



August USDA WASDE Report Summary

The August release of the USDA WASDE report created a few surprises, most notably an increase of soybeans by 38c on the back of a revision down of yield by 1.9 bushels per acre (4.3%) on last month. As a result, production was down 165 million bushels (4.8%) on last month. Ending stocks for soybeans were down by 75 million bushels, despite the trade only expecting it down around 30 million bushels. This number equates to 25% of projected ending stocks. The markets are expected to move sideways and possible even recover in the coming weeks with a frost premium in the US likely to impact prices to the upside.

The USDA caught everyone by surprise with corn, lowering yields by 2.1bu/acre on last month, at a time when we were expecting them to be revised higher to around 158bu/acre, leading to a tighter carry out stocks by about 6%. Corn however didn't react to the same degree as soybeans, probably signalling that the market is a little sceptical of the USDA figures. With good to excellent ratings at a very strong 64% and likely to be revised higher, it is very difficult to see how the yields could be revised down from the previous report, however with very late plantings; the crop will be more sceptical to potential production problems.

Wheat was a mixed bag, with world wheat production expected to be raised by 7.6 million tonne from last month to a record 705.38 million tonne this year, despite US wheat output left unchanged. European production came in at 141.4 million mt (up 2.8mmt), Ukraine at 21.5 million mt (up 2mmt), Kazakhstan 17 million mt (up 2.5mmt) and Canada 29.5 million mt (up 0.5mmt). Surprisingly, the Russian wheat crop remained unchanged at 54 million tonne. However wheat ending stocks have tightened by 680 thousand tonne, with a recent increase in export activity and feed usage having an impact on prices. Chinese imports have also risen by 1 million tonnes this year to 9.5 million tonne. Overall, the wheat complex remained mostly unchanged.