

WASDE update: Wheat market continues to tighten

The USDA's WASDE report was constructive for the grains market, particularly wheat, with the agency significantly lowering output estimates for Russian production on the back of poor weather. In addition, the US saw a larger than expected reduction to its corn output estimate



US corn supply estimates revised down

The USDA revised US corn production estimates from 15.17bn bushels to 14.75bn bushels for 2021/22 due to poorer yields.

Corn yield estimates were lowered from 179.5bu/acre to 174.6bu/acre, while corn acreage remained unchanged. Given the relatively poor condition of the crop, as highlighted in the weekly crop progress reports, it shouldn't be too surprising that output was revised lower. Although the revisions are more significant than what the market was expecting. Reduced domestic production is expected to weigh on exports, with export estimates lowered from 2.5bn bushels to 2.4bn bushels, while ending stock estimates were also revised from 1.43bn bushels to 1.24bn bushels, which is also below what the market was expecting.

Globally, the USDA left most of its ex-US corn production estimates unchanged, except for some marginal increases in Russia and Ukraine. Total ex-US production estimates were increased from 809.6mt to 811.4mt. Global corn ending stock estimates were revised from 291.2mt to 284.6mt, entirely on lower supplies from the US. However, global corn stocks are still expected to edge higher YoY.

The USDA also made some changes to its 2020/21 balance. The Brazilian corn crop was lowered from 93mt to 87mt for 2020/21 because of frost-related damage to the safrinha corn crop.

Overall the report was constructive for corn, with a tighter than expected balance.

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)	84.5	84.5	0.0	82.5	2.0	81.3
Yield (bu/acre)	174.6	179.5	-4.9	172.0	2.6	167.5
Production	14,750	15,165	-415.0	14,182	568	13,620
Imports	25	25	0.0	25	0	42
Consumption	12,250	12,340	-90.0	12,235	15	12,186
Exports	2,400	2,500	-100.0	2,775	-375	1,777
Beginning stocks	1,117	1,082	35.0	1,919	-802	2,221
Ending stocks	1,242	1,432	-190.0	1,117	125	1,919
Global (m tonnes)						
Production	1,186.1	1,194.8	-8.7	1,115.4	70.7	1,118.6
- US	374.7	385.2	-10.5	360.3	14.4	346.0
- Brazil	118.0	118.0	0.0	87.0	31.0	102.0
- Argentina	51.0	51.0	0.0	48.5	2.5	51.0
Demand	1,182.2	1,183.5	-1.2	1,140.9	41.3	1,134.9
- EU	76.3	76.9	-0.6	75.0	1.3	78.8
- China	294.0	294.0	0.0	289.0	5.0	278.0
Beginning stocks	280.8	279.9	0.9	306.3	-25.5	322.6
Ending stocks	284.6	291.2	-6.6	280.8	3.9	306.3

Source: USDA

Soybeans

The USDA made marginal changes to its US soybean balance sheet for 2021/22, with ending stock estimates unchanged at around 155mn bushels. While US output was lowered from 4.41bn bushels to 4.34bn bushels, it was offset by higher beginning stocks, lower exports and a smaller domestic crush.

Turning to the global balance sheet, the USDA increased ending stocks estimates from 94.5mt to 96.2mt because of a revision higher in beginning stocks and softer demand from China. China's soybean demand estimates were revised down from 119.7mt to 117.7mt as poor crushing margins appear to be hurting demand.

Overall the report was fairly neutral for soybeans, with ending stocks coming broadly in line with market expectations.

Soybean 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)	86.7	86.7	0.0	82.3	4.4	74.9
Yield (bu/acre)	50.0	50.8	-0.8	50.2	-0.2	47.4
Production	4,339	4,405	-66.0	4,135	204	3,552
Imports	35	35	0.0	20	15	15
Consumption	4,379	4,420	-41.0	4,520	-141	3,952
Exports	2,055	2,075	-20.0	2,260	-205	1,679
Beginning stocks	160	135	25.0	525	-365	909
Ending Stocks	155	155	0.0	160	-5	525
Global (m tonnes)						
Production	383.6	385.2	-1.6	363.3	20.4	339.7
- US	118.1	119.9	-1.8	112.6	5.5	96.7
- Brazil	144.0	144.0	0.0	137.0	7.0	128.5
- Argentina	52.0	52.0	0.0	46.0	6.0	48.8
Demand	378.6	381.1	-2.5	366.1	12.5	358.4
- China	117.7	119.7	-2.0	112.5	5.2	109.2
- EU	17.6	17.6	0.0	17.8	-0.2	17.3
Beginning stocks	92.8	91.5	1.3	95.9	-3.1	114.7
Ending stocks	96.2	94.5	1.7	92.8	3.3	95.9

Source: USDA

Russian wheat downgrade

The USDA once again lowered US wheat ending stocks estimates due to poorer output.

The agency now estimates wheat stocks to end the 2021/22 season at around 627mn bushels, compared to a previous estimate of 665mn bushels. The agency revised down its US wheat production estimates from 1.75bn bushels to 1.70bn bushels. These reductions were driven by poorer Hard Red Winter and Soft White Winter output. Domestic demand was revised down only marginally, leading to tighter domestic stocks.

The USDA made significant changes to its ex-US balance sheet, with Russian and Canadian supply expected to suffer due to poor weather conditions. The agency revised down Russian wheat production estimates by around 12.5mt to leave it at around 72.5mt for 2021/22, which would be the small Russian harvest since 2018/19. Canadian wheat production estimates were also lower by 7.5mt. Some output increases were seen from Ukraine and Australia, although not enough to offset losses from Russia and Canada. As a result, global ending stock estimates were lowered from 291.7mt to 279.1mt, well below market expectations, and which will also mean that global wheat inventories are set to fall YoY.

The report was most bullish for wheat, with it continuing to show a tightening in both the US and global balance sheet.

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)	38.1	38.1	0.0	36.7	1.4	37.4
Yield (bu/acre)	44.5	45.8	-1.3	49.7	-5.2	51.7
Production	1,697	1,746	-49.0	1,826	-129	1,932
Imports	145	145	0.0	100	45	104
Consumption	1,184	1,195	-11.0	1,119	65	1,118
Exports	875	875	0.0	992	-117	969
Beginning stocks	844	844	0.0	1,028	-184	1,080
Ending Stocks	627	665	-38.0	844	-217	1,028
Global (m tonnes)						
Production	776.9	792.4	-15.5	775.8	1.1	763.6
- US	46.2	47.5	-1.3	49.7	-3.5	52.6
- EU	138.6	138.2	0.4	125.9	12.7	138.7
- Russia	72.5	85.0	-12.5	85.4	-12.9	73.6
Demand	786.7	790.9	-4.2	784.7	2.0	748.6
- China	148.0	148.0	0.0	150.0	-2.0	126.0
- N Africa	47.7	47.8	0.0	47.1	0.6	46.3
Beginning stocks	288.8	290.2	-1.4	297.7	-8.9	282.7
Ending stocks	279.1	291.7	-12.6	288.8	-9.8	297.7

Source: USDA

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