USDA World Ag Supply & Demand Estimates – August 2010

"World wheat production cut by 15 million tonnes"

- The USDA released their August 2010 World Agriculture Supply and Demand Estimates report overnight
- US production prospects for all major crops has improved, but so has demand. Global supply for grains has contracted because of adverse weather. But global oilseed supply still remains large, with growing soybean supplies helping offset shrinking canola stocks. Cotton stocks remain very tight. Prices of wheat, corn, soybeans and cotton rallied last night.

Wheat

- Significant cuts have been made to global wheat production prospects for 2010/11. The USDA slashed production by over 15mt to 645.7mt, which is nearly 35mt (5%) below the 680mt crop produced in 2009/10. According to newswire polls, the market expected the crop to be forecast at 650mt.
- As anticipated, the bulk of the production cuts were in FSU regions, with the Russian crop lowered to 45mt from 53mt last month and 61.7mt last year. The Kazakhstan and Ukraine crops were lowered by around 3mt each. Yields in Europe have also been cut, resulting in production downgrades of over 4mt. Production in US, Australia and India was raised.
- Export projections out of the FSU region have been slashed because of the production issues and the subsequent export ban in Russia. Total FSU wheat exports for 2010/11 have been cut from nearly 32mt last month to less than 16mt this month. This compares to nearly 37mt FSU wheat exports in 2009/10.
- Global wheat ending stock forecasts have been cut by 12mt to less than 175mt this month which was at the lower end of private trade expectations. The global stock-to-use ratio has been cut from 28% last month to 26% this month.
- Although new crop global wheat stocks are forecast significantly below the high levels observed last year (194mt and 30% stock-to-use), they remain comfortably above the tight levels observed in 2007/08 (123mt and 20% stock-to-use).
- In the US, the USDA has forecast higher wheat yields and production, particularly for the spring wheat crop. Total US wheat production is now forecast at 2.27bn bushels, up 2% from last year and above most private estimates. But lower export competition from the FSU has resulted in an upward revision to US export prospects. Resulting in US wheat ending stocks being trimmed slightly to 952m bushels, down 21m bushels from 2009/10. But despite the downward revision, US wheat stocks remain at very high levels.
- Figure 2 indicates that since May, the USDA has cut over 25mt from projected global wheat production for 2010/11. It is this succession of cutbacks that boosted global wheat prices in the past 2 months.

Figure 1: World wheat supplies

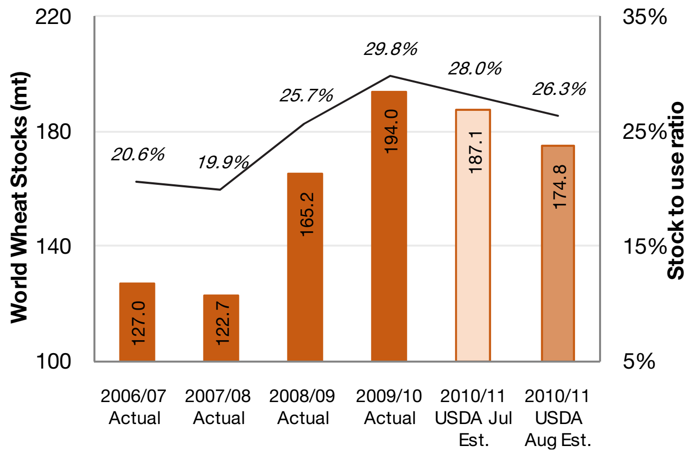
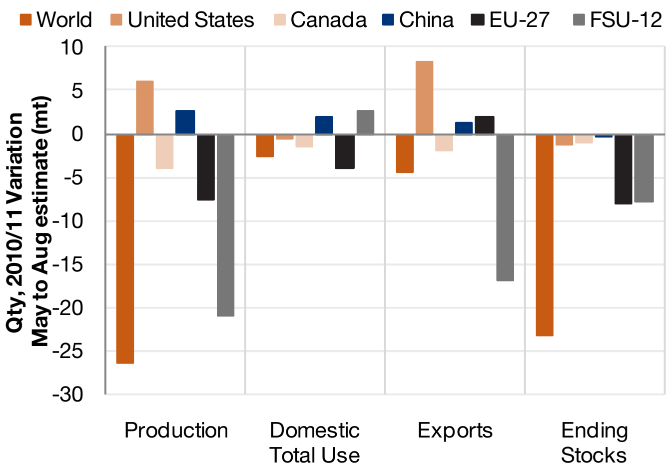


