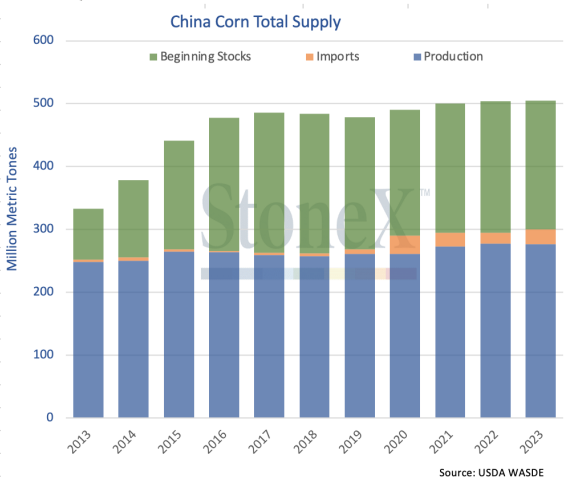
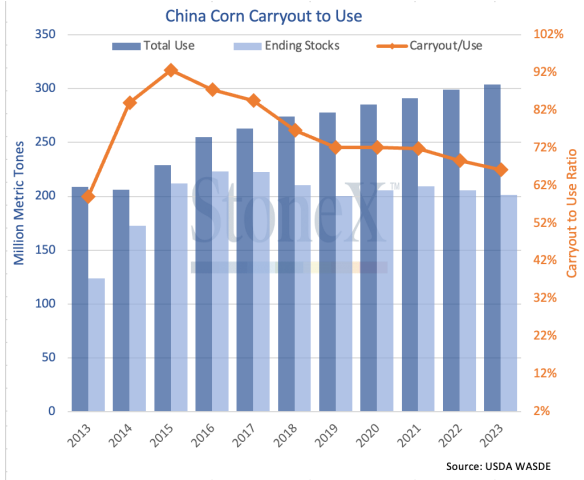
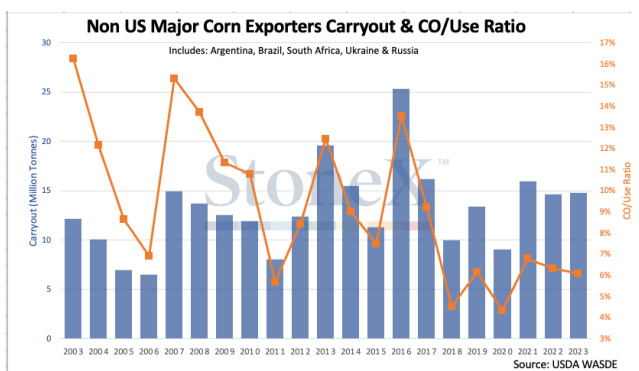
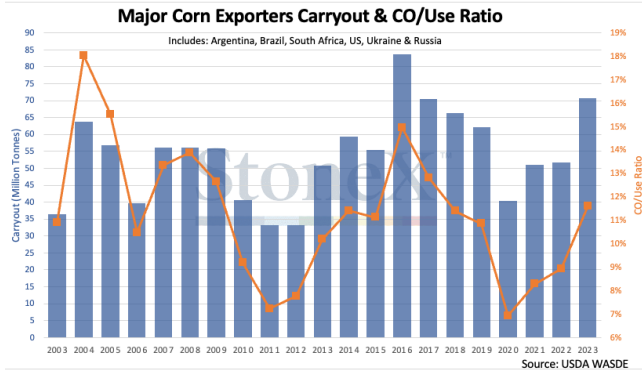


Saturday, August 12, 2023

Corn:

