

## USDA World Ag Supply & Demand Estimates – June 2011

### “Corn prices surge after inventory estimates slump”

- The USDA's June 2011 WASDE report was released overnight. Here is our immediate reaction.
- The report was extremely bullish for corn prices, with a massive 23% month-on-month downward revision to US corn inventories for 2011/12. Corn stocks in 2011/12 are now expected to be tighter than the current season, implying that the current record high prices will need to persist for some time yet. The report was less bullish for the other commodities, but it wasn't exactly particularly bearish either. US and global wheat supplies remain relatively comfortable, but prices will remain supported by the corn market and lingering concerns over new-crop production in many regions.

### Key results

US STOCKS		2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 USDA May Est.	2010/11 Avg Trade Est.	2010/11 USDA Jun Est.	2011/12 USDA May Est.	2011/12 Avg Trade Est.	2011/12 USDA Jun Est.
Wheat	(bn bu)	0.571	0.456	0.306	0.657	0.976	0.839	0.844	0.809	0.702	0.674	0.687
Corn	(bn bu)	1.967	1.304	1.624	1.673	1.708	0.730	0.706	0.730	0.900	0.781	0.695
Soybeans	(bn bu)	0.449	0.574	0.205	0.138	0.151	0.170	0.174	0.180	0.160	0.170	0.190

WORLD STOCKS		2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 USDA May Est.	2010/11 Avg Trade Est.	2010/11 USDA Jun Est.	2011/12 USDA May Est.	2011/12 Avg Trade Est.	2011/12 USDA Jun Est.
Wheat	(mt)	147.8	127.0	124.7	166.2	198.3	182.2	182.1	187.120	181.3	178.9	184.260
Corn	(mt)	123.0	108.7	129.9	149.2	143.5	122.2	121.5	117.440	129.1	127.2	111.890
Soybeans	(mt)	52.8	62.7	51.4	42.6	59.3	63.8	64.0	64.530	61.9	62.3	61.590

