

Hot on the heels of last week's stocks and seeding report we have seen the USDA's WASDE figures release on Wednesday. Key numbers included in the report were, as expected, reductions in US soybean and corn end stocks. An additional 50 million bu (mbu) of soybean exports were partially offset by an increase (30 mbu) in imports, a 5 mbu reduction in crush and a small (4 mbu) reduction in the seed and residual. The net effect was a drop in soybean end stocks to 135 mbu, which equates to a 4% stocks/use ratio and a historic low level. Corn numbers were simpler to interpret, an additional 125 mbu in exports, translating into an equal size reduction in end stocks.

Perhaps of more significance are the global end stock figures; soybeans 69.42 million mt and corn 158 million mt. Both numbers are down from the March figures, but it must be remembered that they show a sharp increase over 2012/13 levels, 57.87 million mt and 134.4 million mt respectively.

In wheat the USDA reduced imports by 5 mbu, on account of the logistical problems in Canada, and more significantly feed numbers were reduced 30 mbu, which combine to leave end stocks higher by 25 mbu. In contrast to soybeans and corn, the position on global wheat end stocks is more favourable with the latest figure at 186.68 million mt, marginally less than a 3 million mt increase from the March figure and more than 10 million mt over last year's carry out.

The market reacted in volatile fashion immediately after publication of the data with front month soybeans pushing sharply higher, breaking \$15/bu and making new season highs before closing lower. Corn acted in similar fashion rallying hard to new season highs and again closing near the low of the day. Subsequent price action has seen lower levels perhaps suggesting that the market had already priced in the increased exports and reduced end stocks.

Wheat markets have shed more than \$0.20/bu since the session highs on report day and, given the content of the report, this seems to reflect the data.

The first cargo of Brazilian soybeans has arrived in the US and is being followed by more, as reflected in the USDA's numbers. Some are suggesting the USDA may be a touch light in their estimate of imports, and in the light of recent developments this may well turn out to be true. News that Chinese importers have actually defaulted on as much as ten Panamax size cargoes of US and Brazilian origin soybeans amounting to at least 500,000 mt did little to reassure the market on Thursday. The defaults were initiated as a result of non-payment because buyers were unable to open letters of credit as Chinese banks are becoming yet more selective in their lending amid their current economic downturn. Perhaps more disturbing is the suggestion that if assistance to resell, renegotiate or washout as many as a further 24 cargoes is not forthcoming, they will suffer the same fate, i.e. default. To put this into perspective, we are talking about a further 1.4 million mt.

The pressure being felt by the Chinese crusher is one of reduced and negative margins as we have reported previously. Not too long ago the crusher was making up to \$100/mt of soybeans processed. This has now declined to a low of similar value, little wonder they are looking to renegotiate! Consequently sellers are nervous and little in the way of fresh sales to China are being made.

To add to the pressure on soybeans, Brazil's CONAB increased their outlook for the 2014 crop at 86.1 million mt, which is an increase of 640,000 mt from their March figure. Better than anticipated yields have resulted in the gains, and given that some 85% of the crop is now gathered, it would seem that the figure carries credibility. Trade expectations are that the final outturn will be between 86.5 and 88 million mt.

CONAB's corn output figure was also increased from the March estimate, an additional 300,000 mt left the April figure at 75.4 million mt, which is a big jump over the latest USDA figure of 72 million mt (increased 2 million mt from March). The potential for big exports to compete with the US and also provide an alternative supply to the EU should disruption arise in the Black Sea region will be welcome to consumers.

Brussels added yet another week of big wheat export certificates.

The season total now stands at 25.214 million mt with the week totalling 631,708 mt. This leaves the year 7.635 million mt (43.4%) ahead of last year, and if the USDA's 29 million mt total is to be reached, it only requires just over 315,000 mt/week in the remaining 12 weeks of the year. Whether or not the EU will be able to benefit from the latest GASC wheat tender, for early May shipment, will not be known until later on Friday. Given the Egyptian refusal to back down on their latest moisture levels it would seem that EU suppliers will be in the shadows once again.

In conclusion, we have seen the USDA report on stocks, seeding and global supply and demand over the last couple of weeks. Markets have seen some volatility but appear to be struggling to climb higher. Whether this is a reflection of the already large fund net long position and the lack of further fresh buyers remains to be seen. It appears clear that the tight US old crop soybean position will continue to underpin markets, but once the reality of the new crop situation sinks in we anticipate lower prices. The grains have a similar feeling albeit they are not in such a tight old crop position and may already be showing weakness.

US Soybean Supply and Demand

Millions of Acres Millions of Bushels	13/14 USDA Projections				
	10/11e	11/12	12/13e	March	April
Acres Planted	77.4	75.0	77.2	76.5	76.5
Acres Harvested	76.6	73.8	76.2	75.9	75.9
Percent Harvested	99.0%	98.4%	98.7%	99.22%	99.22%
Yield Per Harvested Acre	43.5	41.9	39.8	43.3	43.3
Beginning Stocks	151	215	169	141	141
Production	3,329	3,094	3,034	3,269	3,269
Imports	14.0	16.0	36.0	35	65
Total Supply	3,495	3,325	3,239	3,464	3,494
Crushings	1,648	1,703	1,689	1,690	1,685
Exports	1,501	1,365	1,320	1,530	1,580
Seed	87	90	89	87	95
Residual	43	-2	1	12	0
Total Demand	3,280	3,155	3,099	3,319	3,360
Ending Stocks	215	169	141	145	135
Average Farm Price	\$11.30	\$12.50	\$14.40	\$12.20	\$13.70
Stocks to Usage	6.55%	5.36%	4.55%	4.37%	4.02%
USDA Estimates					