- Starting with the old crop 2022/23 balance sheet, USDA trimmed demand by 45 mb, now at just 13.685 billion bushels (bbu), plus 10 million bushels (mb) of imports, raising old crop carryout to 55 mb and stands at 1.457 bbu.
- Next, the new crop 2023/24 supply picture is quite a bit different than last year, at least at this point. The USDA comes in with a new crop yield of 175.1 bu/ac, that is a cut of 2.4 bu/ac from last month's estimate and was close to trade expectations. But, the crop size is size is 15.111 billion bushels vs 13.730 last year, so year over year production is forecast to jump 1.381 billion bushels vs last year. Total supply of corn is now expected to start the year up 1.451 bbu vs last year (negative implications for basis??).
- On the new crop demand side, USDA, while lowering the new crop demand estimate by 95 mb, still has it going up 705 mb, 5.2%, year over year. They forecast exports to go up 26.2% year over year, that is 425 mb of demand we need to recover vs last year, this means US corn needs to be priced to move on the world market. They have feed use up 3.7%.
- Even after that 705 mb demand revival is met, the new crop surplus (carryout) surges to a whopping 2.202 billion bushels.
- In other words, the job of the corn market is not to ration demand, the job of this market is to stimulate demand based on these current USDA numbers.
- We have to keep in mind the crop is not in the bin yet and there are still drought/yield questions out there.
- StoneX's Bevan Everett notes the following: "The USDA released the FSA's certification progress for US acreage after the report vs the corn and soy acres from the USDA (NASS June Survey) the processed acres are "too large". That means the USDA is likely underestimating acres through its survey system. Roughly, the August progress report from the FSA indicates corn acreage is .7 to 1 million too small. Right along with the corn number, soy acres are also implied on the low side vs the final. Soy acres could be .3 to .5 mln acres larger if the FSA hasn't changed its process. raises concerns that final acres might actually be higher than June NASS survey data.
- On the world stage, one of the things that had been so supportive the last couple years was the tight stocks of the world exporters. With the current US crop size forecast, that really changes as you can in the graphic. If we take the big US crop out of the picture the S/U of other major exporters has risen from 4% to 6%, not historically burdensome, but that allows them to meet their export forecasts and have a surplus left over.
- StoneX's Bevan Everett also notes the following: "The weak world demand picture was reinforced by what the USDA did for the World S/Ds. The USDA cut 23/24 production (5.3 mmt from the US, 3.7 from the EU, and 3 mmt from China). Instead of that traveling right down to the carryout the USDA cut demand in the countries that lost production and only reflected a world carryout decline from the China S/D which took the loss of 3 mmt straight through to its carryout. So world carryout was cut 3 mmt even though it lost 11 mmt in production. This signals a struggling corn demand sector.



Corn Ending Stocks Matrix

2022/23 Crop Year (Last summer)				2023/24 Crop Year				Change vs Yr Ago
Category	Estimate	Source	Estimate	Source	Estimate	Source	Ago	
Carry-In	1,377	Aug AWASDE	1,457	Aug WASDE	80	Aug WASDE	5.8%	
Planted Acres	88.6	Aug AWASDE	94.1	Aug WASDE	5.5	Aug WASDE	6.2%	
Harvested Acres	79.2	Aug AWASDE	86.3	Aug WASDE	7.1	Aug WASDE	9.0%	
Yield	173.3	Aug AWASDE	175.1	Aug WASDE	1.8	Aug WASDE	1.0%	
Imports	35	Aug AWASDE	25	Aug WASDE	(10)	Aug WASDE	-28.6%	
Dmd - Feed	5,425	Aug AWASDE	5,625	Aug WASDE	200	Aug WASDE	3.7%	
Dmd - Eth	5,225	Aug AWASDE	5,300	Aug WASDE	75	Aug WASDE	1.4%	
Dmd - Ind	1,410	Aug AWASDE	1,415	Aug WASDE	5	Aug WASDE	0.4%	
Dmd - Export	1,625	Aug AWASDE	2,050	Aug WASDE	425	Aug WASDE	26.2%	
Total Demand	13,685	Aug AWASDE	14,390.0	Aug WASDE	705	Aug WASDE	5.2%	

2023/24 Crop Ending Stocks Matrix					
Yield	Range of Planted Acres				
History	90.10	92.10	94.10	96.10	98.10
2021-177.0	180.1	197.4	230.4	263.6	329.6
2020-171.4	179.1	189.1	222.0	254.8	320.5
2019-167.5	178.1	180.9	213.5	246.2	278.9
2018-176.4	177.1	172.6	205.1	237.6	270.1
2017-176.6	176.1	164.3	198.6	228.9	261.2
	175.1	156.1	188.2	220.3	252.4
2016-174.6	175.7	161.0	193.3	225.5	257.7
2015-168.4	173.2	140.4	172.1	203.9	235.7
2014-171.0	170.3	116.4	147.7	176.8	210.1
2013-158.1	167.8	95.8	126.5	157.9	188.1
2012-123.1	164.9	71.8	102.0	132.3	162.5