### Wheat

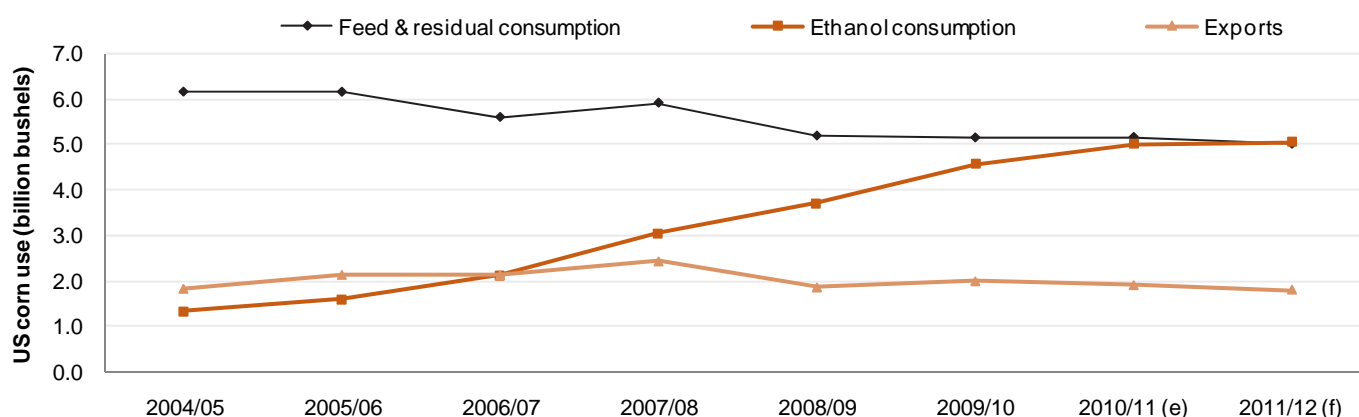
- US wheat inventories for the current marketing year (2010/11) have been trimmed from 839 to 809 million bushels, largely on the back of an upward revision to exports, defying trade forecasts for old-crop stocks to be revised higher to 844 million bushels. Still, US wheat ending stocks above 800 million bushels remain extremely comfortable.
- The slight downward revision to old-crop stocks was the only bullish surprise for the wheat market. New-crop (2011/12) US wheat production has been revised 15 million bushels (0.7%) higher to 2.058 billion bushels, despite drought engulfing much of the HRW wheat belt. Indeed, total winter wheat production forecasts have been revised 2% higher to 1.45 billion bushels this month, including a 2% lift to the HRW crop. The larger winter wheat crop has only been partly offset by a downward revision to spring wheat crop because of delayed seeding progress.
- US wheat consumption and export estimates remain unchanged. US wheat ending-stocks for 2011/12 are forecast at 695 million bushels, down 2% from the May forecast of 702 million bushels, as lower beginning stocks offset the larger production estimate. The 2011/12 US wheat stock-to-use ratio comes out at 30%, down from 32.7% in 2010/11, but still well above the 13% recorded in 2007/08. On this alone, there is no reason to expect soaring wheat prices.
- World wheat production for 2011/12 has been reduced by 5 million tonnes to 664.3 million tonnes, yet this still remains 16 million tonnes higher than the 2010/11. Poor weather in Germany, France, UK and western Poland forced the USDA to slash its 2011/12 EU27 wheat production forecast by 7 million tonnes. Canadian wheat production forecast have also been reduced by 1 million tonnes because of persistent spring flooding.
- Reflecting reduced production prospects, EU27 wheat exports for 2011/12 have been cut by 3 million to 15 million tonnes, while consumption in the region has been reduced by 2.5 million tonnes on reduced supplies. The reduction in EU wheat consumption drives a 3.3 million tonne reduction in global wheat use. The USDA also notes that feed-wheat use in Russia over 2010/11 has been weaker than expected, meaning that Russian feed-wheat inventories are more plentiful than originally thought. Subsequently, Russian wheat ending stocks for 2010/11 have been revised sharply higher to 10.6 million tonnes from the previous forecast of 5.6 million tonnes.
- Global wheat ending stocks for 2011/12 have been revised 3 million tonnes higher to 184.3 million tonnes – exceeding estimates of 179 million tonnes – as more abundant beginning stocks and lower consumption outweigh lower production. The world wheat stock-to-use ratio for 2011/12 is forecast at 27.6%, down slightly from 28.4% in 2010/11, but still comfortably above the tight result of 20% in 2007/08.



### Coarse grain and corn

- The wheat forecasts were not bullish for prices, however the corn estimates certainly were. Old-crop estimates were left unchanged this month, however spring flooding in the US corn belt has resulted in a 1.5 million acre reduction to 2011/12 area-planted, and a 300 million bushel (2.3%) reduction in US corn production to 13.2 billion bushels.
- In response to the smaller crop, livestock/residual consumption of corn has been reduced by 100 million bushels to 5 billion bushels. Ethanol's use of corn is forecast unchanged a 5.05 billion bushels, and now for the first time in history, the ethanol industry is the most significant 'primary' consumer of US corn. We wonder at what price global ethanol policies will be reconsidered.

Figure x: US corn use (billion bushels)



- Reflecting the smaller crop and sticky ethanol demand, US corn ending stocks for 2011/12 have been revised 23% lower this month to 695 million bushels, below trade estimates of 781 million bushels, and tighter than the 2010/11 result of 730 million bushels. The US corn stock-to-use ratio for 2011/12 is forecast at 5.2%, down from 5.4% in 2010/11 and 13% in 2009/10.
- Global coarse grain supplies for 2011/12 have been revised lower because of lower beginning stocks and production. Reduced US corn production, lower EU27 barley production, and reduced corn beginning stocks in China, more than offset increases in China corn production. EU27 barley production is lowered 2.2 million tonnes because of dryness.
- Global corn ending stocks forecasts for 2011/12 have been slashed this month by 14% from 129 million tonnes to 112 million tonnes, the lowest since 2006/07, with adjustments to the Chinese balance sheet accounting for the majority of the changes. Chinese beginning stocks were reduced 5 million tonnes, production raised 5 million tonnes, but consumption raised 13 million tonnes. As a result, the Chinese 2011/12 corn ending-stock estimate was cut from 63 to 51 million tonnes. Monthly revisions of this magnitude are difficult to comprehend. Chinese corn trade estimates were unchanged.
- Global 2011/12 corn trade is raised slightly this month with higher imports for EU27 and higher exports for Ukraine. Russian corn exports are lowered slightly while barley imports are lowered for Saudi Arabia and China.

