Global Markets Research

Commodities: Agri Updates

11 July 2010

USDA World Ag Supply & Demand Estimates – July 2010

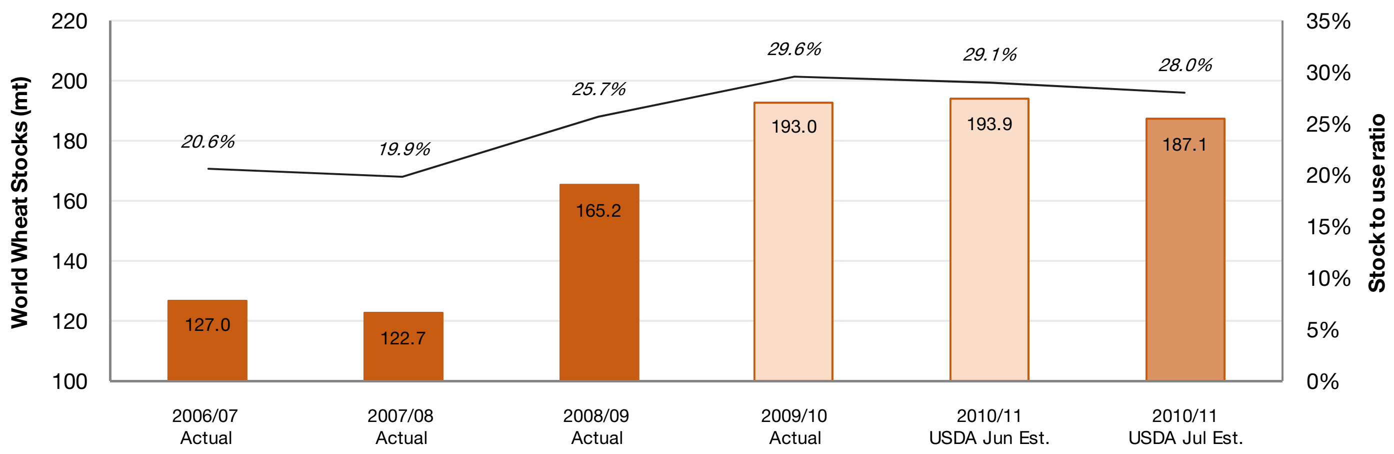
"Not as bullish as expected"

- The USDA released their July 2010 World Agriculture Supply and Demand Estimates report on Friday night
- US wheat prices fell sharply following the report's release. Corn prices followed wheat lower. The wheat market was expecting an extremely bullish set of figures, but was disappointed that the moderate reduction in output in Russia, Kazakhstan, Canada and parts of Europe was somewhat offset by larger than expected crops in the US and China.

Wheat

- US wheat supplies in 2010/11 were raised significantly because of increased area, yields, and carry-in supplies. Total US wheat production is forecast at 2.216bn bushels, with higher HRW and HRS wheat production offsetting declines in SRW wheat output. The US wheat ending stock estimate for 2010/11 was raised by over 100m bushels to a 23 year high of 1.093bn bushels, 5% higher than trade estimates of 1.039bn bushels.
- Global wheat numbers were more supportive for prices. World production in 2010/11 is now estimated at 661.1mt, down 7½mt from last month and down nearly 19mt from last year. But it's still the 3rd largest crop on record. Smaller crops in FSU-12, Canada, EU-27, India, and Turkey more than offset higher production in the United States and China.
- According to the USDA "*World wheat imports and exports are nearly unchanged for 2010/11, but substantial shifts are projected among the major exporting countries. Exports are reduced for Canada, Russia, Kazakhstan, and Turkey with lower production. Exports are raised for the United States, Australia, EU-27, and Ukraine.*"
- World ending stocks have been trimmed by nearly 7mt this month to 187mt, but this is still high. The world wheat stock-to-use ratio also remains high at 28% (down 1% on the month).

