April 8, 2011

Corn and Soybean Carryover Unchanged

The USDA's April 8, 2011 World Agricultural Supply and Demand Estimates (WASDE) left 2010-11 corn and soybean ending stocks unchanged from the previous report. Increased production in Brazil is expected to add to global corn and soybean supplies.

Corn 2010-11 ending stocks remain at 675 million bushels, unchanged from the previous month's projections. Following the lower than expected corn supplies indicated in the March 31 Grain Stocks report, the trade was expecting some reduction in the domestic corn carryover. The average pre-report trade estimate was 595 million bushels, but the USDA projection was somewhat above the top of the trade expectation range of 560 to 660 million bushels. The USDA did increase projected ethanol use by 50 million bushels. However, this was offset by a 50 million bushels reduction in feed and residual use. Increased feed use of new crop wheat and increased southern corn plantings are expected to lower old crop corn feed use in the last one-half of the marketing year. Brazilian corn production was increased 2.0 mmt. However, increased use results in a small decrease in world 2010-11 projected corn ending stocks from last month's 123.14 mmt to 122.43 mmt. The USDA's forecast 2011-11 corn price range was narrowed by five cents, now expected to range from $5.20 to $5.60.

Small reductions in soybean crush, exports and seed use were offset by an increase in residual use. The net result was no change in soybean 2010-11 ending stocks of 140 million bushels. This is slightly above the average trade pre-report trade estimate of 137 million bushels, but within the 121 to 150 million bushels range of trade expectations. Brazilian soybean production was increased 2.0 mmt and contributed to an increase in expected global soybean carryover from 58.33 mmt (March) to 60.94 mmt (April). The USDA's 2010-11 soybean price forecast was increased 15 cents on the low end of the previous range, but reduced 35 cents on the top end. Prices are now expected to range from $11.25 to $11.75.

Wheat expected feed use was increased four million bushels resulting in a like decrease in 2010-11 wheat ending stocks from 843 million bushels to 839 million bushels. The trade had been expecting a small increase with an average pre-report estimate of 861 million bushels. Adjustments to global use resulted in world 2010-11 wheat ending stocks increasing somewhat from last month's 181.90 mmt to 182.83 mmt. The USDA's forecast 2010-11 wheat price range was lowered ten cents and now expected to range from $5.20 to $5.70.

The "surprise" in the report is that corn ending stocks, along with soybean carryover, was left unchanged following the March Grain Stocks report suggesting stronger than expected use. There seems to be a wide range of reaction to report in early calls for futures price trading. Some consider the report bearish for corn, while others point out that supplies remain tight. Many consider the report to be neutral for soybeans, but price reaction could be mixed.

Expect continued market volatility. There will be some speculation over whether high prices are starting to ration demand, but export sales and domestic use still appears strong. Corn and soybean carryovers are low and new crop production will be important. Weather and planting conditions are already “making the news” and will continue to influence the markets in the weeks ahead.