### Oilseeds

- The WASDE report was relatively dull with respect to US soybeans; however the estimates contained a modestly bearish element. US soybean ending-stocks for 2010/11 were revised slightly higher this month from 170 to 180 million bushels because of reduced export estimates. New-crop (2011/12) production forecast were left unchanged at 3.285 billion bushels (down 1.3%yoy), while exports were reduced 20 million tonnes to 1.52 billion bushels, largely because of reduced Chinese demand. As a result of lower beginning stocks and lower exports, US soybean ending stocks were raised 30 million bushels to 190 million bushels. This compares to average trade estimates of 170 million bushels, 2010/11 stocks of 180 million bushels and 2009/10 stocks of 151 million bushels.
- Global oilseed production for 2011/12 is projected at 457 million tonnes, down 2.3 million month-on-month, mainly due to lower canola/rapeseed production. EU27 rapeseed production is reduced 1.2 million tons to 18.8 million because of dry conditions in April and May in France and Germany, while production in Canada is lowered 0.5 million tonnes because of excessive moisture during spring. Global soybean ending stocks have been reduced by 0.26 million tonnes to 61.6 million, down from 64.5 million tonnes in 2010/11, however this still remains comfortably higher than the 2008/09 result of 42.6 million tonnes. Global oilseed ending stocks were reduced 1.1 million tonnes to 71.1 million tonnes, down from 74.7 million tonnes in 2010/11.



Cotton

- Old-crop cotton ending stocks in the US have been revised ½ million bales higher this month to 2.25 million because of a corresponding downward revision to exports, reflecting significant cancellations in US cotton exports. Global cotton demand has been curtailed recently because of the excessively high prices.
- 2011/12 US cotton ending stocks estimates were left unchanged this month at 2.5 million bales, as changes to beginning stocks, production and exports prove offsetting. The trade was expecting US cotton stocks to be revised higher to 2.8 million bales. US cotton production for 2011/12 has been revised 1 million bales lower to 17 million bales because of the severe drought through the southwest states, falling below trade estimates of 17.4 million bales. US exports for 2011/12 have been forecast at 13 million bales, down ½ million from last month and 2 million bales below last year.
- Changes to the 2011/12 world projections primarily reflect higher beginning stocks, lower production in the U.S. and lower consumption by China. Chinese consumption is reduced ½ million bales, as the recent slow pace of imports indicates sluggish demand now and early in the new marketing year. Global cotton stocks have been revised 320,000 bales higher to 48.25 million, up 5 million bales from 2010/11, but still a historically tight global carry-out forecast. The global cotton stock-to-use ratio is forecast at 40.6%, up from 37.4% in 2010/11, but still historically tight. The USDA notes that similar to the US, China's projected stocks-to-use ratio, if realised, would be the second smallest in 22 years.

