

WASDE update: Mixed bag for grains

The USDA has revised higher corn inventory estimates on the back of higher production in the US and elsewhere. Global stock estimates for soybeans have been revised down on stronger demand; although soft imports from China are a concern. The wheat balance continues to tighten due to healthy demand and soft production



Favourable weather helps corn crop

The USDA has increased its estimates for US corn production by 43m bushels to 15.06bn bushels for 2021/22 on account of better yields. This was slightly above the 15.05bn bushels the market was expecting. US domestic demand for corn also increased by around 50m bushels to 12.33bn bushels, as stronger ethanol demand is likely to help corn consumption. The net impact on corn stocks was only marginal, with ending stocks revised down from 1,500m bushels to 1,493m bushels. This is above the roughly 1,484m bushels the market was expecting.

Globally, the USDA has increased global production estimates by 6.4mt on account of better production in the EU, Argentina and the US. Production estimates for the EU and Argentina were increased by around 1.55mt and 1.5mt respectively on better yields and higher acreage due to late-planted corn. The USDA also increased global corn demand estimates by 5.6mt, with major increases coming from the EU (+1.2mt) and the US (+1.3mt). Global corn inventory estimates at the end of 2021/22 were raised from 301.7mt to 304.4mt, largely on account of an upward

revision in beginning stocks (+1.9mt) and somewhat larger revisions to production estimates. The market was expecting a reading of closer to 300mt.

Overall, with larger than expected ending stocks for both the US and the global balance the report was moderately bearish for corn.

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)	85.1	85.1	0.0	82.3	2.8	81.3
Yield (bu/acre)	177.0	176.5	0.5	171.4	5.6	167.5
Production	15,062	15,019	43.0	14,111	951	13,620
Imports	25	25	0.0	24	1	42
Consumption	12,330	12,280	50.0	12,066	264	12,186
Exports	2,500	2,500	0.0	2,753	-253	1,777
Beginning stocks	1,236	1,236	0.0	1,919	-683	2,221
Ending stocks	1,493	1,500	-7.0	1,236	257	1,919
Global (m tonnes)						
Production	1,204.6	1,198.2	6.4	1,119.0	85.6	1,119.7
- US	382.6	381.5	1.1	358.5	24.1	346.0
- Brazil	118.0	118.0	0.0	86.0	32.0	102.0
- Argentina	54.5	53.0	1.5	50.5	4.0	51.0
Demand	1,192.1	1,186.5	5.6	1,133.6	58.4	1,135.6
- EU	78.0	76.8	1.2	76.1	1.9	78.8
- China	294.0	294.0	0.0	285.0	9.0	278.0
Beginning stocks	291.9	290.0	1.9	306.5	-14.6	322.4
Ending stocks	304.4	301.7	2.7	291.9	12.6	306.5

Source: USDA

US soybean inventory increase less than expected

For soybeans, the major change from the USDA was in export estimates due to soft demand from China. The agency revised down its expectations for US soybean exports by 40m bushels to 2.05b bushels for 2021/22 (down around 10% YoY). Domestic demand estimates were largely left unchanged at around 2.31b bushels. On the supply side, the USDA lowered domestic soybean production estimates by around 23m bushels for the year due to weaker yields. On balance, US soybean stocks at the end of 2021/22 were revised up, by 20m bushels to 340m bushels. This was still below the roughly 362m bushels the market was expecting.

The global soybean balance saw revisions from Argentina, where production estimates were revised down from 51mt to 49.5mt due to lower acreage. Export estimates from Argentina were also reduced by around 1mt; although this was offset by higher shipments from Brazil. China's soybean import estimates were revised down by around 1mt to 100mt as softer crushing margins and subdued demand for animal feed could weigh on Chinese soybean consumption. Global soybean inventories at the end of 2021/22 was revised down by around 0.8mt to 103.8mt; the market was expecting inventory estimates to be revised up by around 1mt to 105.6mt.

The report was moderately bullish for soybeans, with inventory numbers coming in below market expectations.

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)	86.4	86.4	0.0	82.6	3.8	74.9
Yield (bu/acre)	51.2	51.5	-0.3	51.0	0.2	47.4
Production	4,425	4,448	-23.0	4,216	209	3,552
Imports	15	15	0.0	20	-5	15
Consumption	2,306	2,309	-3.0	2,240	66	2,273
Exports	2,050	2,090	-40.0	2,265	-215	1,679
Beginning stocks	256	256	0.0	525	-269	909
Ending Stocks	340	320	20.0	256	84	525
Global (m tonnes)						
Production	384.0	385.1	-1.1	366.2	17.8	339.9
- US	120.4	121.1	-0.6	114.8	5.7	96.7
- Brazil	144.0	144.0	0.0	138.0	6.0	128.5
- Argentina	49.5	51.0	-1.5	46.2	3.3	48.8
Demand	378.0	377.3	0.8	363.1	15.0	358.4
- China	117.7	117.7	0.0	111.6	6.1	109.2
- EU	17.6	17.6	0.0	17.8	-0.2	17.3
Beginning stocks	100.1	99.2	1.0	95.5	4.6	114.1
Ending stocks	103.8	104.6	-0.8	100.1	3.7	95.5

Source: USDA

Wheat balance tightens further

The USDA left the US domestic wheat balance largely unchanged. Ending stocks were revised marginally higher from 580m bushels to 583m bushels. USDA's numbers were largely in-line with market expectations of around 581m bushels. Both production and demand estimates were unchanged at 1.65b bushels and 1.16b bushels respectively. Import and export estimates were revised down by 10m bushels and 15m bushels respectively.

The global balance sheet continues to tighten for 2021/22. Ending stocks were revised down by another 1.4mt to 275.8mt. The market was expecting an ending stocks number of around 276.5mt. Global demand estimates were revised higher by around 0.4mt with increments coming from Russia, Iran and Turkey. On the other hand, supply estimates were downgraded by around 0.6mt, mainly due to lower supplies from the EU (-1mt), the UK (-0.7mt) and Uzbekistan. However, Russia's production estimates were increased by around 2mt on the back of higher yields.

Once again, the USDA's monthly WASDE report has proved supportive for wheat prices.

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	115	125	-10.0	100	15	104
Consumption	1,163	1,161	2.0	1,120	43	1,118
Exports	860	875	-15.0	992	-132	969
Beginning stocks	845	845	0.0	1,028	-183	1,080
Ending Stocks	583	580	3.0	845	-262	1,028
Global (m tonnes)						
Production	775.3	775.9	-0.6	774.7	0.6	762.2
- US	44.8	44.8	0.0	49.8	-5.0	52.6
- EU	138.4	139.4	-1.0	126.0	12.4	138.7
- Russia	74.5	72.5	2.0	85.4	-10.9	73.6
Demand	787.4	787.1	0.4	782.2	5.2	747.4
- China	149.0	149.0	0.0	150.0	-1.0	126.0
- N Africa	47.8	47.7	0.1	46.8	1.0	46.3
Beginning stocks	288.0	288.4	-0.4	295.5	-7.6	280.7
Ending stocks	275.8	277.2	-1.4	288.0	-12.2	295.5

Source: USDA

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