

## WASDE update: Wheat market tightens further

The USDA increased its 2021/22 ending stock estimates for both corn and soybeans on the back of favourable weather in the US and larger beginning stocks. The agency continues to see a tight wheat market, with inventory estimates revised down again for both the US and the global market



### Corn stocks revised higher

The USDA revised higher its estimate of US ending corn stocks for 2021/22 to 1.5b bushels compared to a previous forecast of around 1.41b bushels. The revised number was also more than the roughly 1.43b bushels the market was expecting. The bulk of the increase was due to a revision higher in beginning stocks. This increased from 1.19b bushels to 1.24b bushels on account of a demand downgrade for 2020/21. For 2021/22, US corn production estimates were revised marginally higher from 15b bushels to 15.02b bushels on a slight improvement in yields. Domestic corn demand was revised lower by around 45m bushels and the USDA now estimates US demand to be around 12.28b bushels for the season. Export estimates were increased from 2.48b bushels to 2.5b bushels.

Globally for corn, the USDA increased its ending stock estimates for 2021/22 from 297.6mt to

301.7mt largely due to a revision higher in beginning stocks. The agency revised down its 2020/21 demand estimates by around 5.1mt, driven largely by the US. Ending stocks for the current marketing year came in above the almost 299mt the market was expecting. For 2021/22, production outside the US was left largely unchanged at around 816.7mt. Similarly, global demand estimates were also only marginally changed with a current estimate of 1,187mt.

**Overall, the report was moderately bearish for corn prices, given the loosening in the balance sheet.**

## Corn supply/demand balance

	2021/22 est latest	2021/22 est previous	Est revision MoM	2020/21 est	ΔYoY	2019/20
<b>US (m bushels)</b>						
Area harvested (m acres)	85.1	85.1	0.0	82.3	2.8	81.3
Yield (bu/acre)	176.5	176.3	0.2	171.4	5.1	167.5
Production	15,019	14,996	23.0	14,111	908	13,620
Imports	25	25	0.0	24	1	42
Consumption	12,280	12,325	-45.0	12,066	214	12,186
Exports	2,500	2,475	25.0	2,753	-253	1,777
Beginning stocks	1,236	1,187	49.0	1,919	-683	2,221
Ending stocks	1,500	1,408	92.0	1,236	264	1,919
<b>Global (m tonnes)</b>						
Production	1,198.2	1,197.8	0.5	1,115.5	82.7	1,118.6
- US	381.5	380.9	0.6	358.5	23.0	346.0
- Brazil	118.0	118.0	0.0	86.0	32.0	102.0
- Argentina	53.0	53.0	0.0	50.0	3.0	51.0
Demand	1,186.5	1,186.6	-0.2	1,131.6	54.9	1,135.1
- EU	76.8	76.3	0.5	75.9	0.9	78.8
- China	294.0	294.0	0.0	285.0	9.0	278.0
Beginning stocks	290.0	286.5	3.5	306.1	-16.1	322.6
Ending stocks	301.7	297.6	4.1	290.0	11.8	306.1

Source: USDA

## Favourable weather in the US adds to soybean surplus

The USDA increased its US soybean production estimate from 4.37b bushels to 4.45b bushels, as favourable weather over recent weeks appears to have helped the current crop. The agency revised higher its soybean yield estimate for the second consecutive month and now sees yields at 51.5bu/acre compared to a previous estimate of 50.6bu/acre. Domestic demand for soybeans was revised marginally higher by around 10m bushels to 2.31b bushels, while export estimates were left unchanged at around 2.09b bushels. This leaves the bulk of the extra production going to inventory. Expectations of stronger output, along with a revision in beginning stocks mean that ending stocks for 2021/22 were increased by 135m bushels to 320m bushels. This was above the roughly 300m bushels the market was expecting.

Outside the US, the USDA lowered its soybean supply estimates by around 1.3mt, with downward revisions coming mainly from Argentina (-1mt). However, this was more than offset by the revision higher in US output. As a result, global supply estimates were increased by around 0.7mt to 385.1mt. Global demand estimates were lowered by around 1.1mt on account of slower demand from Argentina. Global ending stocks for 2021/22 were increased by around 5.7mt to 104.6mt, which is above market expectations of almost 101mt. The bulk of the increase was driven by revisions higher in beginning stocks.

Similar to corn, the report was bearish for soybeans. And this was reflected in the price action following the release.