Figure 2: Revisions to 2010/11 wheat S&D (May to Aug)



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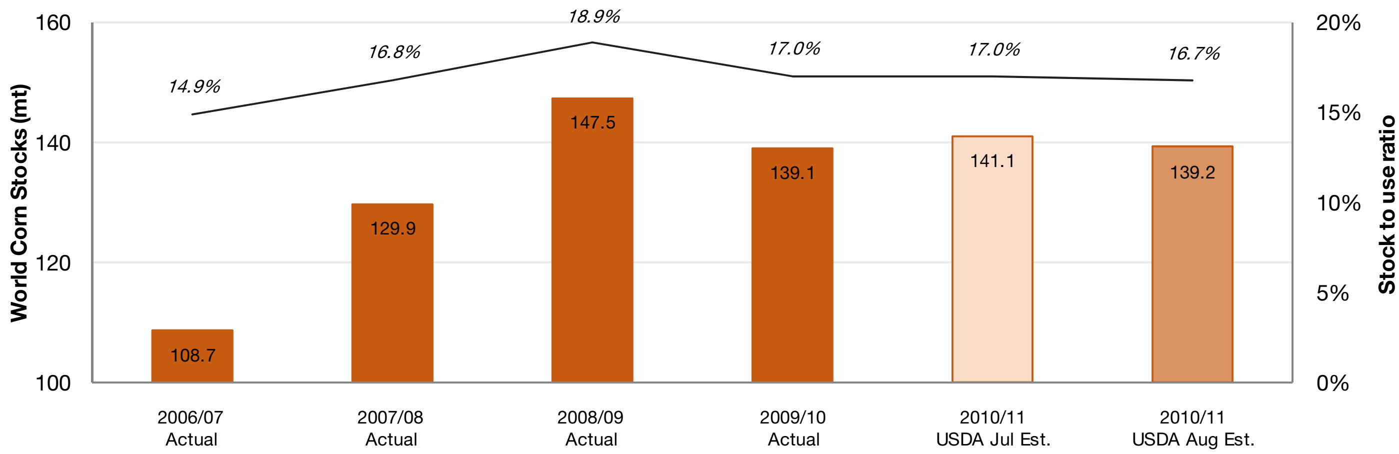
Coarse grains and corn

- US corn yields have been raised to a record 165bpa, 0.3 bushels from the previous record set last year. As a result, the US corn crop is forecast to be a record 13.365 billion bushels, nearly 2% larger than last year's crop.
- Offsetting this larger US corn crop has been a downward revision to carry-in supplies, a slight increase in domestic consumption (mainly for sweeteners and starch) and improved export opportunities. As a result the US corn ending stock estimate has been lowered from 1.373bn bushels last month to an extremely tight 1.312bm this month. This is the tightest level in 4 years.
- Global coarse grain supplies for 2010/11 are forecast 10.6mt lower with reduced foreign production more than offsetting higher U.S. output. The majority of the declines are for barley, with the Russian barley crop reduced 3mt and the EU27 and Ukraine barley crops each lowered 1.5mt. Corn crops in those regions have also been lowered.
- The USDA notes that global coarse grain imports are raised this month with increases for corn in China (to 1mt) , EU-27, South Korea, and Israel. High wheat prices are encouraging a substitution out of wheat feeding into corn.
- Global coarse grain ending stocks are lowered 8mt this month. Corn ending stocks are lowered nearly 2mt and EU27 barley ending stocks are forecast down 4mt. At a global level, coarse grain and corn ending stocks are both expected to remain well above the very tight levels observed in 2006/07.

