

The Commodities Feed: Bearish WASDE for corn & soybeans

Your daily roundup of commodity news and ING views



Metals

The base metals complex continued to rally in London yesterday, although several metals were unable to hold onto gains as the session progressed due to a stronger dollar. LME 3M aluminium hit an intraday high of \$3,114/t before closing moderately higher at \$3,068/t. However, copper pared earlier gains and closed lower at \$9,465/t. As inventories continue to decline, the copper cash/3M continues to trade in a fairly deep backwardation, hitting as high as US\$61.75/t earlier this week, levels last seen back in February this year. The Chinese Yangshan copper premium surged to US\$140/t (highest since 2014) yesterday, compared to the YTD lows of US\$21/t seen on 15 June, indicating strong demand for imported metal in China.

In its latest forecast, the International Lead and Zinc Study Group (ILZSG) expects the global zinc market to remain in surplus of 44kt in 2022, down from an estimated surplus of 217kt in the current year. The group expects global mine production to increase by 4.7% YoY to 12.85mt in 2021 and a further 4.2% YoY to 13.39mt in 2022. Refined zinc supply is estimated to rise by 2.5% YoY to 14.13mt in 2021, primarily driven by 3.2% YoY growth in Chinese production. Global zinc consumption growth is estimated at 6.2% in 2021 before easing to 2.3% next year. For lead, the group anticipates the global market to remain in a supply surplus of 27kt this year and a surplus of

24kt next year. Global refined production is expected to rise by 4.4% YoY to 12.42mt in 2021 and 1.7% YoY to 12.63mt in 2022, whilst demand is estimated to grow by 5.5% YoY to 12.39mt this year and 1.7% YoY to 12.61mt in 2022.

Agriculture

The USDA's monthly WASDE report yesterday was on the soft side for corn and soybean, while constructive for wheat. The agency increased its estimates for US corn ending stocks for 2021/22 from 1.41b bushels to 1.5b bushels on account of higher beginning stocks, a marginal increase in domestic production and lower domestic demand. US corn export estimates were revised marginally higher from 2.48b bushels to 2.5b bushels. Similarly, for soybean, estimates of US inventory at the end of 2021/22 were revised higher from 185m bushels to 320m bushels on account of an upside revision in beginning stocks and domestic production for the year. US soybean production estimates were revised up from 4.37b bushels to 4.45b bushels as favourable weather appears to have helped the crop. Soybean export estimates were left unchanged at 2.09b bushels. The report was constructive for wheat with estimates of US stocks at the end of 2021/22 revised down from 615m bushels to 580m bushels due to lower production and imports.

Globally, corn ending stocks estimates for 2021/22 were revised higher by around 4.1mt, mostly on account of upward revisions in beginning stocks (+3.5mt) from the US and China. Global demand and supply estimates saw only marginal changes. For soybean, the agency revised higher 2021/22 ending stock estimates by around 5.7mt to 104.6mt. The bulk of the increase comes from the upward revisions in beginning stocks (+4.1mt), while the remainder comes from revisions higher in output (+0.7mt) and lower demand estimates (-1.1mt). Changes to the global wheat balance were constructive. Global ending stocks for 2021/22 were lowered from 283.2mt to 277.2mt, largely due to lower beginning stocks. Global production estimates were revised down from 780.3mt to 775.9mt, with large revisions coming from Canada (-2mt), Middle East (-1.5mt) and the US (-1.4mt). Demand estimates were downgraded by around 2.6mt.

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