Figure 1: World wheat supplies



Coarse grains and corn

- US corn production in 2010/11 is reduced by 125m bushels this month to 13.245bn bushels due to smaller acreage. Total supplies are reduced further because of a downward revision to carry-in stocks. US corn ending stocks estimates for 2010/11 have been cut by 200m bushels this month to 1.373bn bushels, which is only marginally above the 1.304bn bushels observed in 2006/07. But it was slightly above trade estimates which centred on 1.292bn bushels.

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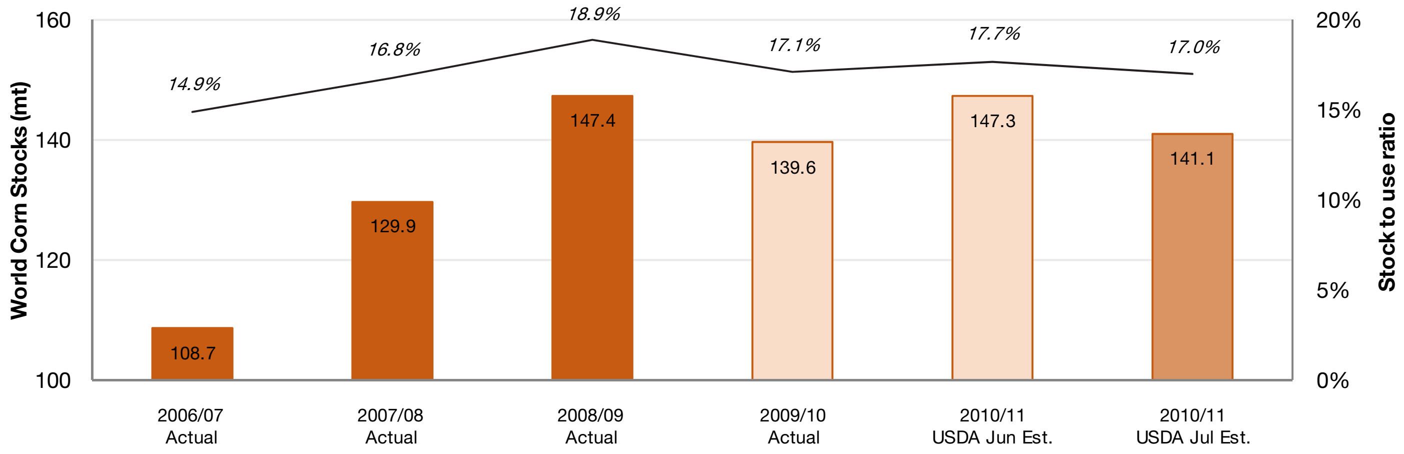
- Global coarse grain supplies for 2010/11 are projected 14.9mt lower with nearly half of the decline driven by reductions in the United States. Elsewhere, the biggest declines in production are for Russia (barley down 2.5mt, corn down 0.5mt), Canada (barley lowered 1.1mt, oats down 0.9mt), EU-27 (barley down 2.5mt) , and Kazakhstan (barley lowered 0.8mt).
- According to the USDA, global coarse grain consumption is lowered for 2010/11 mostly reflecting reduced barley and corn use in Russia and EU-27. Global coarse grain ending stocks for 2010/11 are projected sharply lower with world corn ending stocks down 6.2mt and barley down 5mt.

