



## Post-WASDE Commentary: June 12, 2013

### USDA US Ending Stocks (bil bu)

	Updated USDA 12/13 Estimate	Average of Trade Analyst Estimates	Range of Trade Analyst Estimates	USDA May Esti- mate	Informa Economics Estimate
Corn	<b>0.769</b>	0.748	0.700-0.789	0.759	0.844
Beans	<b>0.125</b>	0.125	0.119-0.130	0.125	0.139
Wheat	<b>0.746</b>	0.734	0.725-0.751	0.731	0.744

	Updated USDA 13/14 Estimate	Average of Trade Analyst Estimates	Range of Trade Analyst Estimates	USDA May Esti- mate	Informa Economics Estimate
Corn	<b>1.949</b>	1.758	1.274-1.994	2.004	2.103
Beans	<b>0.265</b>	0.273	0.185-0.339	0.265	0.312
Wheat	<b>0.659</b>	0.634	0.501-0.686	0.670	0.684

### USDA World Production Estimates in MMT

	<u>2012/2013</u>		<u>2013/2014</u>	
	<u>Updated Esti- mate</u>	May USDA Esti- mate	<u>Updated Esti- mate</u>	May USDA Esti- mate
Argentina Wheat	<b>11.00</b>	11.00	<b>13.00</b>	13.00
Australia Wheat	<b>22.08</b>	22.08	<b>24.50</b>	24.50
China Wheat	<b>120.60</b>	120.60	<b>121.00</b>	121.00
EU-27 Wheat	<b>132.06</b>	132.06	<b>137.44</b>	138.77
Canada Wheat	<b>27.20</b>	27.20	<b>29.00</b>	29.00
India Wheat	<b>94.88</b>	94.88	<b>92.00</b>	92.00
FSU-12 Wheat	<b>77.21</b>	77.21	<b>102.59</b>	107.09
Russian Wheat	<b>37.72</b>	37.72	<b>54.00</b>	56.00
Ukraine Wheat	<b>15.76</b>	15.76	<b>19.50</b>	22.00
China Corn	<b>205.60</b>	208.00	<b>212.00</b>	212.00
Argentina Corn	<b>26.50</b>	26.50	<b>27.00</b>	27.00
South Africa Corn	<b>12.20</b>	12.20	<b>13.00</b>	13.00
Brazil Corn	<b>77.00</b>	76.00	<b>72.00</b>	72.00
EU-27 Corn	<b>56.65</b>	56.65	<b>63.88</b>	63.80
Argentina Beans	<b>51.00</b>	51.00	<b>54.50</b>	54.50
Brazil Beans	<b>82.00</b>	83.50	<b>85.00</b>	85.00
World Soy Stocks	<b>61.21</b>	62.46	<b>73.69</b>	74.96
World Corn Stocks	<b>124.31</b>	125.43	<b>151.83</b>	154.63
World Wheat Stocks	<b>179.87</b>	180.17	<b>181.25</b>	186.38

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*Bottom line (in my opinion) is that nothing has changed today. I still think most are "taking the under" on corn production and they will continue to work based off their smaller supply estimates. This also does nothing to change the old crop bean/meal situations, which remain tight despite the "accounting" work done by WASDE here this morning. I continue to think the WASDE is optimistic on their wheat feed demand estimates, but I understand I'm probably in the minority there right now.*

As I noted in the Pre-WASDE report yesterday, the main risk factor in this report, in my opinion, was going to be winter wheat production. The average guess was calling for a 20 million bushel reduction, though I was taking the side of Informa looking for an improvement in production. My thought process was that the recent rain of the past month+ would have helped enough to boost prospects even after the drought and numerous freezes affecting southwestern portions of the HRW belt.

### USDA Wheat Production Estimate (bil bu)

	Updated USDA 2013/2014 Estimate	Average of Trade Analyst Estimates	Range of Trade Analyst Estimates	May Estimate	Informa Economics Estimate
All Winter	<b>1.509</b>	1.467	1.401-1.523	1.486	1.494
Hard Red Winter	<b>0.781</b>	0.752	0.676-0.815	0.768	0.778
Soft Red Winter	<b>0.509</b>	0.505	0.492-0.517	0.492	0.505
White Winter	<b>0.219</b>	0.210	0.200-0.217	0.217	0.211

Here is a breakdown of the May to June yield estimates from USDA in some key winter wheat producing states:

<u>Winter Wheat Yield Changes</u>		
	May	June
KS	37	38
OK	30	30
TX	27	30
CO	35	34
NE	33	35
AR	55	56
IL	63	64
IN	66	68
OH	64	66
KY	66	70

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The overall winter wheat yield was raised to 46.1 bpa from 45.4 seen in May. Although I'm not surprised by the overall higher production and yield, I am a bit surprised that white winter improved as well...I was expecting a slight decline there.