Key charts

Figure 1: World wheat supplies

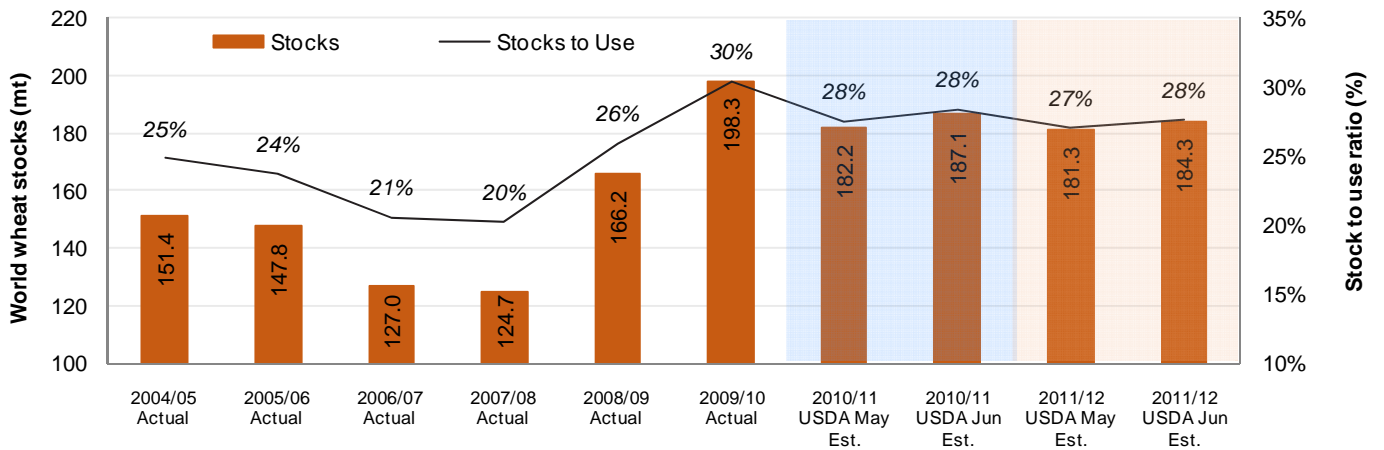


Figure 2: US wheat supplies

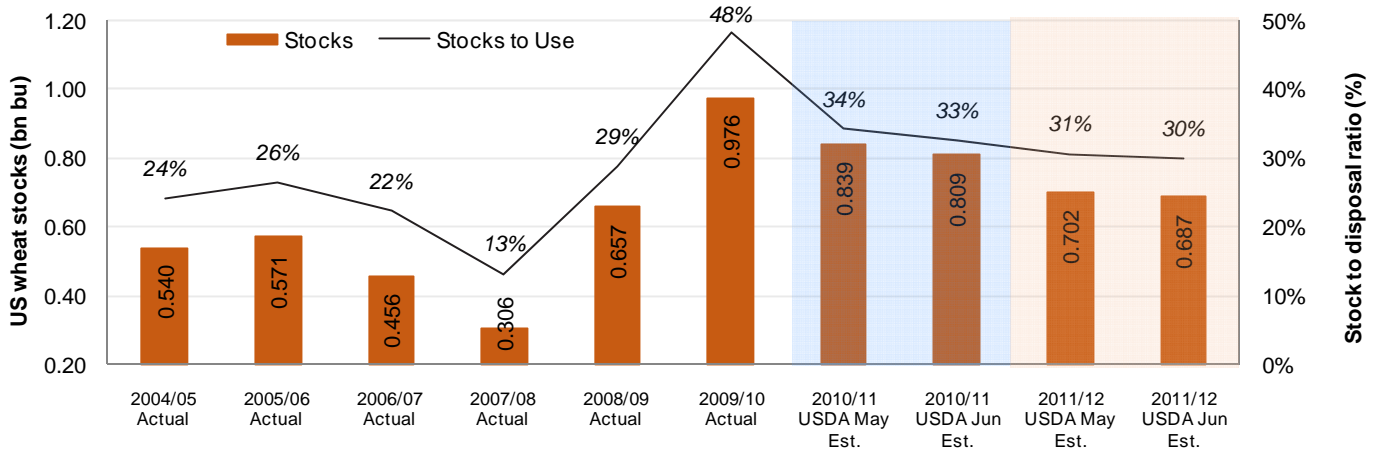