Cells shaded in light green are "tight" and have driven prices toward or over \$5.00



Corn Stocks/Use Matrix

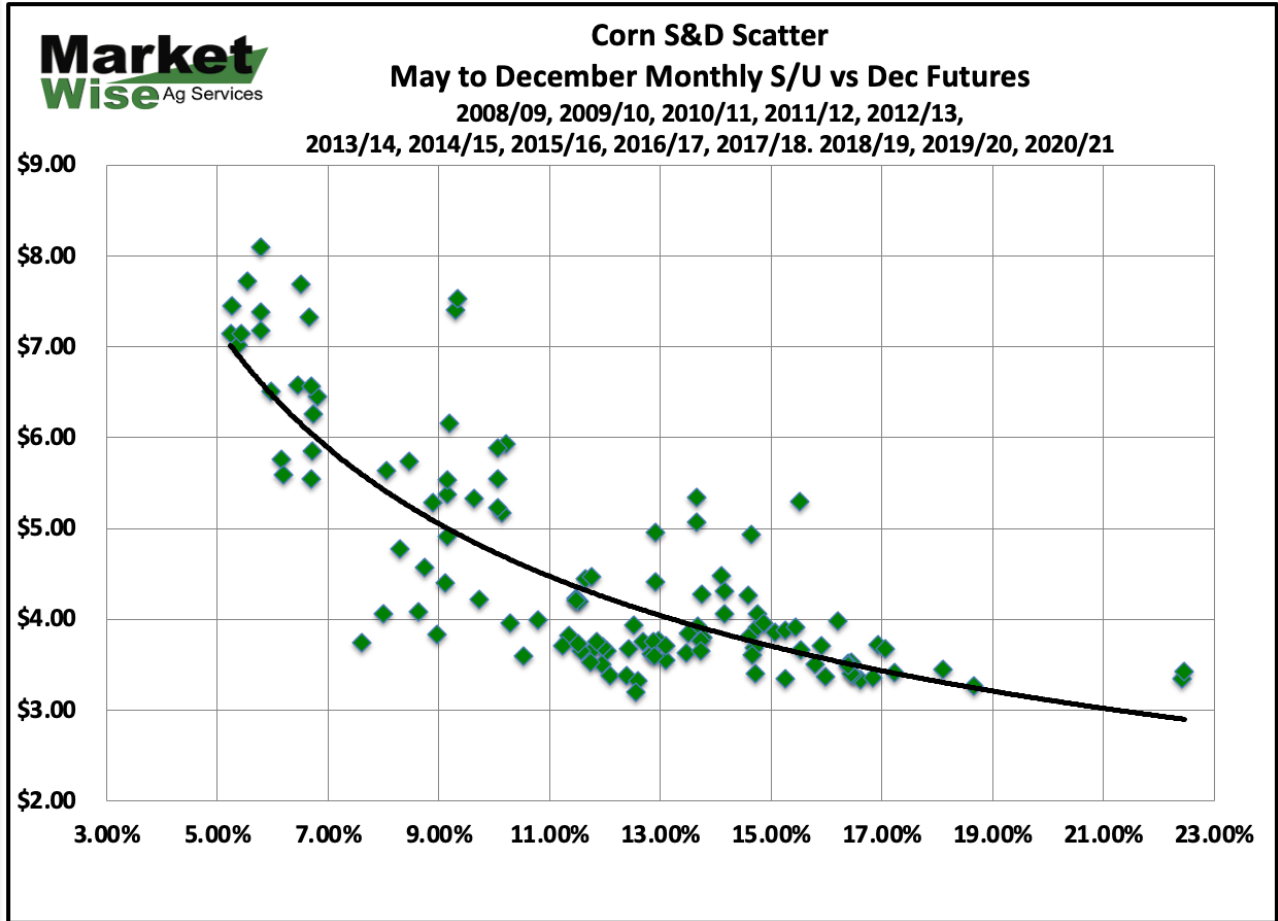
2022/23 Crop Year (Last summer)				2023/24 Crop Year				% Change vs Yr Ago
Category	Estimate	Source	Estimate	Source	Estimate	Source	Ago	
Carry-In	1,377	Aug AWASDE	1,457	Aug WASDE	80	Aug WASDE	5.8%	
Planted Acres	88.6	Aug AWASDE	94.10	Aug WASDE	5.5	Aug WASDE	6.2%	
Harvested Acres	79.2	Aug AWASDE	86.30	Aug WASDE	7.1	Aug WASDE	9.0%	
Yield	173.3	Aug AWASDE	175.1	Aug WASDE	1.8	Aug WASDE	1.0%	
Imports	35	Aug AWASDE	25	Aug WASDE	(10)	Aug WASDE	-28.6%	
Dmd - Feed	5,425	Aug AWASDE	5,625	Aug WASDE	200	Aug WASDE	3.7%	
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Dmd - Export	1,625	Aug AWASDE	2,050	Aug WASDE	425	Aug WASDE	26.2%	
Total Demand	13,685	Aug AWASDE	14,390	Aug WASDE	705	Aug WASDE	5.2%	

