decent weather conditions have been conducive to growth. The USDA raised their Brazilian production estimate 3 mmt (118 mln bu) from last month up to a near record 81 million metric tons. Reports of good growing conditions and increased plantings in Russia prompted a 1 mmt increase in the country's production outlook as well.**
- **When all was said and done the USDA raised their global corn ending stocks figure 4.51 mmt (177.56 mln bu) for old crop and 3.25 mmt (127.95 mln bu) for new from last month, with both coming in close to that same amount above pre-report estimates.**
- **In a continuation of the recent trend, soybean numbers came in a bit better than expected across the board. Ahead of today's report many traders were anticipating a slight decrease in old crop carryout, especially considering exports sales have already outpaced USDA estimates, but many were hesitant to expect any type of major change. In old crop the USDA followed through on increasing exports 10 million bushels, while also raising crush expectations by the same amount. The 20 million bushel increase in demand expectations pushed carryout that same amount below last month's estimate.**
- **The 20 million bushel decrease in old crop ending stocks carried over into the new crop supply and demand outlook. Adjustments higher in demand weren't only an old crop thing; the USDA expects we will crush 5 million more bushels of new crop soybeans than they had anticipated in last month's report. Overall the 20 million bushel reduction in new crop carryin, combined with the 5 million bushel increase in crushings allowed new crop ending stocks to move 25 million bushels lower. At 475 million bushels new crop carryout came in 13 million bushels lower than the pre-report trade estimate.**
- **The increase in demand carried over into the global outlook as well. Based on recent harvest yield reports and continued expectations of a good crop the USDA increased Argentinean soy production by 1 million metric ton. This increase in supply was more than offset by an increase in demand (and a somewhat surprising lack of increase to production) in Brazil; where increases in crush, meal production and domestic disappearance pushed the USDA to lower the country's carryout by 2.2 mmt (80.83 mln bu).**
- **At 93.22 million metric tons (3.4 billion bushels) global ending stocks in the 2015-16 crop year are still expected to increase 9.52 mmt (349.76 mln bu) from a year ago and a whopping 30.45 mmt (1.119 bln bushels) from the 2013/14 crop year. One interesting tidbit to note, Brazil and Argentina combined will carry 61.57 mmt of the 93.22 mmt or 66% of global ending stocks into the next crop year.**

- **Recent rainfall in the Southern Plains and very early harvest yield results pushed the USDA to increase overall wheat production by 34 million bushels from last month. Though a slight increase in production was expected, today's USDA ending stocks number came in 16 million bushels higher than the pre-report estimate. The USDA does mention the potential for production outlooks to change as harvest progresses noting, "...early harvest reports indicate some areas receiving excessive rainfall have lodging and increased disease pressure."**
- **Globally the USDA anticipates production increases will take place in Russia (up 55 mln bushels from last month) and Ukraine (up 36.74 million bushels from last month) as well. The increases in production noted were partially offset by continued growth in demand. As a result, though we saw global carryout expectations come in slightly above pre-report estimates we saw overall carryout fall nearly 1 million metric ton below last month's projection.**

Recent double digit gains in all three major markets made them vulnerable to a strong sell-off once today's numbers were released. Though nothing we saw today was a major surprise the lack of strong bullish information bolsters the seller while weakening the buyer. After we finish digesting today's updates the trade will turn its attention back to weather and the updated acreage and stocks numbers we will see at month-end.

The major debate at this point in time as excessive rainfall is noted throughout the Corn Belt is whether or not rain truly makes grain. With an additional 3-6" expected to fall across some of the wetter areas of the Corn Belt over the next week acreage estimates are beginning to come into question. The 6-10 and 8-14 day forecasts call for a continuation of warm and wet conditions—which in the minds of most traders is conducive to solid production. Without something major out of the USDA at month-end we may find ourselves adrift in a seemingly directionless trade, make sure you know where your point of profit is and be prepared to pull the trigger when the opportunity presents itself. In the meantime don't hesitate to call with any questions, we're here to help!

All the Best!

Angie Setzer

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