

The much-awaited November USDA crop report was published on Thursday afternoon, its significance perhaps more so than in previous years due to the much-debated corn (and soybean) yield that has been in place for some months. As actual harvest data is much more available for the November release, it is regarded more of a “fait accompli” and the trade moves on. We saw little in the way of bullish potential from the data with US corn yield at an all time record of 175.4 bushels/acre. Given the crop’s growing conditions this season, which we expected to limit yield, there is little doubt that there is potential for even higher yields going forward should growing conditions be more favourable. The change made the November corn yield the highest ever posted on a report was the biggest month to month increase since September of 2004 and was the biggest change on a November report since 1994.

Soybean yield was unchanged at 49.5 bushels/acre, and this together with the corn yield will ensure that end stock levels will remain robust to say the least. For the record, despite record corn yield levels; the US crop at 14,578 million bu is down some 570 million from last years record output due to reduced plantings.

From the changes in this report, it seems that the bulls have little ammunition from which to draw comfort with not only US corn end stocks up year on year (by 192 million bu) but the stocks to use ratio has climbed by over 17%, a feat not matched since the 2005/6 season when cash corn was trading around \$2.00/bu! As a result, global ending stock levels were revised higher by around 3 million mt. This means expectations are for supplies outside of China to be about unchanged year on year, which has not yet been the case. At least total Global ending stocks are expected to be down about 10% from last year’s record 226 million mt and this season’s production in Brazil and China could be overstated by as much as a combined 10 million mt.

With soybean yield unchanged, the crop was estimated at 4,425 million bu and end stocks just 5 million down on last month. US carry out is expected to be 124 million bu higher than a year ago. Global soybean end stocks were increased almost 2 million mt with the Brazilian crop up a million and Argentina’s left unchanged. We did see the USDA finally increase China old crop imports to 93.5 million mt and in turn raise their new crop import estimate by 2 million to 97 million mt but there is an ongoing expectation that this could still be too light.

US wheat figures left little to digest with a small increase in export volumes. Global production was estimated at a record 752 million mt, perhaps surprising was that Australian output was unchanged at 21.5 million, whilst the Russian crop saw an uplift of a million to 83 million mt and EU harvest was enlarged ½ million mt to 151.5 million.

With the facts laid out, it feels as if there is currently little opportunity for markets to rally unless, as we have previously suggested, we see adverse

weather conditions develop in S America. Similarly, given the significant addition of large speculative short positions with very little reaction from the market, a sharp decline is also unlikely. Despite a breakout attempt on a knee jerk move yesterday, prices seem destined to continue their unexciting range-bound and sideways direction.