2023/24 Crop Ending Stocks Matrix					
Range of Yields	Range of Planted Acres				
90.10	92.10	94.10	96.10	98.10	
180.1	13.7%	16.0%	18.0%	20.6%	22.9%
179.1	13.1%	15.4%	17.7%	20.0%	22.3%
178.1	12.6%	14.8%	17.1%	19.4%	21.6%
177.1	12.0%	14.3%	16.5%	18.8%	21.0%
176.1	11.4%	13.7%	15.9%	18.2%	20.4%
175.1	10.8%	13.1%	15.3%	17.5%	19.8%
175.7	11.2%	13.4%	15.7%	17.9%	20.1%
173.2	9.8%	12.0%	14.2%	16.4%	18.6%
170.3	8.1%	10.3%	12.4%	14.6%	16.8%
167.8	6.7%	8.8%	10.6%	13.1%	15.2%
164.9	5.0%	7.1%	9.2%	11.3%	13.4%

Cells shaded in light green are "tight" and have driven prices toward or over \$5.00

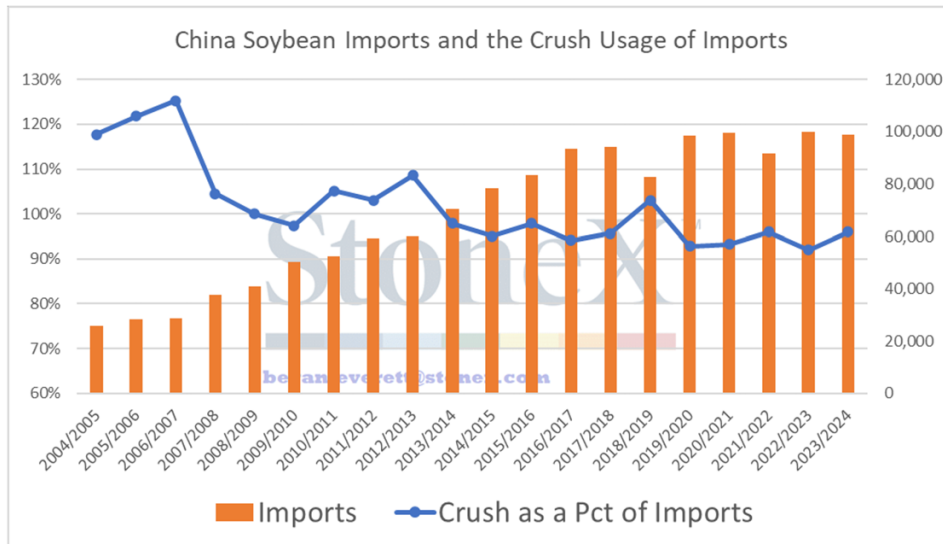
Current USDA balance sheet forecast implies a Stocks / Use percentage for new crop corn above 15%. You can see below how that has been valued during the ethanol era. For example, on the November of 2020 WASDE USDA posted an expected carryout of about 1.7 billion bushels and corn closed that day at \$4.23/bu. Nov of 2019 a 1.910 bbu carryout resulted in Dec corn closing at \$3.77.