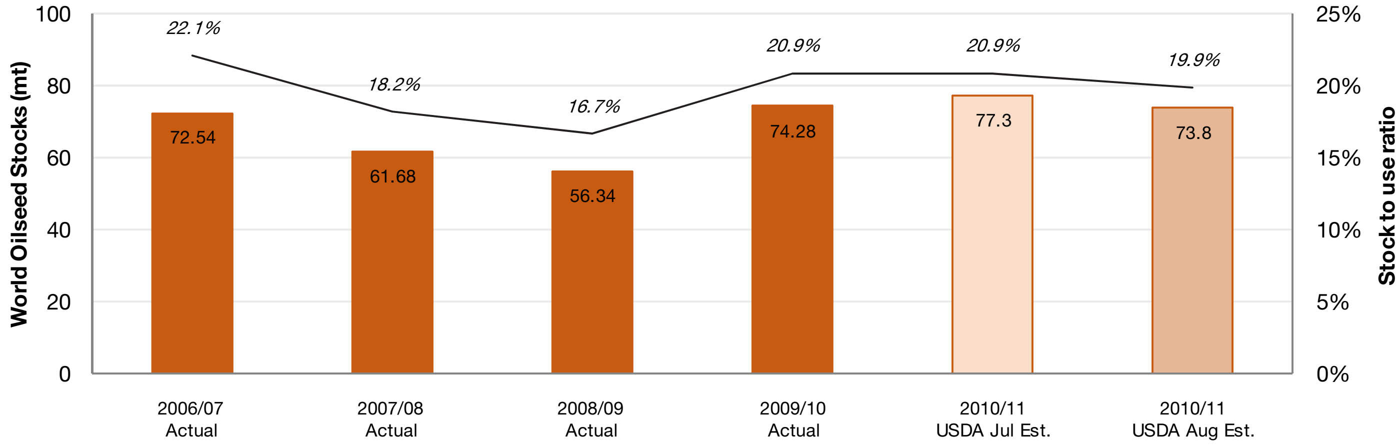
Figure 3: World corn supplies



Oilseeds and soybeans

- The USDA has raised expected US soybean yields to 44bpa, which is equal to last year's record. A bigger area than last year has resulted in this year's soybean crop being forecast at a record 3.43bn bushels, up 74 million from last year and 88 million above the July estimate.
- US soybean demand is forecast to improve with higher domestic use and more exports, which combined with forecasts of tighter carry-in supplies (due to improved old crop demand), is expected to offset the bigger crop. Resulting in US soybean ending stock forecasts remaining unchanged at 360million bushels. This will be up substantially from the past 3 years when stocks fluctuated between 138mbu and 205mbu.
- Global oilseed production for 2010/11 is projected 1mt lower this month at 439.7mt. Within the complex, canola (rapeseed) and sunflower seed production is lowered, but world soybean production is raised. Canola (rapeseed) production is lowered in the EU-27, Russia, Ukraine, and Belarus.
- Encouragingly, global oilseed demand continues to be raised, with a 2mt increase in Chinese soybean import demand, crushing and use. Strong demand, lower carry-in estimates, and declining canola production prospects has resulted in a reduction in oilseed ending stock estimates to 73.8mt, down from 77.3mt last month and 2009/10 stocks of 74.3mt.
- Global soybean ending stocks are lowered from last month but still remain forecast at a record 64.7mt, up from 63.5mt in 2009/10 and 44mt in 2008/09.