Figure 3: World corn supplies

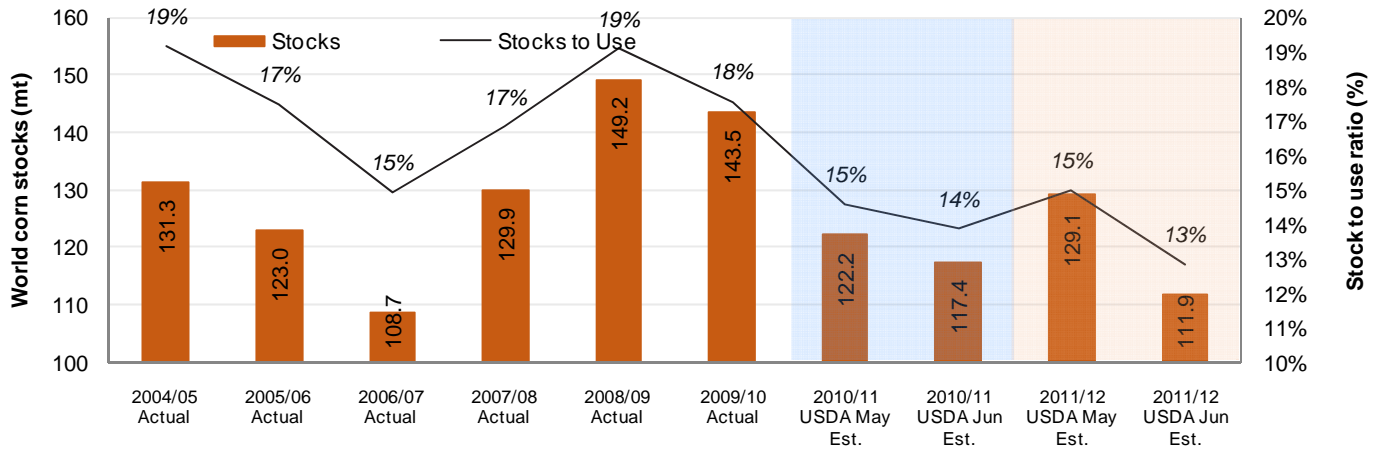


Figure 4: US corn supplies

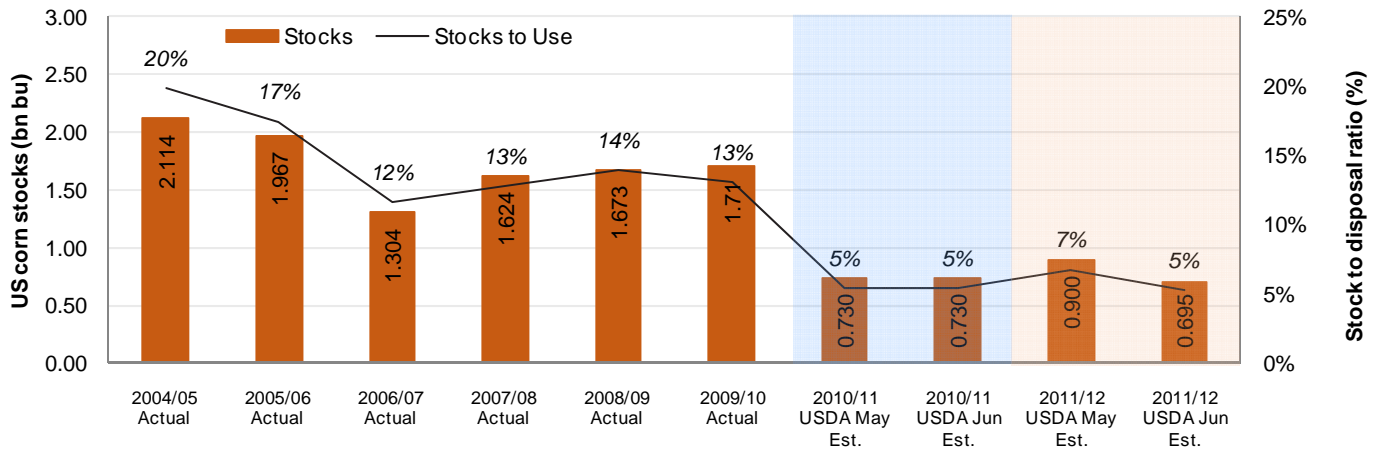


