

WASDE update: Soybeans rally on tighter balance

The USDA has once again revised down its global soybean ending stock estimates, with poor weather hurting supply prospects for South America. The report was mildly supportive for corn and wheat, with the global balances tightening for both



Soybeans market tightens up

The USDA has once again revised down global production and inventory estimates for soybeans as adverse weather continues to hurt South American crop prospects. The agency revised down global soybean production by 8.7mt, with major downgrades coming from Brazil (-5mt), Argentina (-1.5mt) and Paraguay (-1.8mt). This is after the USDA had already lowered its global production estimate by around 9.2mt last month. Taking into account the latest downgrade, the agency has cumulatively lowered global soybean production estimates by around 21.3mt over the past 4 months. When considering this, the strength that we have seen in prices over the last couple of months is no surprise. In fact, yesterday's WASDE was enough to push CBOT soybean above US\$16/bu for the first time since June last year. The USDA now expects global soybean production to total around 363.9mt in 2021/22, down from 366.2mt in 2020/21. Global soybean demand estimates were also revised down by around 5.8mt to 369.2mt, due to softer demand from China (-3mt), as higher prices weigh on consumption. As a result of the latest changes, the USDA lowered

its ending stocks estimate for 2021/22 by 2.4mt to 92.8mt. The market was expecting a more aggressive revision, with expectations of ending stocks around 91mt.

For the US market, the USDA also revised down soybean inventory estimates by 25m bushels to 325m bushels, due to stronger demand. Healthy demand for soybean oil was seen pushing up soybean crushing in the domestic market, with domestic consumption estimates revised up from 2.31b bushels to 2.33b bushels. Domestic production and export estimates were left unchanged at around 4.44b bushels and 2.05b bushels respectively.

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	2,307	25.0	2,243	89	2,273
Exports	2,050	2,050	0.0	2,261	-211	1,679
Beginning stocks	257	257	0.0	525	-268	909
Ending Stocks	325	350	-25.0	257	68	525
Global (m tonnes)						
Production	363.9	372.6	-8.7	366.2	-2.4	339.9
- US	120.7	120.7	0.0	114.8	6.0	96.7
- Brazil	134.0	139.0	-5.0	138.0	-4.0	128.5
- Argentina	45.0	46.5	-1.5	46.2	-1.2	48.8
Demand	369.2	374.9	-5.8	362.7	6.5	358.4
- China	113.7	116.7	-3.0	111.6	2.1	109.2
- EU	17.7	17.6	0.1	17.6	0.1	17.3
Beginning stocks	100.4	99.9	0.5	95.6	4.8	114.1
Ending stocks	92.8	95.2	-2.4	100.4	-7.6	95.6

Source: USDA

Corn balance left largely unchanged

The USDA left its US corn balance sheet unchanged this month, with production and ending stock estimates left at 15.12b bushels and 1.54b bushels respectively. The market was expecting ending stocks to be revised down to somewhere in the region of 1.51b bushels.

Globally, the agency revised down production estimates by around 1.6mt, mostly on the back of weaker supply prospects from Brazil where production was revised down by around 1mt. Global demand for corn was revised down by around 0.9mt. As a result, global corn ending stocks for 2021/22 were revised down by around 0.8mt to 302.2mt. The market was looking for a number closer to 300mt. While the revisions were less than what the market was expecting, the global market is still looking marginally tighter than it was last month.

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	12,410	12,410	0.0	12,068	342	12,186
Exports	2,425	2,425	0.0	2,753	-328	1,777
Beginning stocks	1,235	1,235	0.0	1,919	-684	2,221
Ending stocks	1,540	1,540	0.0	1,235	305	1,919
Global (m tonnes)						
Production	1,205.4	1,207.0	-1.6	1,123.1	82.3	1,119.6
- US	383.9	383.9	0.0	358.5	25.5	346.0
- Brazil	114.0	115.0	-1.0	87.0	27.0	102.0
- Argentina	54.0	54.0	0.0	51.5	2.5	51.0
Demand	1,195.2	1,196.1	-0.9	1,137.4	57.8	1,135.6
- EU	79.9	79.9	0.0	77.6	2.3	79.0
- China	294.0	294.0	0.0	285.0	9.0	278.0
Beginning stocks	292.1	292.2	-0.2	306.3	-14.3	322.4
Ending stocks	302.2	303.1	-0.8	292.1	10.2	306.3

Source: USDA

Marginal changes for wheat

The USDA revised higher US wheat ending stocks for 2021/22, by 20m bushels to 648m bushels, due to weaker consumption and exports. Export estimates were lowered by around 15m bushels to 810m bushels, on slower export sales and shipments.

The USDA tightened its global wheat balance marginally. Ending stocks for 2021/22 were lowered by 1.7mt to 278.2mt. This revision lower comes despite an increase in beginning stocks by around 1.1mt. Global wheat production estimates fell by 2.2mt to 776.4mt, with major downgrades seen from the Middle East due to dry weather. Global demand for wheat increased by 0.6mt to 788.1mt, on higher feed and residual demand mainly from Canada.

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	100	0.0	100	0	104
Consumption	1,133	1,138	-5.0	1,120	13	1,118
Exports	810	825	-15.0	992	-182	969
Beginning stocks	845	845	0.0	1,028	-183	1,080
Ending Stocks	648	628	20.0	845	-197	1,028
Global (m tonnes)						
Production	776.4	778.6	-2.2	775.9	0.5	762.2
- US	44.8	44.8	0.0	49.8	-5.0	52.6
- EU	138.9	138.9	0.0	126.9	12.0	138.8
- Russia	75.5	75.5	0.0	85.4	-9.8	73.6
Demand	788.1	787.5	0.6	782.5	5.5	746.7
- China	147.5	148.5	-1.0	150.0	-2.5	126.0
- N Africa	48.0	47.8	0.2	46.8	1.2	46.3
Beginning stocks	289.9	288.8	1.1	296.5	-6.7	281.1
Ending stocks	278.2	280.0	-1.7	289.9	-11.7	296.5

Source: USDA

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