

This Week In Agriculture:
USDA Supply and Demand Report Update May 10, 2017

- **The USDA gave their monthly update in old crop supply and demand estimates as well as their first look at what they are expecting for the 2017/18 crop year. While there were few surprises from an overall number standpoint having some more of the outlook fleshed out may help give traders some direction as we move ahead.**
- **On the old crop side of things we saw the USDA take corn carryout down another 25 million bushels this month on increased food, seed and industrial usage in their non-ethanol category. Though carryout at 2.295 billion bushels is still very large, today's estimate came in 30 million bushels lower than pre-report estimates.**
- **The slight reduction in old crop carryout contributed to a slightly smaller than anticipated new crop carryout. When it comes to new crop supply and demand projections today's number came in relatively close to pre-report estimates. Breakdown-wise, at this point the USDA is expecting a normal harvested acreage percentage on a trend-line yield of 170.7 bushel per acre. Demand wise the USDA feels the large South American corn crop prospects will cause a reduction in export expectations of 350 million bushels from this year. Ethanol usage is expected 50 million bushels higher, with a slight reduction in feeding expectations.**
- **Global supply and demand estimates for new crop corn held the biggest surprise in today's numbers with a large reduction in overall carryout. Coming in to today's report traders were expecting a carryout figure just under 210 mmt, the USDA believes that number will be closer to 195.27 mmt—a difference of 580 million bushels. The biggest shift in global numbers is expected to come out of China where increased corn feedings and ethanol usage as well as reduced production is expected to reduce the year to year carryout figure by nearly 20 mmt (787 mbu).**
- **On the soybean side of things there were few surprises overall. The USDA reduced old crop carryout 10 million bushels from last month's estimate due to continued strong export sales pace. This slight reduction carried forward into new crop estimates as well, with today's USDA estimate coming in well below the pre-report guess.**
- **Ahead of today's report traders were expecting new crop carryout to come in around 555 million bushels, with some estimates as high as the mid 700 million bushel range. The USDA is not as convinced demand disappears the way some traders seem to be when it comes to the new crop outlook. Even in the face of record large South American soy crops the USDA believes new crop exports could be 100 million bushels higher than seen this year, with crush up 25 million. This large increase in expected demand was more than enough to offset higher production due to increased acreage expectations.**
- **Globally soybean carryout came in slightly higher than pre-report expectations for both the old and new crop year. With Chinese demand remaining incredibly robust.**
- **Today's wheat numbers were interesting with winter wheat production expected to come in 25% lower than last year. While today's numbers were relatively close to expectations many questions remain as much of the work done by the USDA to guess yield and acreage was done prior to the recent streak of cold temperatures and snowfall.**
- **From a carryout perspective old crop carryout remains large, however new crop carryout is expected to come in the lowest in 3 years due to reduced production overall. On the usage side of things larger imports are expected with a reduction in feed usage as well as a slight reduction to exports. Global carryout remains very large as well, though China still accounts for well over 40% of the world's holdings.**

As the dust settled today we saw corn up 6, soybeans down 4 with wheat up 3. At this point weather will take the driver's seat. In Monday night's crop progress report the USDA estimated 47% of the corn crop was planted. This is 5% behind the 5 year average and 14% behind last year's pace. Soy planting was 14% complete, slightly behind the 5 year average and 7% slower than a year ago. With much of the Western Corn Belt working hard through the first half of the week before rainfall many feel reasonably solid progress will be seen in next Monday's report. However, it is not as simple as a percentage planted as many areas in the Eastern Corn Belt that were able to plant actively 2 weeks ago have sat idle ever since due to heavy rainfall, with continued precipitation expected.

While it could take several weeks to see what that could mean for replanting in spots, or even yield potential going forward the fact the USDA reduced global corn carryout the way they did could make for interesting developments as we work through the production season. Weather will become the driver and any indication of a continued wet pattern in the East could really begin to push prices. Of course at the same time it is important to remember that wet weather rallies are difficult to gauge and maintain—many times the market feels for every acre damaged by too much rain 2 are benefitting from the moisture. Now is a great time to get realistic target orders in place. Capture the potential quick bursts to the upside when they appear as they could be fleeting if the pattern were to dry out and turn warmer. As always, don't hesitate to call with any questions, we're here to help!

**All the Best!
Angie Setzer
Citizens LLC**

www.citizenselevator.com

******Commodities trading is very risky, Citizens LLC holds no liability for the use of the information contained herein******