Figure 5: World soybean supplies

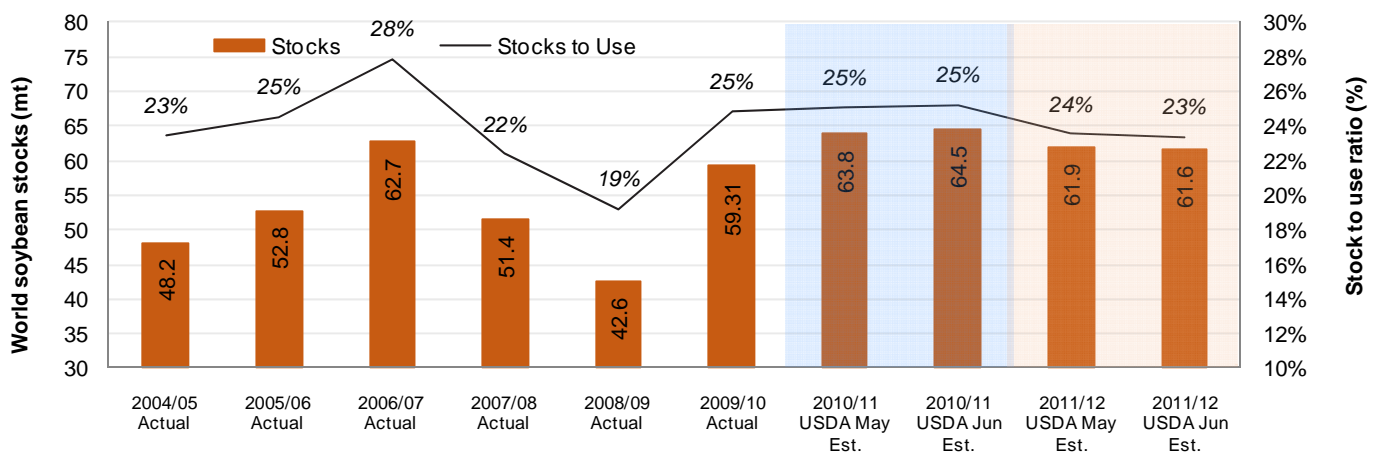




Figure 6: US soybean supplies

