

WASDE update: Poor South American weather weighs on supply prospects

The USDA revised down its global soybean production and inventory estimates by around 9.2mt and 6.8mt, respectively, due to dry weather in South America. These revisions exceeded market expectations and as a result, provided a boost to soybean prices



US corn supply improves, but global balance tightens

The USDA once again revised higher its US corn production estimates by around 53m bushels for 2021/22 with current estimates of total production at around 15.12b bushels for the season. The upward revision in output comes mainly on account of higher acreage. Demand for US corn was left largely unchanged, with an uptick in domestic demand offset by lower exports. US corn ending stocks for 2021/22 were increased by around 47m bushels to 1,540m bushels. This was above the roughly 1,480m bushels the market was expecting.

Globally, the agency sees a tighter corn balance sheet. Global ending stocks were lowered from 305.5mt to 303.1mt for 2021/22 although inventories are still expected to finish the season above where they started. Beginning stocks this season totalled an estimated 292.2mt. In addition, the change in inventory estimates was not too different from what the market was expecting. Global corn production was revised down by around 1.8mt to 1,207mt thanks to lower production in

South America. Brazil's output was revised down by around 3mt to 115mt, whilst Argentine production was lowered by around 0.5mt to 54mt. The EU and Mexico also saw production estimates being revised lower by around 0.4mt each. However, Ukraine and the US saw output revised up by around 2mt and 1.4mt, respectively.

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	85.1	0.3	82.3	3.1	81.3
Yield (bu/acre)	177.0	177.0	0.0	171.4	5.6	167.5
Production	15,115	15,062	53.0	14,111	1,004	13,620
Imports	25	25	0.0	24	1	42
Consumption	12,410	12,330	80.0	12,068	342	12,186
Exports	2,425	2,500	-75.0	2,753	-328	1,777
Beginning stocks	1,235	1,236	-1.0	1,919	-684	2,221
Ending stocks	1,540	1,493	47.0	1,235	305	1,919
Global (m tonnes)						
Production	1,207.0	1,208.7	-1.8	1,122.8	84.1	1,119.7
- US	383.9	382.6	1.4	358.5	25.5	346.0
- Brazil	115.0	118.0	-3.0	87.0	28.0	102.0
- Argentina	54.0	54.5	-0.5	50.5	3.5	51.0
Demand	1,196.1	1,195.9	0.2	1,136.9	59.3	1,135.8
- EU	79.9	80.3	-0.4	77.6	2.3	79.0
- China	294.0	294.0	0.0	285.0	9.0	278.0
Beginning stocks	292.2	292.7	-0.5	306.3	-14.0	322.4
Ending stocks	303.1	305.5	-2.5	292.2	10.8	306.3

Source: USDA

Global soybean market tightens

The most notable change in the USDA forecasts was for lower soybean supply from South America, as poor weather weighs on crop prospects. The agency revised down its global soybean production estimate for 2021/22 by around 9.2mt to 372.6mt. Significant revisions came from Brazil (-5mt to 139mt), Argentina (-3mt to 46.5mt) and Paraguay (-1.5mt to 8.5mt). Helping to partially offset this was expectations for weaker demand, with demand estimates lowered by around 2.1mt to 374.9mt. On a net basis, global soybean inventory estimates at the end of 2021/22 were revised down from 102mt to 95.2mt. This means that soybean stocks are expected to fall year-on-year (ending stocks last season came in at 99.9mt). The scale of revisions for soybeans was a surprise for the market, with expectations for 2021/22 ending stocks of around 99.7mt.

For the US market, the USDA revised higher its soybean production estimate by around 10m bushels to 4.44b bushels due to better yields. Domestic demand and export estimates were left largely unchanged at around 2.31b bushels and 2.05b bushels, respectively. As a result, US soybean ending stocks increased by around 10m bushels to 350m bushels for 2021/22. The US revisions were largely in line with 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)	86.3	86.4	-0.1	82.6	3.7	74.9
Yield (bu/acre)	51.4	51.2	0.2	51.0	0.4	47.4
Production	4,435	4,425	10.0	4,216	219	3,552
Imports	15	15	0.0	20	-5	15
Consumption	2,307	2,306	1.0	2,239	68	2,273
Exports	2,050	2,050	0.0	2,265	-215	1,679
Beginning stocks	257	256	1.0	525	-268	909
Ending Stocks	350	340	10.0	257	93	525
Global (m tonnes)						
Production	372.6	381.8	-9.2	366.2	6.3	339.9
- US	120.7	120.4	0.3	114.8	6.0	96.7
- Brazil	139.0	144.0	-5.0	138.0	1.0	128.5
- Argentina	46.5	49.5	-3.0	46.2	0.3	48.8
Demand	374.9	377.0	-2.1	362.8	12.1	358.4
- China	116.7	116.7	0.0	111.6	5.1	109.2
- EU	17.6	17.6	0.0	17.6	0.0	17.3
Beginning stocks	99.9	99.8	0.1	95.6	4.3	114.1
Ending stocks	95.2	102.0	-6.8	99.9	-4.7	95.6

Source: USDA

Wheat finally sees a loosening in the balance sheet

The USDA revised higher US wheat ending stocks for 2021/22 to 628m, up from a previous estimate of around 598m bushels. This was higher than the roughly 609m bushels the market was expecting. The increase was driven by downward revisions in demand. Domestic consumption was lowered by 25m bushels to 1.14b bushels, whilst export estimates were also revised down by 15m bushels to 825m bushels. Domestic production was left unchanged at around 1.65b bushels.

The USDA expects the global wheat balance to also loosen. 2021/22 ending stocks were increased from 278.2mt to 280mt. However, this still leaves inventories below where we started the marketing year (288.8mt). The increase in stock estimates was driven by expectations for lower demand, with the agency lowering its global demand estimates by 1.9mt to 787.5mt. Higher prices have weighed on wheat consumption for feed and residual use. Global production estimates were increased by just 0.7mt to 778.6mt with upward revisions from Argentina and the EU. Meanwhile, Russian export estimates were lowered by around 1mt to 35mt due to Russia announcing an export quota of 8mt from mid-February to the end of June, which should constrain exports over the coming months.

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	100	110	-10.0	100	0	104
Consumption	1,138	1,163	-25.0	1,120	18	1,118
Exports	825	840	-15.0	992	-167	969
Beginning stocks	845	845	0.0	1,028	-183	1,080
Ending Stocks	628	598	30.0	845	-217	1,028
Global (m tonnes)						
Production	778.6	777.9	0.7	775.9	2.7	762.2
- US	44.8	44.8	0.0	49.8	-5.0	52.6
- EU	138.9	138.7	0.2	126.9	12.0	138.8
- Russia	75.5	75.5	0.0	85.4	-9.8	73.6
Demand	787.5	789.4	-1.9	783.0	4.4	746.9
- China	148.5	148.5	0.0	150.0	-1.5	126.0
- N Africa	47.8	47.8	0.0	46.8	1.0	46.3
Beginning stocks	288.8	289.6	-0.8	296.0	-7.2	280.7
Ending stocks	280.0	278.2	1.8	288.8	-8.9	296.0

Source: USDA

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