

WASDE offers little relief to grains

The USDA included its first estimates for the 2022/23 marketing year in the latest WASDE report. The global wheat market is set to tighten more than expected, which should continue to prop up prices



Corn balance set to tighten

The USDA expects US corn production to fall by a little over 4% year-on-year in 2022/23, with first estimates suggesting output will total 14.46b bushels. Planted corn acreage is expected to fall from 93.4m acres to 89.5m acres, with acreage switching to soybeans due to better margins and a shortage of fertiliser. On the demand side, the USDA estimates both domestic and export demand to drop by 270m bushels to 12.2b bushels and by 100m bushels to 2.4b bushels, respectively. As a result, US ending stocks for 2022/23 are estimated at 1.36b bushels, down from 1.44b bushels at the end of 2021/22. The market was expecting a number closer to 1.3b bushels.

For the global balance, world production is estimated to total 1.18bn tonnes in 2022/23, down 2.9% year-on-year. Understandably, Ukraine is expected to see a significant reduction in production, with the agency estimating domestic output to fall by 54% YoY to total just 19.5mt. This smaller crop will be partly offset by the expectation of higher output from Brazil and Argentina. However, global ending stocks are still forecast to shrink from 309.39mt in 2021/22 to 305.13mt in 2022/23. The market was looking for a number closer to around 296mt.

While the numbers were not as constructive as the market was expecting, both the US and global

corn balance are set to continue to tighten, which suggests that the current high price environment is set to linger. In addition, there are upside risks, given the slow pace of US corn plantings.

Corn supply/demand balance

	2022/23 est latest	2022/23 est previous	Est revision MoM	2021/22 est	ΔYoY	2020/21
US (m bushels)						
Area harvested (m acres)	81.7	NA	-	85.4	-3.7	82.3
Yield (bu/acre)	177.0	NA	-	177.0	0.0	171.4
Production	14,460	NA	-	15,115	-655	14,111
Imports	25	NA	-	25	0	24
Consumption	12,165	NA	-	12,435	-270	12,068
Exports	2,400	NA	-	2,500	-100	2,753
Beginning stocks	1,440	NA	-	1,235	205	1,919
Ending stocks	1,360	NA	-	1,440	-80	1,235
Global (m tonnes)						
Production	1,180.7	NA	-	1,215.6	-34.9	1,129.0
- US	367.3	NA	-	383.9	-16.6	358.5
- Brazil	126.0	NA	-	116.0	10.0	87.0
- Argentina	55.0	NA	-	53.0	2.0	52.0
Demand	1,185.0	NA	-	1,199.4	-14.4	1,143.3
- EU	78.6	NA	-	80.5	-1.9	77.4
- China	295.0	NA	-	291.0	4.0	285.0
Beginning stocks	309.4	NA	-	293.2	16.2	307.5
Ending stocks	305.1	NA	-	309.4	-4.3	293.2

Source: USDA

Soybeans expected to see some easing

The USDA estimates US soybean production to increase from 4.4b bushels in 2021/22 to 4.6b bushels in 2022/23 on account of higher acreage. The agency estimates that planted area will increase from 87.2m acres to 91m acres. Domestic demand and exports are also estimated to increase to 2.38b bushels (+48m bushels YoY) and 2.2b bushels (+60m bushels YoY), respectively for 2022/23. Overall, domestic ending stocks are forecast to increase from 235m bushels in 2021/22 to 310m bushels in 2022/23. The market was expecting a number closer to 319m bushels.

For the global market, the USDA estimates production to recover significantly in South America after the drought-hit production losses this season. The agency forecasts global soybean production to increase 13% YoY to 394.7mt (+45.3mt YoY) with higher supplies coming from Brazil (+24mt), Argentina (+9mt), Paraguay (+5.8mt) and the US (+5.6mt). Global soybean demand is also expected to increase by a healthy 14.5mt to 377.4mt as a shortage of other edible oils and higher energy prices would be supportive for soybean consumption. Global soybean ending stocks are estimated to increase from 85.2mt in 2021/22 to 99.6mt in 2022/23. This is slightly higher than the roughly 98mt the market was expecting.