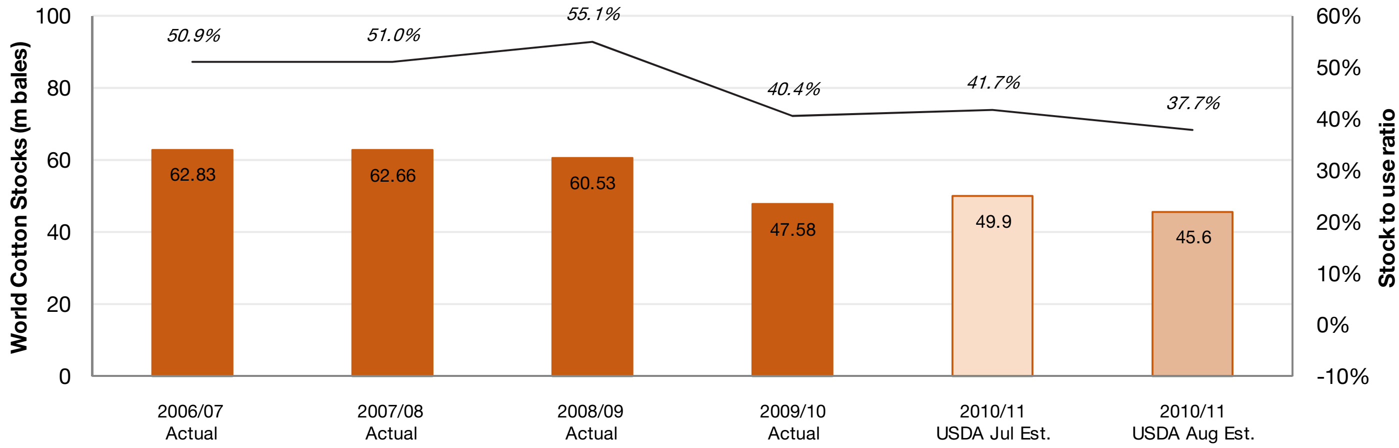
Figure 4: World oilseed supplies



Cotton

- US cotton production this month has again been raised, as a forecast larger area harvested offsets lower yields. Yields have been reduced to 837lb/acre while total production is forecast at 18.53 million bales from 18.3m last month and 12.19m last year.
- But this increase in US production has been offset by improved prospects for US cotton exports, in particular due to strong Chinese demand. The USDA has raised 2010/11 US exports by 700k bales to 15million, up from only 12milliion last year.
- US cotton ending stock estimates have subsequently been trimmed from 3.5 to 3.2m bales, well below average trade estimates, and only fractionally above the 2009/10 extremely tight result of 3.1m bales. These are very low inventories. In 2007/08 US stocks were over 10m bales.
- At a global level, the USDA has significantly lowered carry-in stock estimates, mostly because of reductions in China, India and Pakistan. Furthermore, production estimates for the 2010/11 Pakistan crop have been cut by 700k bales to 9.5m bales because of floods. But no change was made to Chinese production prospects and India's crop was revised higher by 1m bales to 26m bales. In total, global cotton production forecasts for 2010/11 were actually raised by around 800k bales to 116.85m bales.
- Supportive for prices was an increase in consumption estimates to 120.9m bales. The net result of tighter carry-in supplies, increased production and higher consumption is a 4.3m bale reduction in ending stock estimates to an extremely tight 45.6m bales. If realised, the stocks-to-use ratio of 38% would be the smallest since 1994/95. These very tight stocks will continue to support international cotton prices.

Figure 5: World cotton supplies



Data tables

US WHEAT		2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	*2010/11 USDA Jul Est.*	*2010/11 Avg Trade Est.*	2010/11 USDA Aug Est.
Yield	(bpa)	43.20	42.00	38.70	40.20	44.90	44.400	*45.900*	~	46.900
Area Planted	(m ac)	59.70	57.20	57.30	60.50	63.20	59.100	*54.300*	~	54.300
Area Harvested (Implied)	(m ac)	50.00	50.10	46.80	51.00	55.70	49.900	*48.300*	~	48.300
Production	(bn bu)	2.158	2.105	1.812	2.051	2.499	2.216	*2.216*	*2.230*	2.265
Consumption	(bn bu)	1.169	1.152	1.140	1.051	1.260	1.137	*1.196*	~	1.186
Exports	(bn bu)	1.066	1.003	0.908	1.263	1.015	0.881	*1.000*	~	1.200
Ending Stocks	(bn bu)	0.540	0.571	0.456	0.306	0.657	0.973	*1.093*	*0.965*	0.952
Ending Stocks to Disposal	(%)	24.2%	26.5%	22.3%	13.2%	28.9%	48.2%	*49.8%*	~	39.9%