## Soybeans supply/demand balance

	2021/22 est latest	2021/22 est previous	Est revision MoM	2020/21 est	ΔYoY	2019/20
<b>US (m bushels)</b>						
Area harvested (m acres)	86.4	86.4	0.0	82.6	3.8	74.9
Yield (bu/acre)	51.5	50.6	0.9	51.0	0.5	47.4
Production	4,448	4,374	74.0	4,216	232	3,552
Imports	15	25	-10.0	20	-5	15
Consumption	2,309	2,299	10.0	2,240	69	2,273
Exports	2,090	2,090	0.0	2,265	-175	1,679
Beginning stocks	256	175	81.0	525	-269	909
Ending Stocks	320	185	135.0	256	64	525
<b>Global (m tonnes)</b>						
Production	385.1	384.4	0.7	365.3	19.9	339.9
- US	121.1	119.0	2.0	114.8	6.3	96.7
- Brazil	144.0	144.0	0.0	137.0	7.0	128.5
- Argentina	51.0	52.0	-1.0	46.2	4.8	48.8
Demand	377.3	378.4	-1.1	362.6	14.7	358.4
- China	117.7	117.7	0.0	111.6	6.1	109.2
- EU	17.6	17.6	0.0	17.8	-0.2	17.3
Beginning stocks	99.2	95.1	4.1	95.5	3.7	114.1
Ending stocks	104.6	98.9	5.7	99.2	5.4	95.5

Source: USDA

## Global wheat market continues to tighten

The USDA lowered its 2021/22 US ending stock estimates for wheat for the fifth consecutive month and now sees wheat stocks ending the season at around 580m bushels, compared to its previous estimate of 615m bushels. The market was expecting a number of around 576m bushels. The agency revised down wheat acreage by around 0.9m acres, while yield estimates were also lowered from 44.5bu/acre to 44.3bu/acre. Hence, US production estimates were revised down from 1.7b bushels to 1.65b bushels. Import estimates were also lowered by around 10m bushels to 125m bushels due to tight supplies in the global market. Domestic demand estimates were only lowered by 25m bushels to 1.16b bushels.

Globally, the USDA expects the wheat balance to tighten further, with 2021/22 ending stock estimates revised down from 283.2mt to 277.2mt. The market was expecting a reading closer to 281mt. The bulk of this downgrade comes from revisions lower in beginning stocks (-4.2mt), while the remainder was driven by supply shortfalls for this season. Global production estimates were revised down from 780.3mt to 775.9mt, with large revisions coming from Canada (-2mt), the Middle East (-1.5mt) and the US (-1.4mt). Demand estimates were downgraded by around 2.6mt to 787.1mt, with major revisions coming from the US, India and the Middle East. The global supply shortfall for the season has increased to 11.2mt, compared to a previous estimate of 9.3mt.

**Overall, the report was constructive for the wheat market, with it continuing to show a tightening in the global market.**

## Wheat supply/demand balance

	2021/22 est latest	2021/22 est previous	Est revision MoM	2020/21 est	ΔYoY	2019/20
<b>US (m bushels)</b>						
Area harvested (m acres)	37.2	38.1	-0.9	36.8	0.4	37.4
Yield (bu/acre)	44.3	44.5	-0.2	49.7	-5.4	51.7
Production	1,646	1,697	-51.0	1,828	-182	1,932
Imports	125	135	-10.0	100	25	104
Consumption	1,161	1,186	-25.0	1,120	41	1,118
Exports	875	875	0.0	992	-117	969
Beginning stocks	845	844	1.0	1,028	-183	1,080
Ending Stocks	580	615	-35.0	845	-265	1,028
<b>Global (m tonnes)</b>						
Production	775.9	780.3	-4.4	774.7	1.1	762.3
- US	44.8	46.2	-1.4	49.8	-5.0	52.6
- EU	139.4	139.0	0.4	126.0	13.4	138.7
- Russia	72.5	72.5	0.0	85.4	-12.9	73.6
Demand	787.1	789.6	-2.6	781.2	5.9	748.3
- China	149.0	149.0	0.0	150.0	-1.0	126.0
- N Africa	47.7	47.7	0.0	46.8	0.9	46.3
Beginning stocks	288.4	292.6	-4.2	294.8	-6.4	280.8
Ending stocks	277.2	283.2	-6.0	288.4	-11.2	294.8

Source: USDA

## Author

### Warren Patterson

Head of Commodities Strategy

[Warren.Patterson@asia.ing.com](mailto:Warren.Patterson@asia.ing.com)

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