The potential for a looser global soybean balance suggests that we could see some easing in prices. However, given tightness in other edible oil markets, demand could potentially surprise to the upside. Whilst we will also need to keep an eye on South American weather ahead of the next crop.

Soybean supply/demand balance

	2022/23 est latest	2022/23 est previous	Est revision MoM	2021/22 est	ΔYoY	2020/21
US (m bushels)						
Area harvested (m acres)	90.1	NA	-	86.3	3.8	82.6
Yield (bu/acre)	51.5	NA	-	51.4	0.1	51.0
Production	4,640	NA	-	4,435	205	4,216
Imports	15	NA	-	15	0	20
Consumption	2,380	NA	-	2,332	48	2,243
Exports	2,200	NA	-	2,140	60	2,261
Beginning stocks	235	NA	-	257	-22	525
Ending Stocks	310	NA	-	235	75	257
Global (m tonnes)						
Production	394.7	NA	-	349.4	45.3	368.1
- US	126.3	NA	-	120.7	5.6	114.8
- Brazil	149.0	NA	-	125.0	24.0	139.5
- Argentina	51.0	NA	-	42.0	9.0	46.2
Demand	377.4	NA	-	362.9	14.5	363.8
- China	115.6	NA	-	108.7	6.9	112.7
- EU	17.9	NA	-	17.6	0.3	17.5
Beginning stocks	85.2	NA	-	99.9	-14.7	94.7
Ending stocks	99.6	NA	-	85.2	14.4	99.9

Source: USDA

Wheat outlook remains constructive

The USDA expects domestic US wheat stocks to fall from 655m bushels to 619m bushels at the end of 2022/23. This is despite the expectation that domestic production will increase from 1.65b bushels in 2021/22 to 1.73b bushels in 2022/23. Imports are forecast to rise from 95m bushels to 120m bushels, which should help narrow the inventory drawdown to just 36m bushels next season compared to around 190m bushels of inventory withdrawals this season.

For the global market, major supply losses are expected from Ukraine, where production could drop from 33mt to 21.5mt. Moreover, production from Argentina, Australia and the EU is also expected to decline next season which should offset supply gains from Russia and Canada. It appears that tighter supply and higher prices will weigh on global demand, with wheat consumption expected to fall from 790.8mt to 787.5 in 2022/23. Global ending stocks are expected to decline from 279.7mt in 2021/22 to 267mt in 2022/23. This is quite a bit lower than the roughly 272mt the market was expecting.

The WASDE was clearly bullish for wheat prices, and given the fairly poor condition of US winter wheat and slow progress in US spring wheat plantings, risks are skewed to the upside.

Wheat supply/demand balance

	2022/23 est latest	2022/23 est previous	Est revision MoM	2021/22 est	ΔYoY	2020/21
US (m bushels)						
Area harvested (m acres)	37.1	NA	-	37.2	-0.1	36.8
Yield (bu/acre)	46.6	NA	-	44.3	2.3	49.7
Production	1,729.0	NA	-	1,646.0	83	1,828.0
Imports	120.0	NA	-	95.0	25	100.0
Consumption	1,110.0	NA	-	1,126.0	-16	1,120.0
Exports	775.0	NA	-	805.0	-30	992.0
Beginning stocks	655.0	NA	-	845.0	-190	1,028.0
Ending Stocks	619.0	NA	-	655.0	-36	845.0
Global (m tonnes)						
Production	774.8	NA	-	779.3	-4.5	775.7
- US	47.1	NA	-	44.8	2.3	49.8
- EU	136.5	NA	-	138.4	-1.9	126.7
- Russia	80.0	NA	-	75.2	4.8	85.4
Demand	787.5	NA	-	790.8	-3.3	782.4
- China	144.0	NA	-	148.0	-4.0	150.0
- N Africa	47.7	NA	-	47.1	0.6	46.7
Beginning stocks	279.7	NA	-	291.2	-11.5	297.9
Ending stocks	267.0	NA	-	279.7	-12.7	291.2

Source: USDA

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

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