US CORN		2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	*2010/11 USDA Jul Est.*	*2010/11 Avg Trade Est.*	2010/11 USDA Aug Est.
Yield	(bpa)	160.40	148.00	149.10	150.70	153.90	164.700	*163.50*	*164.080*	165.000
Area Planted	(m ac)	80.90	81.80	78.30	93.50	86.00	86.500	*87.90*	~	87.900
Area Harvested (Implied)	(m ac)	73.60	75.10	70.60	86.50	78.57	79.600	*81.00*	~	81.000
Production	(bn bu)	11.807	11.114	10.535	13.038	12.092	13.110	*13.245*	*13.255*	13.365
Consumption	(bn bu)	8.844	9.136	9.085	10.300	10.198	11.390	*11.410*	~	11.440
Exports	(bn bu)	1.818	2.134	2.125	2.437	1.858	1.198	*1.950*	~	2.050
Ending Stocks	(bn bu)	2.114	1.967	1.304	1.624	1.673	1.426	*1.373*	*1.298*	1.312
Ending Stocks to Disposal	(%)	19.8%	17.5%	11.6%	12.8%	13.9%	11.3%	*10.3%*	~	9.7%

US SOYBEAN		2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	*2010/11 USDA Jul Est.*	*2010/11 Avg Trade Est.*	2010/11 USDA Aug Est.
Yield	(bpa)	42.20	43.00	42.70	41.70	39.70	44.000	*42.900*	*43.060*	44.000
Area Planted	(m ac)	75.20	72.00	75.50	64.70	75.70	77.500	*78.900*	~	78.900
Area Harvested (Implied)	(m ac)	74.00	71.30	74.60	64.10	74.70	76.400	*78.000*	~	78.000
Production	(bn bu)	3.124	3.063	3.188	2.677	2.967	3.359	*3.345*	*3.357*	3.433
Crush	(bn bu)	1.097	1.739	1.808	1.803	1.757	1.750	*1.645*	~	1.650
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	1.470	*1.370*	~	1.435
Ending Stocks	(bn bu)	0.256	0.449	0.574	0.205	0.138	0.160	*0.360*	*0.336*	0.360
Ending Stocks to Disposal	(%)	11.2%	16.2%	19.1%	6.7%	4.4%	4.8%	*11.6%*	~	11.3%

US COTTON DATA		2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	*2010/11 USDA Jul Est.*	*2010/11 Avg Trade Est.*	2010/11 USDA Aug Est.
Yield	(lb/ac)	855	831	814	879	813	777	*845*	~	837
Area Planted	(m ac)	13.66	14.25	15.27	10.83	9.47	9.150	*10.910*	~	10.910
Area Harvested	(m ac)	13.06	13.80	12.73	10.49	7.57	7.530	*10.400*	~	10.630
Production	(m bale)	23.25	23.89	21.59	19.21	12.82	12.190	*18.300*	*18.70*	18.530
Domestic Use	(m bale)	6.69	5.87	4.94	4.59	3.59	3.400	*3.400*	~	3.400
Exports	(m bale)	14.44	17.55	13.01	13.65	13.28	12.000	*14.300*	*14.60*	15.000
Ending Stocks	(m bale)	5.50	6.05	9.48	10.04	6.34	3.100	*3.500*	*3.70*	3.200
Ending Stocks to Disposal	(%)	26.0%	25.8%	52.8%	55.0%	37.6%	20.1%	*19.8%*	~	17.4%

WORLD WHEAT		2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	*2010/11 USDA Jul Est.*	*2010/11 Avg Trade Est.*	2010/11 USDA Aug Est.
Production	(mt)	628.8	621.7	596.3	611.0	683.3	680.3	*661.1*	*650.0*	645.7
Consumption	(mt)	610.1	624.4	616.9	617.3	642.5	651.8	*667.0*	~	664.9
Exports	(mt)	111.2	116.2	111.2	117.2	143.4	132.2	*131.3*	~	124.7
Stocks	(mt)	151.4	147.8	127.0	122.7	165.2	194.0	*187.1*	*178.8*	174.8
Stocks to Use	(%)	24.8%	23.7%	20.6%	19.9%	25.7%	29.8%	*28.0%*	~	26.3%