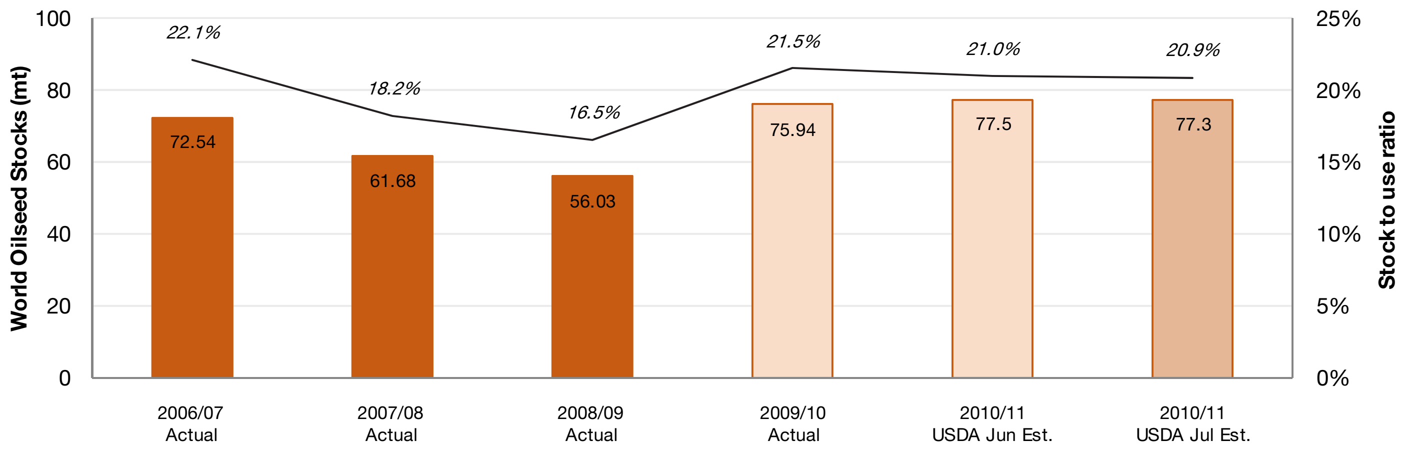
Figure 2: World corn supplies



Oilseeds and soybeans

- US soybean production is forecast at 3.345bn bushels this month, up 35m from last month, and only marginally shy of last year's record crop of 3.359bn bushels. The month-on-month revision reflects increased area planted. But this bigger crop is offset by lower carry-in supplies plus increased US consumption and exports. US ending stock estimates are resultantly unchanged at 360m bushels this month. Average trade estimates centred in 366m bushels.
- Global oilseed production for 2010/11 is increased by ½mt this month to a record 440.7mt, but this is solely because of increased US soybean production. Rest-of-World oilseed production is lowered by 1.2mt, mostly due to lower rapeseed (canola) production. Rapeseed production is sharply reduced for Canada to 10.2mt, down 1.8mt from last month. Other changes include reduced rapeseed production for China and EU-27.
- Oilseed demand remains very strong, underpinning prices. Chinese soybean demand was raised by ½mt, and Chinese soybean imports raised by 1mt to 50mt. This compares to 48mt last year and 41.1mt in 2008/09. Global oilseed stocks are forecast at 77.3mt; down 0.2mt from last month as lower canola stocks outweigh increased soybean stocks.

