

WASDE update: Tighter US grain balances

The USDA's latest WASDE report was constructive for grain markets with US ending stocks for corn, soybeans and wheat all coming in below expectations. Global balances were less supportive, with stocks mostly in line or above market expectations



US corn balance tightens

The USDA revised US corn production estimates lower by around 200m bushels to 13.73b bushels for 2022/23. This revision lower was primarily due to lower acreage. Both domestic and export demand were lowered, which saw total use lowered by 185m bushels. However, weaker demand was not enough to offset lower supply. US ending stocks for 2022/23 were reduced from 1.26b bushels to 1.24b bushels, which was also below market expectations of around 1.31b bushels. In addition to these supportive WASDE numbers, the USDA also released its quarterly grain stocks report yesterday, which showed that US corn stocks stood at 10.8b bushels on 1 December 2022, down 7% year-on-year and also below what the market was expecting.

The global corn balance saw a marginal tightening. 2022/23 global ending stocks were lowered from 298.4mt to 296.4mt. Meanwhile, the market was expecting a number closer to 298mt. Lower opening stocks and revisions lower to global production numbers were the reasons for the lower ending stocks. Global corn production estimates were lowered to 1,156mt (-5.9mt) with poor weather conditions in both Argentina (-3mt) and Brazil (-1mt). Meanwhile, global demand

estimates were also revised down to 1,165.5mt from 1,170.6mt.

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)	79.2	80.8	-1.6	85.3	-6.1	82.3
Yield (bu/acre)	173.3	172.3	1.0	176.7	-3.4	171.4
Production	13,730	13,930	-200.0	15,074	-1,344	14,111
Imports	50	50	0.0	24	26	24
Consumption	11,990	12,025	-35.0	12,484	-494	12,074
Exports	1,925	2,075	-150.0	2,471	-546	2,747
Beginning stocks	1,377	1,377	0.0	1,235	142	1,919
Ending stocks	1,242	1,257	-15.0	1,377	-135	1,235
Global (m tonnes)						
Production	1,155.9	1,161.9	-5.9	1,214.9	-59.0	1,129.2
- US	348.8	353.8	-5.1	382.9	-34.1	358.5
- Brazil	125.0	126.0	-1.0	116.0	9.0	87.0
- Argentina	52.0	55.0	-3.0	49.5	2.5	52.0
Demand	1,165.5	1,170.6	-5.1	1,201.5	-36.0	1,144.1
- EU	76.1	76.1	0.0	82.7	-6.6	77.7
- China	297.0	295.0	2.0	291.0	6.0	285.0
Beginning stocks	306.0	307.1	-1.1	292.5	13.4	307.4
Ending stocks	296.4	298.4	-2.0	306.0	-9.5	292.5

Source: USDA, ING Research

US soybean stocks below expectations

The USDA decreased production estimates for US soybean by 70m bushels to 4.28b bushels because of lower yields. Yield estimates were cut from 50.2 bushels/acre to 49.5 bushels/acre. Lower output and little change in demand meant that 2022/23 ending stocks were cut from 220m bushels to 210m bushels. This was a surprise for the market, with expectations that ending stocks would exceed 230m bushels. As for the separate quarterly grains report, the USDA reported that soybean inventories on 1 December 2022 stood at 3.02b bushels – 4% lower YoY. This was also lower than the more than 3.3b bushels expected.

However, the global soybean balance saw some easing. The USDA revised up its 2022/23 global ending stocks from 102.7mt to 103.5mt, largely due to higher beginning stocks. Expectations in the lead-up to the report were for ending stocks to come in below 102mt. The increase comes despite expectations of lower global output. This was driven by Argentina, where crop estimates were reduced by 4mt to 45.4mt, due to lower area and early season heat and dry weather conditions.

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)	86.3	86.6	-0.3	86.3	0.0	82.6
Yield (bu/acre)	49.5	50.2	-0.7	51.7	-2.2	51.0
Production	4,276	4,346	-70.0	4,465	-189	4,216
Imports	15	15	0.0	16	-1	20
Consumption	2,365	2,369	-4.0	2,306	59	2,238
Exports	1,990	2,045	-55.0	2,158	-168	2,266
Beginning stocks	274	274	0.0	257	17	525
Ending Stocks	210	220	-10.0	274	-64	257
Global (m tonnes)						
Production	388.0	391.2	-3.2	358.1	29.9	368.5
- US	116.4	118.3	-1.9	121.5	-5.2	114.8
- Brazil	153.0	152.0	1.0	129.5	23.5	139.5
- Argentina	45.5	49.5	-4.0	43.9	1.6	46.2
Demand	379.5	380.9	-1.4	363.2	16.3	363.8
- China	116.3	116.6	-0.3	107.6	8.7	112.7
- EU	16.5	16.5	0.0	17.0	-0.5	17.4
Beginning stocks	98.2	95.6	2.6	100.0	-1.8	94.7
Ending stocks	103.5	102.7	0.8	98.2	5.3	100.0

Source: USDA, ING Research

Fewer surprises for wheat

The USDA decreased its US wheat ending stock estimates for 2022/23 from 571m bushels to 567m bushels as higher domestic use offset the sharp rise in beginning stocks. The number came in below the 580m bushels expected. Output estimates were left unchanged.

There were two other USDA releases which were also important for the wheat market. Firstly, the quarterly grains report showed that US wheat stocks stood at 1.28b bushels on 1 December 2022, down 7% YoY and also below the 1.34m bushels expected. Secondly, the winter wheat and canola seedings report from the USDA estimates the 2023 winter wheat area at 37m acres, up 11% YoY and also above the roughly 34.5m acres expected. This appears to have been enough to dampen some of the more bullish numbers in the other two reports. Although, it is important to note that crop progress reports at the end of last year showed that the condition of this planted US winter wheat was not great.

Looking at the global market, the USDA left both production and demand estimates largely unchanged. Global ending wheat stocks for 2022/23 increased slightly from 267.3mt to 268.4mt, leaving it slightly above market expectations of around 268mt.

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)	35.5	35.5	0.0	37.1	-1.6	36.8
Yield (bu/acre)	46.5	46.5	0.0	44.3	2.2	49.7
Production	1,650	1,650	0.0	1,646	4	1,828
Imports	120	120	0.0	95	25	100
Consumption	1,126	1,093	33.0	1,088	38	1,117
Exports	775	775	0.0	800	-25	994
Beginning stocks	698	669	29.0	845	-147	1,028
Ending Stocks	567	571	-4.0	698	-131	845
Global (m tonnes)						
Production	781.3	780.6	0.7	779.3	2.0	774.6
- US	44.9	44.9	0.0	44.8	0.1	49.8
- EU	134.7	134.3	0.4	138.2	-3.5	126.7
- Russia	91.0	91.0	0.0	75.2	15.8	85.4
Demand	789.7	789.5	0.2	792.5	-2.8	782.7
- China	144.0	144.0	0.0	148.0	-4.0	150.0
- N Africa	47.2	47.2	0.0	47.0	0.2	46.6
Beginning stocks	276.8	276.3	0.6	290.0	-13.2	298.1
Ending stocks	268.4	267.3	1.1	276.8	-8.4	290.0

Source: USDA, ING Research

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