

October 2016 USDA WASDE Report

The USDA released its highly-anticipated October *World Agricultural Supply and Demand Estimates (WASDE)* report today with the market particularly interested in potential yield and acreage updates. The USDA's adjustments were right in line with pre-report expectations for the U.S. crop - revising the corn yield down again while adding to its acreage peg and bumping up soybean yield by nearly a bushel. Though the agency didn't seem to say much significantly outside of expectations, an adequate global supply story and a stronger dollar today likely pressured prices. Dec '16 corn was down 8 cents on the day to \$3.37/bu, while the Nov '16 soybean contract fell 9 cents to \$9.45/bu. July '17 KC HRW wheat was down 7 cents to \$4.36/bu. We may see further yield and acreage adjustments in the next report, but until then, the markets will be keenly aware of harvest reports as fieldwork progresses. The weather forecast suggests a slight risk of above-average precipitation over the next two weeks, though no major threats are expected. With above-normal temps anticipated, we should see the remaining two-thirds of corn and remaining half of soybeans come off the fields in line with historical norms.

Global Grain and Oilseed Supply And Demand Balance Sheet						
Million MT Unless Noted	2014/15	2015/16	Sep 2016/17	Oct 2016/17	Sep - Oct 15/16 - 16/17 Change	Change
Beginning Stocks	597	670	683	689	5.7	18
Production	3,050	2,975	3,091	3,091	-0.2	115
Supply	3,648	3,645	3,774	3,779	5.5	134
Domestic Use	2,950	2,969	3,052	3,051	-0.8	82
Imports	513	540	530	535	5.5	-5
Exports	541	529	551	557	6.1	28
Ending Stocks	670	689	701	706	5.7	18
Stocks to Use %	22.7%	23.2%	23.0%	23.2%		

Source: USDA

Aggregate of local crop years

Corn

- The USDA lowered its corn production outlook with a one-bushel reduction in yield to 173.4 bu/ac that more than offset a 280,000 acre increase in harvested area as well as higher beginning stocks following the September 30 *Grain Stocks* report. The magnitude of each adjustment was about spot on with industry projections. Revised output of 15.1 billion bushels is still a record by a wide margin. On the demand side of the equation, the agency upped exports by 50 million bushels reflecting current U.S. commitments that are well ahead of last year (though the trade doesn't seem to fully believe the record export peg). Carryout for '16/17 came in below projections but still tops 2.3 million bushels, the highest since 1987/88.
- Overall global corn supplies dipped slightly, though the production forecast for Brazil was upped by a million tonnes reflecting CONAB's initial '16/17 first-crop corn forecast that came in higher than expected. The bump roughly offset lower output from the E.U. A boost in feed use (particularly in the E.U.) combined with lower production to knock global stocks down a couple notches to 217 million tonnes (below pre-report expectations); however, this is still record high. Interestingly, the U.S. held Chinese stocks steady despite new expectations from the Chinese Ministry of Agriculture of significant drawdowns.

Soybeans

- The USDA's changes to the U.S. soybean balance sheet were bullish when compared to pre-report expectations but were fundamentally bearish as the agency boosted its yield projection by 0.8 bu/ac to 51.4 (a shade lower than expected). The USDA made no acreage adjustments (a slight boost was anticipated), so the yield increase alone pushed production up almost 70 million bushels to 4.3 billion, a new record by 9%. Like with corn, the USDA padded its export guess by 40 million bushels on higher supplies and export commitments to date. With no changes to crush, '16/17 soybean ending stocks are now approaching the 400 million bushel mark (though the trade expected about 413 million before the report).
- The global balance sheet didn't help bean prices today as the USDA left demand nearly unchanged against higher supplies in the U.S. and Brazil in particular. Brazilian soybean production is now projected at a record 102 million tonnes based on greater area published in the most recent CONAB survey. With the supply increases basically flowing straight through to carryout, ending stocks of 77 million tonnes came in about 5% higher than expected.

Wheat

- The USDA trimmed its '16/17 U.S. wheat supply figure on lower acreage estimates; however, it cut its overall demand figure more reflecting the latest Grain Stocks report. Ending stocks of 1.1 billion bushels came in lower than expected but are still the highest since 1987/88. Global inventories were revised down modestly on lower supplies in the U.S. and E.U. that more than offset a reduction in feed use (largely in the U.S.). However, inventories of 248 million tonnes still set a record by about 9 million.

Corn

U.S. Corn Supply and Demand Balance Sheet

<i>Million Bu Unless Noted</i>	2014/15	2015/16	Sep 2016/17	Oct 2016/17	Sep - Oct Change	15/16 - 16/17 Change	16/17 Pre-Report Expectations	
							Average	Range
Beginning Stocks	1,232	1,731	1,716	1,738	22	7		
Production	14,215	13,601	15,093	15,057	-36	1,456	15,060	14,713 - 15,215
Area Planted (Mil Ac)	90.6	88.0	94.1	94.5	0.3	6.5		
Area Harvested (Mil Ac)	83.1	80.7	86.6	86.8	0.3	6.1	86.8	86.3 - 87.3
Yield (Bu Ac)	171.0	168.4	174.4	173.4	-1.0	5.0	173.5	169.5 - 175.2
Imports	32	67	50	50	0	-17		
Supply	15,479	15,400	16,859	16,845	-13	1,445		
Feed & Residual	5,314	5,192	5,650	5,650	0	458		
Food, Industrial and Seed	6,567	6,573	6,650	6,650	0	77		
Ethanol Grind	5,200	5,250	5,275	5,275	0	25		
Exports	1,867	1,898	2,175	2,225	50	327		
Demand	13,748	13,662	14,475	14,525	50	863		
Ending Stocks	1,731	1,738	2,384	2,320	-63	582	2,359	2,181 - 2,662
Stocks:Use Percentage	12.6%	12.7%	16.5%	16.0%				
Low Farm Price (\$ Bu)	\$3.70	\$3.60	\$2.90	\$2.95	\$0.05	-\$0.65		
High Farm Price (\$ Bu)	\$3.70	\$3.70	\$3.50	\$3.55	\$0.05	-\$0.15		