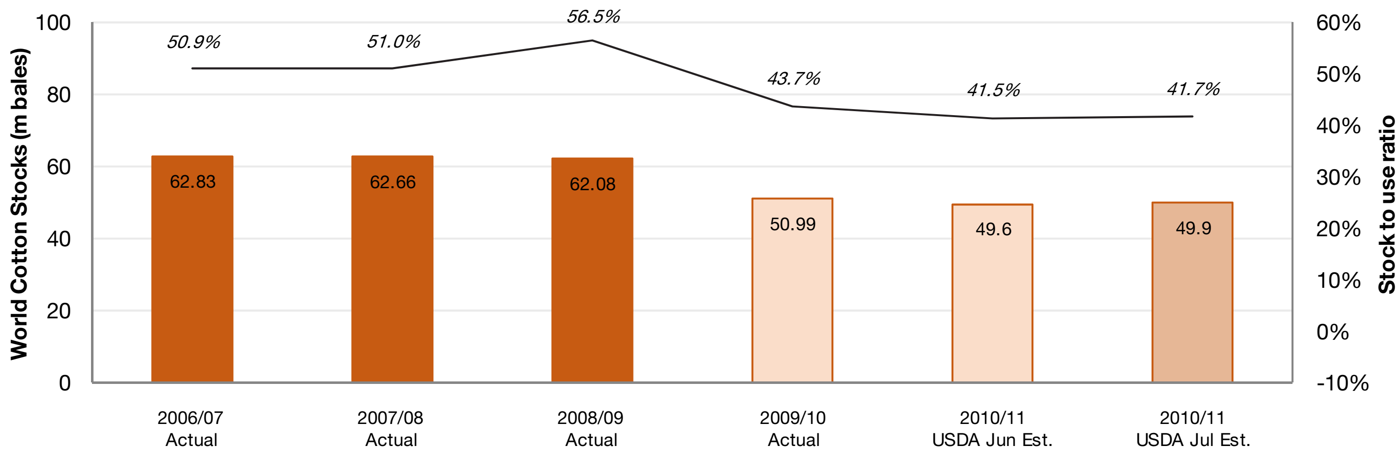
Figure 3: World oilseed supplies



Cotton

- Significant month-on-month revision have been made for the US cotton balance sheet.
- The USDA has raised US cotton acreage, yields and output for 2010/11. Output now stands at 18.8m bales, up 2.1m from last month and up from 12.19m last year. But some of this increased production has been offset by a 1.2m bale reduction in carry-in estimates, increased domestic US mill use and increased export estimates. Exports for 2010/11 are now estimated at 14.3m bales, up from 13.5m bales last month and 12.25m last year. This exceeded analysts' expectations by 3½%.
- US cotton ending stocks for 2010/11 are now forecast at 3.5m bales. This was higher than expected, higher than the 2.8m bales forecast last month and higher than 2009/10 ending stocks of 2.9mt. But at 3.5m bales, US stocks remain very tight.
- Globally, higher world production (mainly because of the US), is mostly offset by lower carry-in supplies. World consumption is raised, as are imports because of increases in Pakistan, China and Turkey. World ending stocks forecasts are raised slightly this month but, at 49.9m bales, remain extremely tight. The world cotton stock-to-use ratio is forecast at 41.7% which is still the tightest since 1994/95.

Figure 4: World cotton supplies



Wheat statistics

US WHEAT		2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	*2010/11 USDA Jun Est.*	*2010/11 Avg Trade Est.*	2010/11 USDA Jul Est.
Yield	(bpa)	43.20	42.00	38.70	40.20	44.90	44.400	*43.900*	~	45.900
Area Planted	(m ac)	59.70	57.20	57.30	60.50	63.20	59.100	*53.800*	~	54.300
Area Harvested (Implied)	(m ac)	50.00	50.10	46.80	51.00	55.70	49.900	*47.100*	~	48.300
Production	(bn bu)	2.158	2.105	1.812	2.051	2.499	2.216	*2.067*	~	2.216
Consumption	(bn bu)	1.169	1.152	1.140	1.051	1.260	1.149	*2.216*	~	1.196
Exports	(bn bu)	1.066	1.003	0.908	1.263	1.015	0.865	*0.900*	~	1.000
Ending Stocks	(bn bu)	0.540	0.571	0.456	0.306	0.657	0.973	*0.991*	*1.039*	1.093
Ending Stocks to Disposal	(%)	24.2%	26.5%	22.3%	13.2%	28.9%	48.3%	*31.8%*	~	49.8%

US WHEAT PROD'N		2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	*2010/11 USDA Jun Est.*	*2010/11 Avg Trade Est.*	2010/11 USDA Jul Est.
Hard Winter	(bn bu)	0.856	0.930	0.682	0.956	1.035	0.919	*0.960*	*997.600*	1.011
Hard Spring	(bn bu)	0.525	0.467	0.432	0.450	0.512	0.548	*?*	~	0.567
Soft Red Winter	(bn bu)	0.380	0.309	0.390	0.352	0.614	0.404	*0.283*	*274.100*	0.268
White	(bn bu)	0.306	0.298	0.254	0.221	0.255	0.237	*0.215*	~	0.266
Durum	(bn bu)	0.090	0.101	0.053	0.072	0.084	0.109	*?*	~	0.104
All US Wheat	(bn bu)	**2.158**	**2.105**	**1.812**	**2.051**	**2.499**	**2.216**	*2.043*	***2.164***	**2.216**