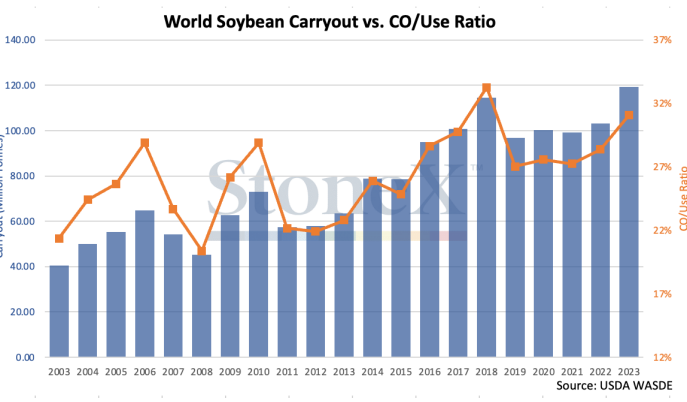
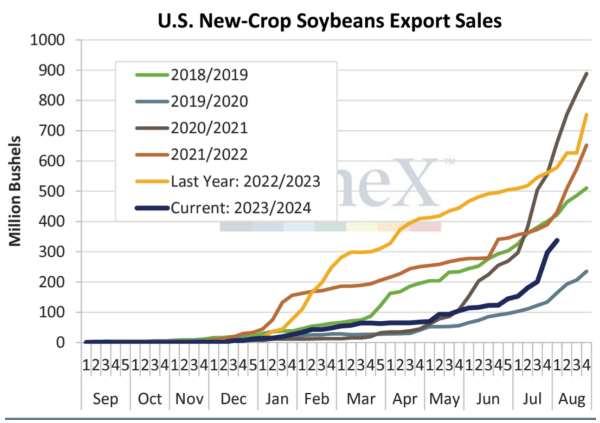
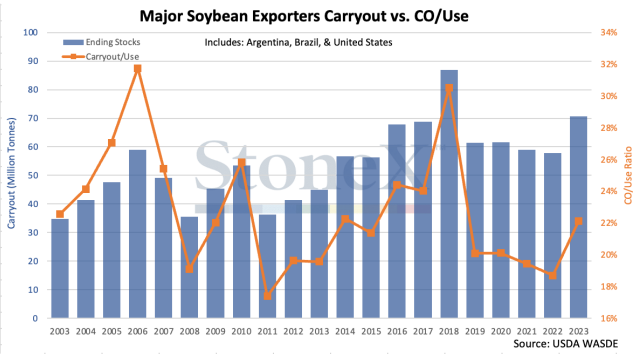
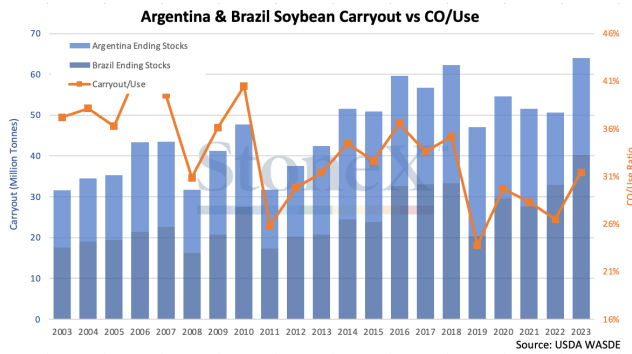
The Russia/Ukraine conflict might be one explanation for why corn is so high compared to similar years in the recent past with a 2.2 billion bushel surplus of corn, but a 15% S/U is not historically supportive of prices holding above \$5.00 December futures.



