

## USDA Quarterly Stocks & Planting Intentions Report – Bullish for Corn at above 500c/bu.

In what is historically a very volatile report for the grains markets, last night's USDA report was reasonably subdued across the board though was most positive and bullish for corn, but neutral for beans & wheat.

Planting Intentions, the first of the two components of the overnight USDA report was very much in line with analysts' expectations for wheat and soybeans, with the wheat area down only 0.6% yoy (55.8 M acres) and a record soybeans area, up 6% yoy (81.49 M acres). This was a bearish factor for new season beans pricing. The corn area though was markedly lower than market expectations by about 1 M acres (91.7 M acres) and down 3.8% yoy, and led to the bullish tone of corn prices overnight with the corn contract closing the night at 502 c/bu. (+10c)

This also reflected the anticipated switch from planted corn area to soybeans due to pricing benefits.

The second component of the report was the Quarterly Stocks figures which were very much in line with expectations across all of the grain complexes. Wheat stocks came in at 1056 MBu, down 14.5% yoy and Soybeans at a historically very tight 992 MBu, which supported old crop pricing for beans. Corn stocks came in at 7006 MBu which is just under a 30% increase yoy (29.7%).

After taking into account these two components of the report, wheat was neutral overall and finished up overnight at 697 c/bu (+1.75c). Soybeans was bullish old crop (spot contract was up 27c) and bearish new crop, so neutral overall. And corn was bullish overall finishing up 10c overnight at 502 c/bu supported by a larger than expected decrease in planting area, quarterly stocks in line with expectations and strong export inspection figures too.

The report overnight looks at the US situation so must be put into context of the overall world position which was covered by the recent USDA's Monthly WASDE report back on the 10<sup>th</sup> March and was broadly bearish across all 3 grain complexes at the time.

Recently the International Grains Council revised their global production estimate for wheat to 700 MTs, which was lower than the recent upwardly revised USDA WASDE estimate of 712 MTs, which equated to an increase in world wheat production of 56 MTs yoy.

Also in the previous USDA WASDE report, wheat global ending stocks were largely unchanged due to increased global consumption with the stocks to use ratio unchanged at 26.1%, which is at a similar level of 26.2% back in 08/09.

World consumption estimates are also pegged at record levels of 700 MTs largely driven by population growth, changing lifestyles and higher protein diets through the SE Asian region. China and India's consumption of wheat (& corn) is likely to strongly outstrip production over the next few years as increases to income also contribute to changes in diet, being more wheat & meat based. The expectation of ongoing changes to lifestyles and diets in the SE Asian region will continue to provide a significant opportunity to the farming community of Australia and its grain growers.

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