

## **USDA September Special**

Today's USDA report made interesting reading. The main figures are included at the end of this commentary for completeness.

The main focus of traders was the key corn yield estimate swiftly followed by soybean yield estimate. The USDA seemingly returned to their old ways with minor adjustments to their August figures providing us with a small cut in corn to 122.8 bu/acre (down from 123.4 bu/acre) and soybeans were cut to 35.3 bu/acre from 36.1. In both cases the planted and harvested acreages were left unchanged resulting in output for corn at 10.727 billion bu (down from 10.779) and soybeans at 2.634 billion bu (down from 2.692).

While the corn figure represented the lowest yield for 17 years, the downgrade fell short of the 2.8 bushels-per-acre cut that investors had expected and indeed factored into prices .

The big surprise to us is that there was no cut in corn harvested acres which we would have expected given the drought and from the physical evidence of crops being chopped for forage rather than waiting to produce a poor harvest. No doubt this will be addressed in the October report. We would expect at least one million acres to be chopped to supplement livestock feedstocks and consequently output to be cut by some 300 million bu.

From the detail of the report, world corn production fell 8 mmt on poor EU crops although Ukraine output was left unchanged which feels too high given their dry season.

Further detail, this time on soybeans, estimated pod counts at their lowest since 2003 and using an average pod weight, again this feels too high based upon the growing season and evidence received from some growers. We would look for yield to be reduced in the October report to reflect these points.

Other points for comment on the report would include the fact that Australian wheat output appears to have been left unchanged. Given the dry conditions, particularly in W Australia, and the fact that ABARES cut their estimate of output to 22.5 mmt, the USDA remaining at 26 mmt feels odd to say the least.

Overall, the report has a bullish feel to soybeans with global tightness needing to be addressed and rationing to take place without delay. Corn direction will now be dictated by the October report unless we see clear harvest data contravening the figures issued today.

Market reaction has left soybeans \$0.40/bu higher and corn \$0.11 lower as at 16:30 UK time.

SOYBEANS (Million bushels, except where noted)

	2010/11	2011/12	2012/13	Projections
	Actual	Estimate	Aug	Sep
Planted (mln acre)	77.4	75.0	76.1	76.1
Harvested (mln acre)	76.6	73.6	74.6	74.6
Yield/acre (bu)	43.5	41.5	36.1	35.3
Production	3,329	3,056	2,692	2,634
Crushings	1,648	1,705	1,515	1,500
Exports	1,501	1,360	1,110	1,055
Ending stocks	215	130	115	115

CORN (Million bushels, except where noted)

	2010/11	2011/12	2012/13	Projections
	Actual	Estimate	Aug	Sep
Planted (mln acre)	88.2	91.9	96.4	96.4
Harvested (mln acre)	81.4	84.0	87.4	87.4
Yield/acre (bu)	52.8	147.2	123.4	122.8
Production	12,447	12,358	10,779	10,727
Exports	1,834	1,540	1,300	1,250
Ending stocks	1,128	1,181	650	733