WORLD CORN		2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	*2010/11 USDA Jul Est.*	*2010/11 Avg Trade Est.*	2010/11 USDA Aug Est.
Production	(mt)	712.8	696.4	712.4	792.4	797.8	808.5	*832.4*	~	831.6
Consumption	(mt)	685.0	704.0	728.5	772.0	781.6	816.9	*830.9*	~	831.4
Exports	(mt)	78.2	80.9	93.8	95.6	84.4	89.8	*89.2*	~	90.4
Stocks	(mt)	131.3	123.0	108.7	129.9	147.5	139.1	*141.1*	*137.9*	139.2
Stocks to Use	(%)	19.2%	17.5%	14.9%	16.8%	18.9%	17.0%	*17.0%*	~	16.7%

WORLD COARSE GRAIN		2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	*2010/11 USDA Jul Est.*	*2010/11 Avg Trade Est.*	**2010/11 USDA Aug Est.**
Production	(mt)	1014.6	977.5	989.1	1078.7	1109.5	1103.6	*1117.6*	~	1107.9
Consumption	(mt)	975.7	991.6	1016.1	1056.5	1079.5	1109.6	*1126.2*	~	1123.7
Exports	(mt)	101.6	107.1	117.4	127.1	113.0	115.93	*113.8*	~	115.0
Stocks	(mt)	178.8	163.7	138.4	161.7	193.8	187.86	*180.2*	~	172.0
Stocks to Use	(%)	18.3%	16.5%	13.6%	15.3%	18.0%	16.9%	*16.0%*	~	15.3%

WORLD SOYBEANS		2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	*2010/11 USDA Jul Est.*	*2010/11 Avg Trade Est.*	**2010/11 USDA Aug Est.**
Production	(mt)	216.0	220.4	236.6	221.2	212.0	259.9	*251.3*	~	253.7
Consumption (total)	(mt)	205.4	215.2	224.5	229.7	220.8	237.4	*247.6*	~	250.9
Exports	(mt)	64.5	64.0	71.5	79.6	77.3	89.58	*88.8*	~	91.1
Stocks	(mt)	48.2	52.8	62.7	53.0	44.0	63.52	*67.8*	*66.87*	64.7
Stocks to Use	(%)	23.5%	24.5%	27.9%	23.1%	19.9%	26.8%	*27.4%*	~	25.8%

WORLD OILSEEDS		2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	*2010/11 USDA Jul Est.*	*2010/11 Avg Trade Est.*	**2010/11 USDA Aug Est.**
Production	(mt)	381.29	391.65	403.33	392.22	396.37	441.20	*440.7*	~	439.74
Consumption (crush only)	(mt)	302.09	318.27	328.36	339.09	338.32	355.50	*370.0*	~	371.00
Exports	(mt)	74.56	76.04	83.73	92.67	94.48	104.97	*103.8*	~	104.92
Stocks	(mt)	56.38	64.31	72.54	61.68	56.34	74.28	*77.3*	~	73.8
Stocks to Use	(%)	18.7%	20.2%	22.1%	18.2%	16.7%	20.9%	*20.9%*	~	19.9%

WORLD COTTON		2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	*2010/11 USDA Jul Est.*	*2010/11 Avg Trade Est.*	**2010/11 USDA Aug Est.**
Production	(m bale)	120.39	117.69	121.99	119.91	107.16	102.15	*116.0*	~	116.85
Consumption	(m bale)	108.82	116.11	123.47	122.97	109.94	117.71	*119.7*	~	120.87
Exports	(m bale)	35.02	44.53	37.12	38.47	30.11	35.65	*37.0*	~	38.24
Stocks	(m bale)	54.07	60.38	62.83	62.66	60.53	47.58	*49.9*	~	45.6
Stocks to Use	(%)	49.7%	52.0%	50.9%	51.0%	55.1%	40.4%	*41.7%*	*#VALUE!*	37.7%

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