

WASDE update: US supply cuts

Yesterday's WASDE report was largely constructive. For the US market, corn and wheat saw lower 2022/23 ending stocks. However, the market was expecting even more aggressive reductions. As for soybeans, unchanged US ending stocks proved supportive for prices



US corn yields revised lower

The USDA revised lower its estimate for US corn stocks at the end of 2022/23 to 1.17b bushels compared to an earlier estimate of 1.22b bushels. However, this still left stocks above the roughly 1.13b bushels the market was expecting. The move was largely due to lower beginning stocks which were lowered by around 0.15b bushels. The agency also lowered domestic corn production estimates for this season from 13.94b bushels to 13.89b bushels on account of lower yields. Export estimates were also revised down by 126m bushels to 2.15b bushels.

For the global market, the USDA reduced its estimate for global ending stocks from 304.5mt to 301.2mt; again, largely on account of smaller stocks at the start of the season. Global beginning stocks were revised down by around 5.1mt due to lower stocks in the US and Ukraine. The revised numbers are largely in line with market expectations of around 301.9mt. Global corn output was lowered by 3.8mt to 1,168.7mt due to lower supply from the US (-1.2mt) and the EU (-2.6mt). Meanwhile, global demand estimates fell from 1,180.2mt to 1,174.6mt.

While the numbers, particularly for the US were not as bullish as the market was expecting, both the US and the global market continue to tighten, which should provide support to prices.

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)	80.8	80.8	0.0	85.3	-4.5	82.3
Yield (bu/acre)	171.9	172.5	-0.6	176.7	-4.8	171.4
Production	13,895	13,944	-49.0	15,074	-1,179	14,111
Imports	50	25	25.0	24	26	24
Consumption	12,000	12,000	0.0	12,484	-484	12,074
Exports	2,150	2,275	-125.0	2,471	-321	2,747
Beginning stocks	1,377	1,525	-148.0	1,235	142	1,919
Ending stocks	1,172	1,219	-47.0	1,377	-205	1,235
Global (m tonnes)						
Production	1,168.7	1,172.6	-3.8	1,217.3	-48.6	1,129.3
- US	353.0	354.2	-1.2	382.9	-29.9	358.5
- Brazil	126.0	126.0	0.0	116.0	10.0	87.0
- Argentina	55.0	55.0	0.0	51.5	3.5	52.0
Demand	1,174.6	1,180.2	-5.6	1,203.1	-28.5	1,144.0
- EU	76.1	77.4	-1.3	82.9	-6.8	77.7
- China	295.0	295.0	0.0	291.0	4.0	285.0
Beginning stocks	307.0	312.1	-5.1	292.8	14.2	307.5
Ending stocks	301.2	304.5	-3.3	307.0	-5.8	292.8

Source: USDA

US soybean output cut

The USDA revised lower production estimates for US soybeans by 69m bushels to 4.3b bushels. This was due to a reduction in yield expectations, which were revised down from 50.5 bu/acre to 49.8 bu/acre. Both yields and production came in below market expectations and this has provided a boost to soybean prices. Meanwhile, the agency estimates that lower output and increased competition from South America could impact exports, which were cut from 2.09b bushels to 2.05b bushels. US ending stocks for 2022/23 were left unchanged at 200m bushels; however, this was below the roughly 245m bushels the market was expecting.

For the global market, 2022/23 ending stocks were increased from 98.9mt to 100.5mt, largely on account of higher supplies from Brazil. This number was also slightly higher than the 99.7mt the market was expecting. Global soybean production estimates increased by around 1.2mt to 391mt, which was driven by a 3mt increase in Brazilian supply. Global demand numbers were also increased by around 2.5mt to 380.2mt for 2022/23.

Soybeans 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)	86.6	86.6	0.0	86.3	0.3	82.6
Yield (bu/acre)	49.8	50.5	-0.7	51.7	-1.9	51.0
Production	4,313	4,378	-65.0	4,465	-152	4,216
Imports	15	15	0.0	16	-1	20
Consumption	2,357	2,348	9.0	2,307	50	2,238
Exports	2,045	2,085	-40.0	2,158	-113	2,266
Beginning stocks	274	240	34.0	257	17	525
Ending Stocks	200	200	0.0	274	-74	257
Global (m tonnes)						
Production	391.0	389.8	1.2	355.7	35.3	368.4
- US	117.4	119.2	-1.8	121.5	-4.2	114.8
- Brazil	152.0	149.0	3.0	127.0	25.0	139.5
- Argentina	51.0	51.0	0.0	44.0	7.0	46.2
Demand	380.2	377.7	2.6	363.6	16.7	363.8
- China	116.6	115.6	1.0	106.7	9.9	112.7
- EU	16.8	16.8	0.0	16.7	0.1	17.4
Beginning stocks	92.4	89.7	2.7	100.1	-7.7	94.7
Ending stocks	100.5	98.9	1.6	92.4	8.1	100.1

Source: USDA

Wheat balance sheet tightens

The USDA lowered US wheat ending stock estimates for 2022/23 from 610m bushels to 576m bushels (lowest since 2007/08); although it was still higher than the roughly 563m bushels expected. The agency lowered production estimates from 1.78b bushels to 1.65b bushels due to falling acreage and yields.

The global wheat balance saw few changes in aggregate with 2022/23 ending stock estimates revised down slightly from 268.6mt to 267.5mt, which was in line with market expectations. 2022/23 output was cut from 783.9mt to 781.7mt with key reductions coming from the US (-3.6mt) and Argentina (-1.5mt).

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	37.5	-2.0	37.1	-1.6	36.8
Yield (bu/acre)	46.5	47.5	-1.0	44.3	2.2	49.7
Production	1,650	1,783	-133.0	1,646	4	1,828
Imports	120	110	10.0	95	25	100
Consumption	1,088	1,118	-30.0	1,117	-29	1,117
Exports	775	825	-50.0	800	-25	994
Beginning stocks	669	660	9.0	845	-176	1,028
Ending Stocks	576	610	-34.0	669	-93	845
Global (m tonnes)						
Production	781.7	783.9	-2.2	779.8	1.9	774.5
- US	44.9	48.5	-3.6	44.8	0.1	49.8
- EU	134.8	132.1	2.7	138.3	-3.5	126.7
- Russia	91.0	91.0	0.0	75.2	15.8	85.4
Demand	790.2	791.0	-0.9	794.2	-4.0	782.2
- China	144.0	144.0	0.0	148.0	-4.0	150.0
- N Africa	47.5	47.5	0.0	47.0	0.5	46.7
Beginning stocks	276.0	275.7	0.3	290.4	-14.4	298.1
Ending stocks	267.5	268.6	-1.0	276.0	-8.5	290.4

Source: USDA

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