WORLD WHEAT		2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	*2010/11 USDA Jun Est.*	*2010/11 Avg Trade Est.*	2010/11 USDA Jul Est.
Production	(mt)	628.8	621.7	596.3	611.0	683.3	679.9	*668.5*	~	661.1
Consumption	(mt)	610.1	624.4	616.9	617.3	642.5	652.0	*667.5*	~	667.0
Exports	(mt)	111.2	116.2	111.2	117.2	143.4	128.8	*131.4*	~	131.3
Stocks	(mt)	151.4	147.8	127.0	122.7	165.2	193.0	*193.9*	~	187.1
Stocks to Use	(%)	24.8%	23.7%	20.6%	19.9%	25.7%	29.6%	*29.1%*	~	28.0%

Corn and coarse grain statistics

US CORN		2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	*2010/11 USDA Jun Est.*	*2010/11 Avg Trade Est.*	2010/11 USDA Jul Est.
Yield	(bpa)	160.40	148.00	149.10	150.70	153.90	164.700	*163.50*	~	163.500
Area Planted	(m ac)	80.90	81.80	78.30	93.50	86.00	86.500	*88.80*	~	87.900
Area Harvested (Implied)	(m ac)	73.60	75.10	70.60	86.50	78.57	79.600	*81.80*	~	81.000
Production	(bn bu)	11.807	11.114	10.535	13.038	12.092	13.110	*13.370*	~	13.245
Consumption	(bn bu)	8.844	9.136	9.085	10.300	10.198	11.365	*11.410*	~	11.410
Exports	(bn bu)	1.818	2.134	2.125	2.437	1.858	1.950	*2.000*	~	1.950
Ending Stocks	(bn bu)	2.114	1.967	1.304	1.624	1.673	1.478	*1.573*	*1.292*	1.373
Ending Stocks to Disposal	(%)	19.8%	17.5%	11.6%	12.8%	13.9%	11.1%	*11.7%*	~	10.3%

WORLD CORN		2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	*2010/11 USDA Jun Est.*	*2010/11 Avg Trade Est.*	2010/11 USDA Jul Est.
Production	(mt)	712.8	696.4	712.4	792.4	797.8	809.2	*835.8*	~	832.4
Consumption	(mt)	685.0	704.0	728.5	772.0	781.7	816.8	*831.9*	~	830.9
Exports	(mt)	78.2	80.9	93.8	95.6	84.6	87.8	*89.9*	~	89.2
Stocks	(mt)	131.3	123.0	108.7	129.9	147.4	139.6	*147.3*	~	141.1
Stocks to Use	(%)	19.2%	17.5%	14.9%	16.8%	18.9%	17.1%	*17.7%*	~	17.0%

WORLD COARSE GRAIN		2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	*2010/11 USDA Jun Est.*	*2010/11 Avg Trade Est.*	2010/11 USDA Jul Est.
Production	(mt)	1014.6	977.5	989.1	1078.7	1109.5	1104.1	*1128.4*	~	1117.6
Consumption	(mt)	975.7	991.6	1016.1	1056.5	1079.5	1109.1	*1129.3*	~	1126.2
Exports	(mt)	101.6	107.1	117.4	127.1	113.2	113.35	*114.2*	~	113.8
Stocks	(mt)	178.8	163.7	138.4	161.7	193.7	118.78	*191.9*	~	180.2
Stocks to Use	(%)	18.3%	16.5%	13.6%	15.3%	17.9%	10.7%	*17.0%*	~	16.0%

Oilseed statistics

US SOYBEAN		2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	*2010/11 USDA Jun Est.*	*2010/11 Avg Trade Est.*	2010/11 USDA Jul Est.
Yield	(bpa)	42.20	43.00	42.70	41.70	39.70	44.000	*42.900*	~	42.900
Area Planted	(m ac)	75.20	72.00	75.50	64.70	75.70	77.500	*78.100*	~	78.900
Area Harvested (Implied)	(m ac)	74.00	71.30	74.60	64.10	74.70	76.400	*77.100*	~	78.000
Production	(bn bu)	3.124	3.063	3.188	2.677	2.967	3.359	*3.310*	~	3.345
Crush	(bn bu)	1.097	1.739	1.808	1.803	1.757	1.745	*1.640*	~	1.645
Seed use	(bn bu)	0.088	0.093	0.080	0.093	0.095	0.092	*0.088*	~	0.088
Exports	(bn bu)	1.097	0.940	1.116	1.159	1.283	1.460	*1.350*	~	1.370
Ending Stocks	(bn bu)	0.256	0.449	0.574	0.205	0.138	0.175	*0.360*	*0.366*	0.360
Ending Stocks to Disposal	(%)	11.2%	16.2%	19.1%	6.7%	4.4%	5.3%	*11.7%*	~	11.6%