Source: USDA, Reuters

Crop Year Beginning September 1

Global Corn Supply And Demand Balance Sheet

<i>Million MT Unless Noted</i>	2014/15	2015/16	Sep 2016/17	Oct 2016/17	Sep - Oct Change	15/16 - 16/17 Change
Beginning Stocks	175	209	209	210	0.8	1
Production	1,014	959	1,027	1,026	-0.9	67
Supply	1,190	1,168	1,236	1,236	-0.1	68
Domestic Use	981	958	1,016	1,019	2.5	61
Imports	125	139	130	134	3.4	-5
Exports	142	119	140	144	4.0	24
Ending Stocks	209	210	219	217	-2.7	7
Stocks to Use %	21.3%	21.9%	21.6%	21.3%		

Source: USDA

Aggregate of local crop years

Soybeans

U.S. Soybean Supply And Demand Balance Sheet

<i>Million Bu Unless Noted</i>	2014/15	2015/16	Sep 2016/17	Oct 2016/17	Sep - Oct Change	15/16 - 16/17 Change	16/17 Pre-Report Expectations	
							Average	Range
Beginning Stocks	92	191	195	197	2	6		
Production	3,927	3,926	4,201	4,269	68	343	4,286	4,147 - 4,366
Area Planted (Mil Ac)	83.3	82.7	83.7	83.7	0.0	1.0		
Area Harvested (Mil Ac)	82.6	81.7	83.0	83.0	0.0	1.3	83.1	82.5 - 83.4
Yield (Bu Ac)	47.5	48.0	50.6	51.4	0.8	3.4	51.5	50.1 - 52.6
Imports	33	24	30	30	0	7		
Supply	4,052	4,140	4,426	4,496	70	355		
Crush	1,873	1,886	1,950	1,950	0	64		
Seed & Residual	146	121	126	126	0	5		
Exports	1,842	1,936	1,985	2,025	40	89		
Demand	3,862	3,943	4,061	4,101	40	158		
Ending Stocks	191	197	365	395	29	198	413	325 - 517
Stocks:Use Percentage	4.9%	5.0%	9.0%	9.6%	0			
Low Farm Price (\$ Bu)	\$10.10	\$9.05	\$8.30	\$8.30	\$0.00	-\$0.75		
High Farm Price (\$ Bu)	\$10.10	\$9.05	\$9.80	\$9.80	\$0.00	\$0.75		

Source: USDA, Reuters

Crop Year Beginning September 1

Global Soybean Supply And Demand Balance Sheet

<i>Million MT Unless Noted</i>	2014/15	2015/16	Sep 2016/17	Oct 2016/17	Sep - Oct Change	15/16 - 16/17 Change
Beginning Stocks	62	79	73	75	2.5	-3
Production	320	313	330	333	2.8	20
Supply	382	392	403	409	5.3	17
Domestic Use	301	315	329	329	0.1	14
Imports	124	132	136	136	0.5	5
Exports	126	133	138	139	0.6	6
Ending Stocks	79	75	72	77	5.2	2
Stocks to Use %	26.1%	23.9%	22.0%	23.5%		

Source: USDA

Aggregate of local crop years

Wheat

U.S. Wheat Supply And Demand Balance Sheet

<i>Million Bu Unless Noted</i>	2014/15	2015/16	Sep 2016/17	Oct 2016/17	Sep - Oct Change	15/16 - 16/17 Change	16/17 Pre-Report Expectations Average	Range
Beginning Stocks	590	752	981	976	-6	223		
Production	2,026	2,062	2,321	2,310	-11	248		
Area Planted (Mil Ac)	56.8	55.0	50.8	50.2	-0.7	-4.8		
Area Harvested (Mil Ac)	46.4	47.3	44.1	43.9	-0.2	-3.4		
Yield (Bu Ac)	43.7	43.6	52.6	52.6	0.0	9.0		
Imports	151	113	115	125	10	12		
Supply	2,768	2,927	3,417	3,410	-7	483		
Feed & Residual	114	152	330	260	-70	108		
Food & Seed	1,038	1,025	1,037	1,037	0	12		
Exports	864	775	950	975	25	200		
Demand	2,015	1,952	2,317	2,272	-45	320		
Ending Stocks	752	976	1,100	1,138	38	163	1,153	1,050 - 1,400
Stocks to Use %	37.3%	50.0%	47.5%	50.1%				
Low Farm Price (\$ Bu)	\$5.99	\$4.89	\$3.30	\$3.50	\$0.20	-\$1.39		
High Farm Price (\$ Bu)	\$5.99	\$4.89	\$3.90	\$3.90	\$0.00	-\$0.99		

Source: USDA, Reuters

Crop Year Beginning June 1

Global Wheat Supply And Demand Balance Sheet

<i>Million MT Unless Noted</i>	2014/15	2015/16	Sep 2016/17	Oct 2016/17	Sep - Oct Change	15/16 - 16/17 Change
Beginning Stocks	194	216	241	240	-1.2	24
Production	728	735	745	744	-0.4	9
Supply	922	951	986	984	-1.6	33
Domestic Use	706	711	737	736	-0.9	24
Imports	159	170	168	170	1.5	0
Exports	164	172	173	175	1.9	3
Ending Stocks	216	240	249	248	-0.7	9
Stocks to Use %	30.6%	33.7%	33.8%	33.8%		

Source: USDA

Aggregate of local crop years