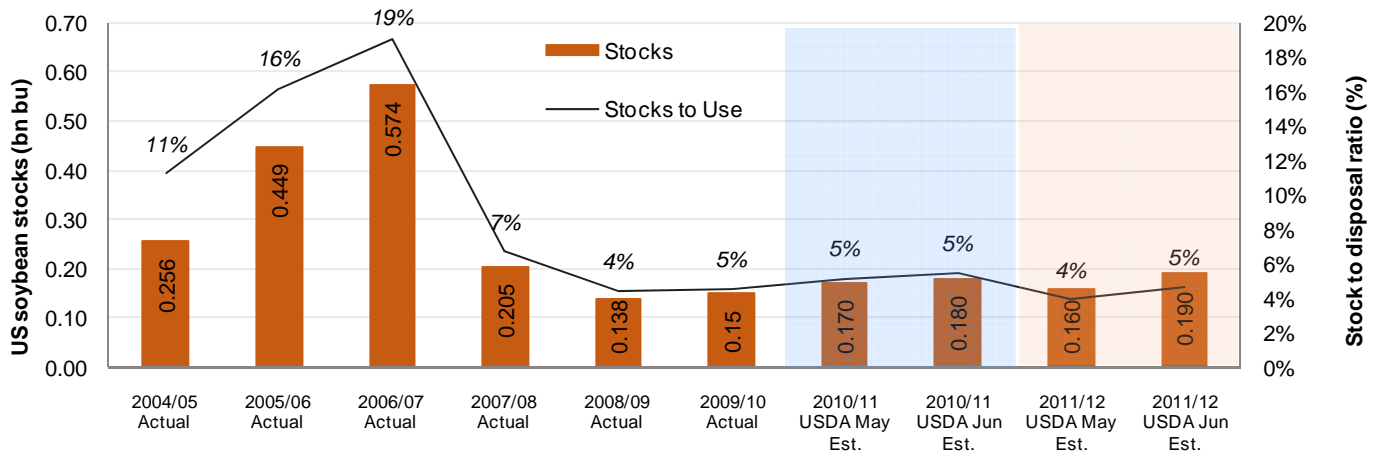


Figure 7: World cotton supplies

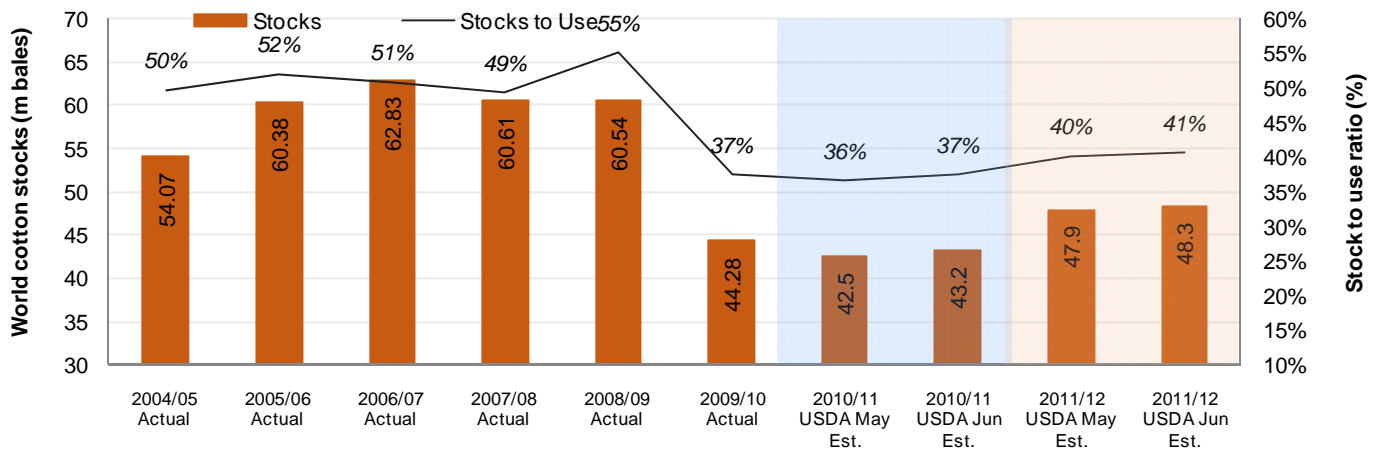
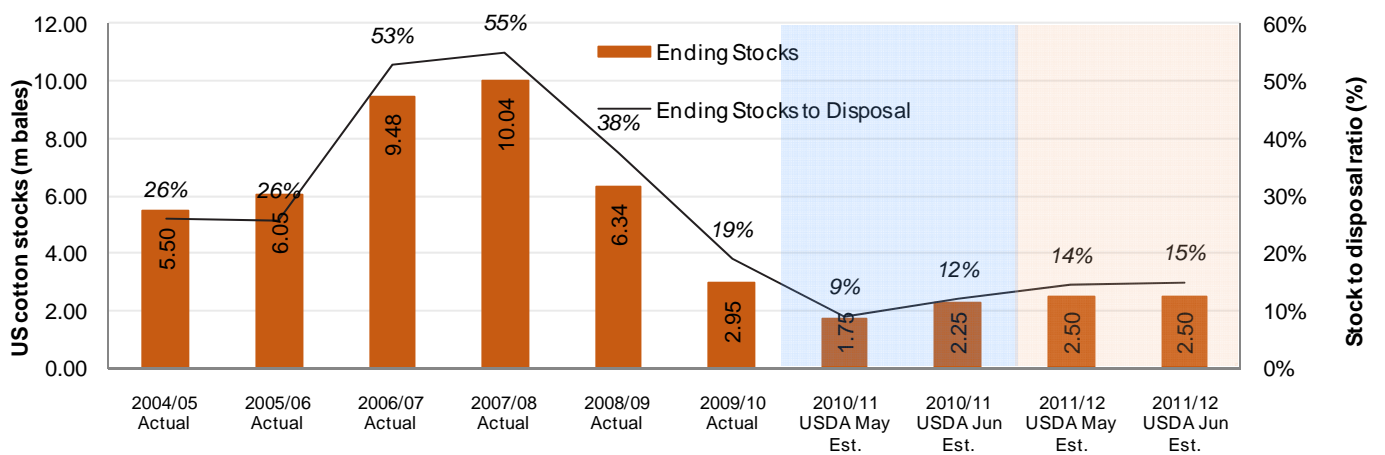