In the wheat balance sheet, as expected the only change to the old crop balance sheet was a 15 million bushel reduction in exports to 1,010 million. As noted yesterday, I was expecting 1,005, but really what's 5 million bushels amongst friends? The key change of course to the new crop balance sheet is production. Not that this comes as any surprise, but note the only change in production is the 23 million bushel increase in winter wheat production....meaning they haven't adjusted their thoughts on spring wheat production at the moment.

In the demand section of the balance sheet, they raised exports by 50 million bushels to 975 million. I don't have a huge problem with this, and I did not have expectations for larger exports in the report yesterday, but I still do have a problem with their 290 million bushel feed/residual estimate. I believe that will turn out to be too high. In my opinion, the wheat ending stocks will get larger from here.

In the world figures, world 13/14 ending stocks declined fairly significantly to 181.25 mmt from 186.38 mmt previously. The US only accounted for a small portion of that. The remainder of the change stems primarily from the EU, where production was cut slightly and exports were increased, leading to a 3 mmt reduction there. There were also reductions in Russian and Ukraine production, which as noted yesterday isn't a total surprise considering dry conditions in parts of the area so far this spring.

In corn, starting with the old crop balance sheet, the WASDE lowered exports again by 50 million bushels to only 700 million. While that just *sounds* too low, it actually gives pretty well with the pace of sales and shipments. They also raised ethanol production by 50 million bushels, providing an offsetting effect to the demand section of the balance. I figured they would do this, essentially take away export demand and add it to ethanol. I also noted yesterday that they might increase imports, and they did so this morning although by a larger amount than I expected. They added 25 million bushels to imports to reach 150 million. There also appears to be a slight increase to non-ethanol FSI use, and all these changes mixed together result in the 10 million bushel increase in carryout to 769 million bushels.

I was wrong on production...I thought they would change acres and leave the yield alone. In fact they did the opposite, cutting the yield down to 156.5 while leaving acreage unchanged. I can't really complain about the change...waiting until the June Acreage report seems reasonable to me. The net result was a reduction in production of about 135 million bushels, which is certainly smaller than I think most were expecting.

The changes all resulted in a carryout of 1,949 million bushels, well above the average guess. That said, I don't think the market really cares at this point. I think most are still "taking the under" relative to the USDA's production number this morning.

The one thing that caught my eye in the world numbers is the 12/13 reduction to Chinese production to 205.60 mmt from 208.00 mmt previously. This appears to have been directly carried into a reduction in 12/13 Chinese ending stocks. This was partially offset by the expected increase to Brazilian production to 77.0 mmt from 76.0 mmt last month.

The net result of those 12/13 changes resulted in a 1 mmt reduction in carry-in to the 13/14 marketing year. Most of the world balance sheet was kept basically unchanged, with the adjustments in the US supplies the most notable changes. The smaller carry-in and the reduction in the US figures account for most of the 2.8 mmt reduction in 13/14 world stocks in the report, although there are some other minor tweaks in the world numbers.

Yesterday I said that today's report would be fairly quiet for soybeans, and I think that's what we've got here. The old crop crush estimate was increased by 25 million bushels while exports were cut by 20 million bushels. This net increase of 5 million bushels of demand was offset by an increase of imports of 5 million bushels. Nothing that should come of surprise here. There is nothing too special in the meal balance sheet to report either. The increase in production (crush) was funneled directly into exports which should come as no surprise.

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In the new crop balance sheet, we noted it was highly unlikely they would make any adjustments to production...and as expected it was left alone. Also expected, the demand portion of the balance sheet was left alone, so with the unchanged old crop carryout we got an unchanged new crop carryout as well. Nothing that should get anyone too excited.

The world balance sheets are unexciting as well. The reduction in Brazilian 12/13 production was as expected. I do find it interesting that Argentine exports were cut to 7.8 mmt from 9.1 mmt previously, perhaps as the USDA is accounting for tight-fisted producers and their ongoing conflict with the government. Brazilian exports were increased as a result, and this combined with the smaller production level led to smaller Brazilian stocks...accounting for the reduction in world 12/13 ending stocks.

I don't see any significant changes to the world 13/14 numbers...just the reduction in Brazilian supplies described above led to the world ending stocks reduction for 13/14 from 74.96 mmt to 73.69 mmt.

Regards,

David Zelinski

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