

WASDE update: Further tightening for corn expected

Friday's WASDE report was constructive for the corn market due to revisions lower in both US and EU supply. The release was neutral to slightly bearish for soybeans, with expectations for a record US crop, and was fairly neutral for wheat



Corn market tightens on the back of US and EU revisions

The USDA revised lower its estimates for US corn stocks at the end of 2022/23 to 1.39bn bushels. This compares to a previous estimate of 1.47b bushels and is not far off market expectations of a little more than 1.38bn bushels. Adverse weather was seen impacting the 2022/23 crop. The agency lowered domestic corn production estimates from 14.51b bushels to 14.36bn bushels on account of lower yields. Meanwhile, both domestic consumption and export estimates were also revised down by 20m bushels and 25m bushels to 12.15b bushels and 3.28b bushels, respectively.

For the global market, the WASDE report was fairly constructive as 2022/23 ending stocks were revised down from 312.9mt to 306.7mt. This revision lower was driven by production, where global output estimates were lowered from 1,185.9mt to 1,179.6mt. The US and the EU drove this decline, with supply estimates lowered by 3.7mt and 8mt, respectively. However, these supply losses were partly offset by revisions higher from Ukraine. Ukrainian output estimates were

increased by 5mt to 30mt, while exports were increased by 3.5mt. However, there is still plenty of uncertainty over how Ukrainian export volumes will evolve despite the Ukraine/Russia grain deal.

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)	81.8	81.9	-0.1	85.4	-3.6	82.3
Yield (bu/acre)	175.4	177.0	-1.6	177.0	-1.6	171.4
Production	14,359	14,505	-146.0	15,115	-756	14,111
Imports	25	25	0.0	25	0	24
Consumption	12,150	12,170	-20.0	12,395	-245	12,074
Exports	2,375	2,400	-25.0	2,450	-75	2,747
Beginning stocks	1,530	1,510	20.0	1,235	295	1,919
Ending stocks	1,388	1,470	-82.0	1,530	-142	1,235
Global (m tonnes)						
Production	1,179.6	1,185.9	-6.3	1,218.8	-39.2	1,129.4
- US	364.7	368.4	-3.7	383.9	-19.2	358.5
- Brazil	126.0	126.0	0.0	116.0	10.0	87.0
- Argentina	55.0	55.0	0.0	53.0	2.0	52.0
Demand	1,184.8	1,185.2	-0.5	1,199.8	-15.0	1,144.0
- EU	77.4	79.4	-2.0	80.4	-3.0	77.7
- China	295.0	295.0	0.0	291.0	4.0	285.0
Beginning stocks	311.8	312.3	-0.4	292.9	19.0	307.5
Ending stocks	306.7	312.9	-6.3	311.8	-5.2	292.9

Source: USDA

Record US soybean crop expected

The WASDE report was more bearish for soybeans, given the revisions higher on the supply side. For the US domestic balance, the USDA increased ending stocks for 2022/23 from 230m bushels to 245m bushels, whilst the market was expecting a number closer to around 227m bushels. Domestic production estimates were increased by around 26m bushels to 4.53b bushels, which if realised, would be a record soybean crop for the US. This revision was driven by expectations of better yields.

The global soybean balance also saw revisions higher in ending stock estimates for 2022/23, with stocks increasing from 99.6mt to 101.4mt. The market was expecting a number closer to 99.2mt. The increase was driven by revisions in supply from the US and China. Global soybean production estimates for 2022/23 were increased by around 1.4mt to 392.8mt.

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)	87.2	87.5	-0.3	86.3	0.9	82.6
Yield (bu/acre)	51.9	51.5	0.4	51.4	0.5	51.0
Production	4,531	4,505	26.0	4,435	96	4,216
Imports	15	15	0.0	15	0	20
Consumption	2,371	2,370	1.0	2,322	49	2,238
Exports	2,155	2,135	20.0	2,160	-5	2,266
Beginning stocks	225	215	10.0	257	-32	525
Ending Stocks	245	230	15.0	225	20	257
Global (m tonnes)						
Production	392.8	391.4	1.4	352.7	40.1	368.4
- US	123.3	122.6	0.7	120.7	2.6	114.8
- Brazil	149.0	149.0	0.0	126.0	23.0	139.5
- Argentina	51.0	51.0	0.0	44.0	7.0	46.2
Demand	378.3	377.8	0.5	363.0	15.2	364.0
- China	115.6	115.6	0.0	106.7	8.9	112.7
- EU	17.5	17.9	-0.4	17.3	0.2	17.5
Beginning stocks	89.7	88.7	1.0	99.9	-10.2	94.7
Ending stocks	101.4	99.6	1.8	89.7	11.7	99.9

Source: USDA

Marginal tightening in wheat balance

The global wheat balance saw some significant changes, although the net impact on inventory estimates was minor. The USDA lowered wheat ending stocks for 2022/23 from 267.5mt to 267.3mt, which is not far off market expectations of around 267.8mt. Global supply estimates were revised up by 8mt, driven by Russia (+6.5mt), Australia (+3mt), China (+3mt) and Canada (+1mt). However, these increases were partly offset by revisions lower in EU and Indian production, with output lowered by 2mt and 3mt, respectively due to adverse weather. Further offsetting the supply increase was a 4.4mt increase in global demand and a revision lower in beginning stocks for 2022/23.

For the US, the USDA lowered ending stocks from 639m bushels to 610m bushels for 2022/23, while the market expected a number closer to 650m bushels. The revision lower was due to larger exports. The USDA revised higher export estimates from 800m bushels to 825m bushels.

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)	37.5	37.6	-0.1	37.2	0.3	36.8
Yield (bu/acre)	47.5	47.3	0.2	44.3	3.2	49.7
Production	1,783	1,781	2.0	1,646	137	1,828
Imports	110	110	0.0	95	15	100
Consumption	1,118	1,112	6.0	1,126	-8	1,117
Exports	825	800	25.0	800	25	994
Beginning stocks	660	660	0.0	845	-185	1,028
Ending Stocks	610	639	-29.0	660	-50	845
Global (m tonnes)						
Production	779.6	771.6	8.0	779.2	0.4	774.3
- US	48.5	48.5	0.1	44.8	3.7	49.8
- EU	132.1	134.1	-2.0	138.3	-6.2	126.7
- Russia	88.0	81.5	6.5	75.2	12.8	85.4
Demand	788.6	784.2	4.4	793.2	-4.6	782.2
- China	144.0	144.0	0.0	148.0	-4.0	150.0
- N Africa	47.5	47.7	-0.1	47.0	0.5	46.7
Beginning stocks	276.4	280.1	-3.8	290.3	-13.9	298.2
Ending stocks	267.3	267.5	-0.2	276.4	-9.0	290.3

Source: USDA

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@ing.com

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