Soybeans:

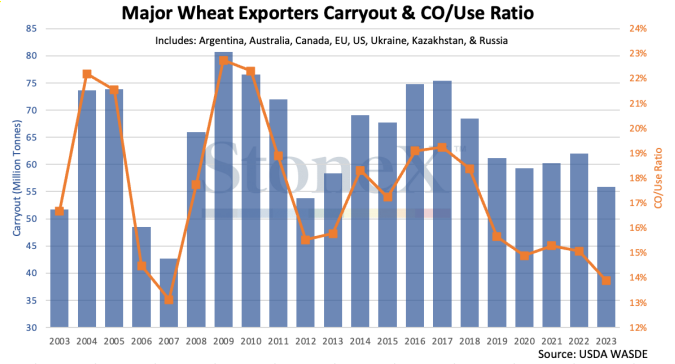
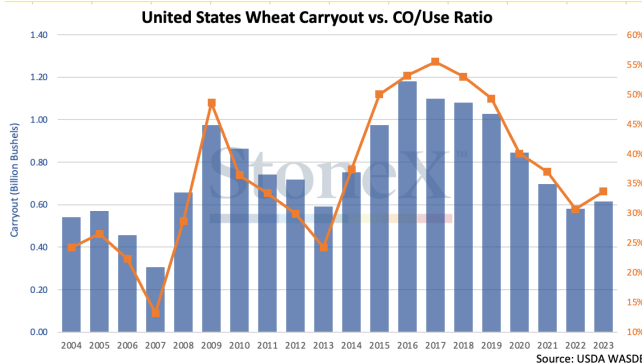
- Looking at the old crop 2022/23 balance sheet, starting with supply side, the only change USDA made was a 5 mb increase in imports.
- There were no changes to old crop demand, so the end result is old crop carryout is up 5 mb to 260 mb.
- Looking at the new crop 2023/24 balance sheet, starting with supply, we have the carry-in up 5 mb as mentioned. They lowered the yield by 1.1 bu/ac vs the July estimate (no changes to planted or harvested acres at this point), so the crop size was reduced by 95 mb and means this year's bean crop will be about 71 mb smaller than last year's bean crop.
- To help offset that they increased expected new crop imports by 10 mb to 30 mb, in other words, US beans will have to be expensive enough that it will pay to import than to buy domestically.
- Then, on the demand side, they have US crush going up 80 mb and that makes sense as US crush capacity is expected to rise next year.
- But they lowered US soybean export forecast again, this time by 25 mb, that makes them 155 mb lower than the exports we are currently experiencing for the old crop. Yes, new crop sales are lower than where we were at this time last year, but will that trend hold?
- The net result is the USDA is projecting demand to drop 69 mb year over year.
- The combination of higher carry-in and an increase in new crop imports and a decrease in new crop demand estimates allowed the USDA to offset some of the reduction in the crop size and make the balance sheet look tenable for now at 245 mb, 5.8% S/U.
- Something to think about, IF new crop demand were to chug along at the same pace as old crop demand has been running in other words at 4.320 bbu, the ending stocks would only be 179 mb, that would be 4.1% S/U.
- StoneX's Bevan Everett notes the following: "Looking at the world S/Ds, the USDA is expecting negative China import growth in 23/24, increasing world carryouts, and building China inventories. Simply put, Brazil's planned soybean expansion in 23/24 will oversupply the world without a growing China demand. China's 22/23 import estimate was increased 1 mmt to 100 mmt while 23/24's import forecast is 99 mmt. Domestic crush demand in 22/23 is 92 mmt (7 less than imported) while 23/24 crush is forecast at 95 mmt, only up 3 mmt YoY. As the chart shows below, import growth has stalled AND crush utilization of imports has slid lower.
- So it seems like the job of the bean market is to ration US bean exports.





Wheat:

- Looking at the old crop wheat balance sheets, USDA made a couple tweaks in the demand categories, but left overall demand unchanged so the carryout was left unchanged.
- On the new crop balance sheet planted and harvested acres were left unchanged, but the yield was cut 0.3 bu/ac so that cut production by about 5 million bushels.
- USDA adjusted demand down about 27 mb from last month's estimate and brings carryout up to 615 mb vs 592 last month.
- Note that new crop demand is forecast to drop 62 mb vs last year's total. This forecast is very sensitive to what happens over in Ukraine and Russia as you can see by the S/U of major wheat exporters.
- StoneX's Bevan Everett notes the following: "The world s/ds had a list of nations shifting their production expectations, but world demand remains very flexible and created little bullishness. Canada's drought cut production 2 mmt and EU similarly had dryness cut production by 3 mmt. China's stat agency update drove the USDA to echo the agency's production cut of 3 mmt. Ukraine's spate of good weather increased its estimate by 3.5 mmt. Net impact of these shifts is a world output that is 3.3 mmt less than a year ago. Domestic demand declined equally."



