



Bearish Outlook for Corn & Soybeans but Barley the exception.

With the recent release of the much anticipated May USDA WASDE Report, the grain markets were keen to look at the forecast outlook for global production in 14/15 of the 3 key grains in the market – Wheat, Corn & Soybeans.

The USDA has pegged global wheat production at 697.04 Mt with consumption estimates at a very close level of 696.15t leaving overall global ending stocks of 187.42 Mt at a reasonably healthy 26.9% stocks to use ratio, which is slightly above last year's ratio of 26.4%. Notwithstanding world production being down 17 Mt from last year, there is also expected to be a corresponding drop in global consumption of 7 MT, predominantly from China & India. Currently with drought & yield/production concerns out of the central Midwest of the US as well as geo-political issues out of the Black Sea region at the moment, the global wheat production-consumption equation is tightly balanced and very tenuous to being tipped over if significant production concerns develop in any of the major exporting countries.

Currently the USDA reported crop conditions for the winter wheat crop have deteriorated further over the past week to the lowest levels seen since 1996 with a good-to-excellent rating of 30% for the average of the 18 states selected. Kansas' good-to-excellent rating has dropped by 4% to 13% with the very poor-poor rating increasing by 9% to 56%. Similarly, the good-to-excellent crop rating in Texas has dropped from 13% to 11% and the very poor-poor rating has increased by 4% to 68%.

So whilst the overall outlook for wheat globally according to the USDA report is neutral to slightly bullish, the outlook for both corn and soybeans globally was generally bearish, due to very strong global production with corn at 979.08 Mt (up .6 Mt yoy) and soybeans at 299.82 Mt (up 16.03 Mt yoy). Continued strength in global demand has the USDA putting global consumption for corn up by 16.99 Mt (10 Mt being China) and soybeans up strongly by 10.69 MT leaving world ending stocks for corn up 13.33 Mt to 181.73 Mt and soybeans ending stocks globally up by 15.25 Mt to 82.23 Mt.

It is this significant increase to global ending stocks for both corn and soybeans that will continue to have a bearish influence on grain pricing for these 2 key global commodities.

The exception to this interestingly is expected to be wheat's not-so-poor cousin barley, which the USDA anticipates seeing global production down 12.58 Mt, predominantly due to reductions out of Canada, Australia and the EU, but also with a reduction in global consumption of 3 Mt leaving the global ending stocks for barley down by 6 MT to 18.32 MT which is a very low stocks to use ratio of 13.22% (vs 17.18% in 13/14).

Given the favourable weather for the WA growing season to date and with seeding well underway for most, a fair number of growers have taken advantage of the recent rally in wheat, where Chicago wheat prices peaked at 740c/bu, due to the grain markets factoring in a premium for both weather (US related) and potential supply risk (Russia-Ukraine) though this now appears to be easing off.

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