WORLD SOYBEANS		2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	*2010/11 USDA Jun Est.*	*2010/11 Avg Trade Est.*	2010/11 USDA Jul Est.
Production	(mt)	216.0	220.4	236.6	221.2	212.0	259.7	*249.9*	~	251.3
Consumption (total)	(mt)	205.4	215.2	224.5	229.7	221.0	235.6	*246.6*	~	247.6
Exports	(mt)	64.5	64.0	71.5	79.6	77.3	87.58	*88.2*	~	88.8
Stocks	(mt)	48.2	52.8	62.7	53.0	43.7	65.35	*67.0*	~	67.8
Stocks to Use	(%)	23.5%	24.5%	27.9%	23.1%	19.8%	27.7%	*27.2%*	~	27.4%

WORLD OILSEEDS		2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	*2010/11 USDA Jun Est.*	*2010/11 Avg Trade Est.*	2010/11 USDA Jul Est.
Production	(mt)	381.29	391.65	403.33	392.22	396.58	441.18	*440.2*	~	440.74
Consumption (crush only)	(mt)	302.09	318.27	328.36	339.09	338.82	353.50	*369.7*	~	370.03
Exports	(mt)	74.56	76.04	83.73	92.67	94.57	103.12	*104.4*	~	103.78
Stocks	(mt)	56.38	64.31	72.54	61.68	56.03	75.94	*77.5*	~	77.3
Stocks to Use	(%)	18.7%	20.2%	22.1%	18.2%	16.5%	21.5%	*21.0%*	~	20.9%

Cotton statistics

US COTTON DATA		2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	*2010/11 USDA Jun Est.*	*2010/11 Avg Trade Est.*	2010/11 USDA Jul Est.
Yield	(lb/ac)	855	831	814	879	813	777	*815*	~	845
Area Planted	(m ac)	13.66	14.25	15.27	10.83	9.47	9.150	*10.510*	~	10.910
Area Harvested	(m ac)	13.06	13.80	12.73	10.49	7.57	7.530	*9.830*	~	10.400
Production	(m bale)	23.25	23.89	21.59	19.21	12.82	12.190	*16.700*	*17.47*	18.800
Domestic Use	(m bale)	6.69	5.87	4.94	4.59	3.59	3.400	*3.300*	~	3.400
Exports	(m bale)	14.44	17.55	13.01	13.65	13.28	12.250	*13.500*	*13.82*	14.300
Ending Stocks	(m bale)	5.50	6.05	9.48	10.04	6.34	2.900	*2.800*	*3.25*	3.500
Ending Stocks to Disposal	(%)	26.0%	25.8%	52.8%	55.0%	37.6%	18.5%	*16.7%*	~	19.8%

WORLD COTTON		2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	*2010/11 USDA Jun Est.*	*2010/11 Avg Trade Est.*	2010/11 USDA Jul Est.
Production	(m bale)	120.39	117.69	121.99	119.91	107.16	102.55	*114.2*	~	116.02
Consumption	(m bale)	108.82	116.11	123.47	122.97	109.94	116.55	*119.5*	~	119.70
Exports	(m bale)	35.02	44.53	37.12	38.47	30.16	35.31	*36.1*	~	37.02
Stocks	(m bale)	54.07	60.38	62.83	62.66	62.08	50.99	*49.6*	~	49.9
Stocks to Use	(%)	49.7%	52.0%	50.9%	51.0%	56.5%	43.7%	*41.5%*	*#VALUE!*	41.7%

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