All Wheat Ending Stocks Matrix

2022/23 Crop Year (Last summer)			2023/24 Crop Year		
Category	Estimate	Source	Estimate	Source	Change
Carry-In	698	Aug WASDE	580	Aug WASDE	(118)
Planted Acres	45.70	Aug WASDE	49.60	Aug WASDE	3.9
Harvested Acres	35.50	Aug WASDE	37.70	Aug WASDE	2.2
Yield	46.5	Aug WASDE	45.8	Aug WASDE	(0.7)
Imports	122	Aug WASDE	130	Aug WASDE	8
Dmd - Food	973	Aug WASDE	974	Aug WASDE	1
Dmd - Seed	69	Aug WASDE	65	Aug WASDE	(4)
Dmd - Feed	90	Aug WASDE	90	Aug WASDE	-
Dmd - Exports	759	Aug WASDE	700	Aug WASDE	(59)
Demand	1,891	Aug WASDE	1,829	Aug WASDE	(62.0)



All Wheat Stocks/Use Matrix

2022/23 Crop Year (Last summer)			2023/24 Crop Year			% Change vs Yr
Category	Estimate	Source	Estimate	Source		
Carry-In	698	Aug WASDE	580	Aug WASDE		-16.9%
Planted Acres	45.7	Aug WASDE	49.6	Aug WASDE		8.5%
Harvested Acres	35.5	Aug WASDE	37.7	Aug WASDE		6.2%
Yield	46.5	Aug WASDE	45.8	Aug WASDE		-1.5%
Imports	122	Aug WASDE	130	Aug WASDE		6.6%
Dmd - Food	973	Aug WASDE	974	Aug WASDE		0.1%
Dmd - Seed	69	Aug WASDE	65	Aug WASDE		-5.8%
Dmd - Feed	90	Aug WASDE	90	Aug WASDE		0.0%
Dmd - Exports	759	Aug WASDE	700	Aug WASDE		-7.8%
Demand	1,891	Aug WASDE	1,829	Aug WASDE		-3.3%

2023/24 Crop Ending Stocks Matrix					
Yield	Range of Yields	47.6	Possible Range of Final Acres	50.6	51.6
History		48.6	49.6		
2019-48.2	50.8	719	758	835	873
2018-47.6	49.8	683	721	758	834
2017-46.4	48.8	647	684	721	758
2016-52.7	47.8	610	647	683	719
2015-43.6	46.8	574	610	645	681
2014-43.7	45.8	538	573	608	642
2013-47.1	44.8	502	536	570	604
2012-46.2	43.8	466	499	532	566
2011-43.7	42.8	429	462	495	527
2010-46.3	41.8	393	425	457	489
2009-44.5	40.8	357	388	419	450

2023/24 Crop Ending Stocks Matrix					
Range of Yields	47.6	Possible Range of Final Acres	50.6	51.6	
	48.6	49.6			
50.8	39.3%	41.4%	43.5%	45.6%	47.8%
49.8	37.3%	39.4%	41.5%	43.5%	45.6%
48.8	35.4%	37.4%	39.4%	41.4%	43.5%
47.8	33.4%	35.4%	37.3%	39.3%	41.3%
46.8	31.4%	33.3%	35.3%	37.2%	39.2%
45.8	29.4%	31.3%	33.2%	35.1%	37.0%
44.8	27.4%	29.3%	31.2%	33.0%	34.9%
43.8	25.5%	27.3%	29.1%	30.9%	32.7%
42.8	23.5%	25.3%	27.0%	28.8%	30.6%
41.8	21.5%	23.2%	25.0%	26.7%	28.5%
40.8	19.5%	21.2%	22.9%	24.6%	26.3%

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