

**This Week in Agriculture:**  
**USDA Supply and Demand Update: November 10<sup>th</sup>, 2014**

- The USDA released their much anticipated November updates to supply and demand today with little in the way of new or surprising information. Initial reaction when looking at domestic numbers would be today's numbers were slightly bullish (less bearish) for corn and wheat, while neutral to bearish for beans.
- Ahead of today's report many traders were calling for an additional increase to corn yield, saying the 174.2 released in last month's report was too low. Others struggled with yields in the mid-170s, believing instead they would have to be lowered. The wide array of opinions was clear when it came to the range in estimates at 171.4 to 178.6 bushels per acre. In the end, the USDA did not agree with the higher yield sentiment and lowered yields to 173.4 bpa.
- Of note in the by-state production estimates: Arkansas (2 bpa), Mississippi (2 bpa) and Missouri (1 bpa) were the states that saw production gains. With Iowa (2 bpa), Minnesota (5 bpa), Michigan (1 bpa) and Ohio (1 bpa) seeing the biggest decline in yield projections.
- With acreage left unchanged overall production was lowered by 68 million bushels from last month's report, and at 14.407 billion bushels (a record) 87 million bushels lower than the average pre-report guess. The decrease in production was coupled with some tweaks to demand, with the USDA increasing their corn used for ethanol projection by 25 million bushels. The 25 million bushel increase in ethanol was offset by a 20 million bushel decrease in other food and industrial categories. To the surprise of some, exports were left unchanged this month.
- In the end, the USDA put corn carryout at 2.008 billion bushels, down 73 million bushels from last month, and well below the pre-report average trade guess of 2.135 billion bushels.
- Globally the USDA is expecting a further increase in ending stocks at the end of the marketing year. Their projection of 191.5 mmt was higher than the pre-report expectation of 190.77 and nearly 1 million metric ton higher than last month's projections. It is interesting to see Chinese corn production estimates cut by 3 mln metric ton, while their usage estimates were dropped by 4 mmt. With China being a heavy buyer of sorghum this year it is likely some displacement in rations could be taking place. Further crop estimates out of China will be key as drought did have a limiting impact on production.
- On the soybean side of things the USDA increased yields from last month, up to 47.5 bushel per acre and just under the pre-report guess of 47.608. With acreage left unchanged we saw a total production increase of 31 million bushels. At 3.958 billion bushels, this year's bean crop is projected to be a record.
- In the state by state we saw Iowa, Nebraska and North Dakota see yield increases of a bushel per acre from last month. Here in Michigan the USDA lowered their expectations from last month by a bushel per acre. At 45 bpa we would out yield last year by a half a bushel per acre, with the USDA projecting an overall increase of 13.11 million bushels from last year thanks to an increase in acres.
- As expected ahead of the report an increase in soybean demand offset all of the increase in overall supply. With early season export sales and loadings off to a record start the USDA increased their anticipated soybean exports by 20 million bushels up to 1.72 billion. The record demand for soybean meal-especially in the export market-led the USDA to increase their anticipated crush projection as well.
- With the increase in production offset by an increase in demand we saw overall carryout remain unchanged at 450 million bushels. The unchanged figure was slightly higher than traders were anticipating ahead of the report, but well within the range of estimates.
- Globally the USDA made some minor changes from last month, but kept the overall outlook the same for the most part. It is interesting to see their Brazilian production outlook remained unchanged though delayed planting throughout the country has many well-respected private groups around the world lowering their outlook. It was difficult to get the USDA to lower production last year from lofty expectations as well; traders will be watching this number closely in upcoming reports.

- **Wheat continued its trend of having nothing really new to talk about in today's report. A slight decrease in Hard Red Spring production from the September Small Grains report lowered carryout for the entire complex by 10 million bushels. A projected carryout of 644 million bushels is lower than the average trade estimate of 660 million, but still considered adequate when looking at it from a global perspective.**
- **On the global front overall expected carryout was raised slightly again from last month up to 192.9 million metric tons (7 billion bushels). This was higher than pre-report expectations and reflects a slowdown in wheat consumption for some major end users, Egypt in particular.**

**When the closing bell rang today we found December corn up nearly 2 cents, while July 2015 wheat was up a penny. January beans were down 11. After the close the USDA released their updated harvest progress numbers showing corn harvest has caught up to average place at 80% complete, while soybean harvest is 90% done. Here in Michigan Mother Nature continues to make us work for it with 43% of the corn crop harvested and 85% of the beans ran. At this point much of the focus will turn towards the holidays and the general flow of money in and out of commodities for the next several weeks. I am not expecting anything too exciting to hit the market until we get our first glimpse at "true" crop size in the Quarterly Stocks Report due out the 2<sup>nd</sup> week in January. Taking advantage of any rallies will likely remain advantageous in the short term.**

**All the Best!**

**Angie Maguire**

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