

WASDE update: Further tightening for wheat and soybeans

The USDA's latest WASDE report saw a further tightening in the global wheat and soybeans balances, while corn balances saw some easing. However, corn export supply from Ukraine remains a concern



Global corn stocks edge higher but supply risks remain

The US Department of Agriculture has revised higher corn ending stocks for 2021/22 to 305.5mt, up from a previous estimate of 301mt. The market was expecting a number closer to around 300mt. The major revision was on the supply side. The agency now estimates global output to be at around 1,210.5mt compared to an earlier estimate of 1,206.1mt, on the back of better supply prospects from Brazil (+2mt), the European Union (+0.7mt) and South East Asia (+0.7mt). Meanwhile, global corn demand estimates were increased by around 0.5mt to 1,197.2mt for the year, with demand gains in other countries being offset by a reduction of around 3mt from China.

The USDA revised down global corn export estimates by around 2.9mt as shipments from Ukraine were seen falling to 23mt compared to a previous estimate of 27.5mt. The revision lower in Ukrainian exports leads to an increase in Ukrainian ending stocks. However, obviously, these stocks are not accessible given the ongoing war.

The USDA left its US corn balance sheet unchanged, with ending stocks remaining at 1.44b

bushels.

While higher than expected global ending stocks should be bearish for the corn market, the risk around Ukrainian supply continues to offer support.

Corn supply/demand balance

	2021/22 est latest	2021/22 est previous	Est revision MoM	2020/21 est	ΔYoY	2019/20
US (m bushels)						
Area harvested (m acres)	85.4	85.4	0.0	82.3	3.1	81.3
Yield (bu/acre)	177.0	177.0	0.0	171.4	5.6	167.5
Production	15,115	15,115	0.0	14,111	1,004	13,620
Imports	25	25	0.0	24	1	42
Consumption	12,435	12,435	0.0	12,068	367	12,186
Exports	2,500	2,500	0.0	2,753	-253	1,777
Beginning stocks	1,235	1,235	0.0	1,919	-684	2,221
Ending stocks	1,440	1,440	0.0	1,235	205	1,919
Global (m tonnes)						
Production	1,210.5	1,206.1	4.3	1,125.9	84.6	1,120.1
- US	383.9	383.9	0.0	358.5	25.5	346.0
- Brazil	116.0	114.0	2.0	87.0	29.0	102.0
- Argentina	53.0	53.0	0.0	52.0	1.0	51.0
Demand	1,197.2	1,196.6	0.5	1,140.1	57.1	1,136.2
- EU	79.8	79.8	0.0	77.4	2.4	79.0
- China	291.0	294.0	-3.0	285.0	6.0	278.0
Beginning stocks	292.2	291.5	0.7	306.4	-14.2	322.4
Ending stocks	305.5	301.0	4.5	292.2	13.3	306.4

Source: USDA

South American downgrades tighten soybean market

The USDA lowered its soybean production outlook once again, revising down global output by 3.1mt to 350.7mt. Brazil's soybean supply was lowered by around 2mt to 125mt, whilst Paraguay production estimates were reduced by 0.9mt to 4.2mt. Global soybean demand estimates were lowered by around 1.8mt to 361.9mt- mostly due to weaker demand from China. The agency expects 2021/22 global stocks to fall from 103.1mt at the beginning of the season to around 89.6mt by the end of this season, compared to 90mt previously. The market was expecting an ending stock number of around 88.5mt.

The USDA revised higher export estimates for the US by a marginal 25m bushels to 2.12b bushels, with lower supply from South America creating additional demand for US beans. As a result, the agency revised down ending stock estimates by around 25m bushels to 260m bushels for 2021/22.

Soybeans supply/demand balance

	2021/22 est latest	2021/22 est previous	Est revision MoM	2020/21 est	ΔYoY	2019/20
US (m bushels)						
Area harvested (m acres)	86.3	86.3	0.0	82.6	3.7	74.9
Yield (bu/acre)	51.4	51.4	0.0	51.0	0.4	47.4
Production	4,435	4,435	0.0	4,216	219	3,552
Imports	15	15	0.0	20	-5	15
Consumption	2,332	2,332	0.0	2,243	89	2,273
Exports	2,115	2,090	25.0	2,261	-146	1,679
Beginning stocks	257	257	0.0	525	-268	909
Ending Stocks	260	285	-25.0	257	3	525
Global (m tonnes)						
Production	350.7	353.8	-3.1	367.8	-17.0	340.0
- US	120.7	120.7	0.0	114.8	6.0	96.7
- Brazil	125.0	127.0	-2.0	139.5	-14.5	128.5
- Argentina	43.5	43.5	0.0	46.2	-2.7	48.8
Demand	361.9	363.7	-1.8	362.4	-0.5	358.3
- China	108.7	111.7	-3.0	111.6	-2.9	109.2
- EU	17.4	17.4	0.1	17.4	0.1	17.2
Beginning stocks	103.1	101.7	1.4	96.8	6.3	115.2
Ending stocks	89.6	90.0	-0.4	103.1	-13.5	96.8

Source: USDA

Wheat demand estimates grow

The USDA increased global wheat demand estimates by around 3.8mt to 791.1mt, with major gains coming from India, where the USDA now estimates domestic demand to increase to 107.9mt compared to a previous estimate of 103.5mt.

As a result, global wheat ending stocks for 2021/22 were lowered by around 3.1mt to 278.4mt. The market was looking for a relatively higher number of around 281m.t

The USDA lowered global wheat export estimates by around 3mt, which was driven by a reduction in the EU, with export expectations cut from 37.5mt to 34mt amid the ongoing Russia-Ukraine war. Wheat shipments from the EU have slowed down to a trickle in recent weeks as countries aim to bolster domestic stocks given the supply uncertainties.

The USDA left production estimates unchanged at 1.65b bushels for the US market, whilst domestic consumption estimates were reduced by around 10m bushels to 1.12b bushels. The agency also revised down wheat export estimates by around 15m bushels to 785m bushels leading to an upside revision in domestic inventory estimates by 25m bushels to 678m bushels.

Wheat supply/demand balance

	2021/22 est latest	2021/22 est previous	Est revision MoM	2020/21 est	ΔYoY	2019/20
US (m bushels)						
Area harvested (m acres)	37.2	37.2	0.0	36.8	0.4	37.4
Yield (bu/acre)	44.3	44.3	0.0	49.7	-5.4	51.7
Production	1,646	1,646	0.0	1,828	-182	1,932
Imports	95	95	0.0	100	-5	104
Consumption	1,123	1,133	-10.0	1,120	3	1,118
Exports	785	800	-15.0	992	-207	969
Beginning stocks	845	845	0.0	1,028	-183	1,080
Ending Stocks	678	653	25.0	845	-167	1,028
Global (m tonnes)						
Production	778.8	778.5	0.3	776.3	2.6	762.4
- US	44.8	44.8	0.0	49.8	-5.0	52.6
- EU	138.4	139.0	-0.6	126.7	11.7	138.8
- Russia	75.2	75.2	0.0	85.4	-10.2	73.6
Demand	791.1	787.3	3.8	782.4	8.7	746.8
- China	147.5	147.5	0.0	150.0	-2.5	126.0
- N Africa	47.6	47.9	-0.3	46.8	0.8	46.3
Beginning stocks	290.7	290.3	0.4	296.8	-6.2	281.2
Ending stocks	278.4	281.5	-3.1	290.7	-12.3	296.8

Source: USDA

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.