Figure 8: US cotton supplies





## Key data – US perspective

US WHEAT		2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 USDA May Est.	2010/11 USDA Jun Est.	2011/12 USDA May Est.	2011/12 USDA Jun Est.
Yield	(bpa)	38.70	40.20	44.90	44.50	46.400	46.400	42.500	43.100
Area Planted	(m ac)	57.30	60.50	63.20	59.20	53.600	53.600	58.000	57.700
Area Harvested (Implied)	(m ac)	46.80	51.00	55.70	49.90	47.600	47.600	48.000	47.800
Production	(bn bu)	1.812	2.051	2.499	2.22	2.208	2.208	2.043	2.058
Consumption	(bn bu)	1.140	1.051	1.260	1.14	1.180	1.180	1.240	1.240
Exports	(bn bu)	0.908	1.263	1.015	0.88	1.275	1.295	1.050	1.050
Ending Stocks	(bn bu)	0.456	0.306	0.657	0.976	0.839	0.809	0.702	0.687
Ending Stocks to Disposal	(%)	22.3%	13.2%	28.9%	48.4%	34.2%	32.7%	30.7%	30.0%

US CORN		2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 USDA May Est.	2010/11 USDA Jun Est.	2011/12 USDA May Est.	2011/12 USDA Jun Est.
Yield	(bpa)	149.10	150.70	153.90	164.70	152.80	152.800	158.70	158.700
Area Planted	(m ac)	78.30	93.50	86.00	86.40	88.20	88.200	92.20	90.700
Area Harvested (Implied)	(m ac)	70.60	86.50	78.57	79.50	81.40	81.400	85.10	83.200
Production	(bn bu)	10.535	13.038	12.092	13.09	12.447	12.447	13.505	13.200
Consumption	(bn bu)	9.085	10.300	10.207	11.08	11.550	11.550	11.550	11.455
Feed & residual consumption	(bn bu)	5.595	5.913	5.182	5.14	5.150	5.150	5.100	5.000
Ethanol consumption	(bn bu)	2.119	3.049	3.709	4.57	5.000	5.000	5.050	5.050
Exports	(bn bu)	2.125	2.437	1.849	1.99	1.900	1.900	1.800	1.800
Ending Stocks	(bn bu)	1.304	1.624	1.673	1.71	0.730	0.730	0.900	0.695
Ending Stocks to Disposal	(%)	11.6%	12.8%	13.9%	13.1%	5.4%	5.4%	6.7%	5.2%

US SOYBEAN		2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 USDA May Est.	2010/11 USDA Jun Est.	2011/12 USDA May Est.	2011/12 USDA Jun Est.
Yield	(bpa)	42.70	41.70	39.70	44.00	43.5	43.5	43.400	43.400
Area Planted	(m ac)	75.50	64.70	75.70	77.50	77.400	77.400	76.600	76.600
Area Harvested (Implied)	(m ac)	74.60	64.10	74.70	76.40	76.600	76.600	75.700	75.700
Production	(bn bu)	3.188	2.677	2.967	3.36	3.329	3.329	3.285	3.285
Crush	(bn bu)	1.808	1.803	1.757	1.75	1.650	1.650	1.655	1.655
Seed use	(bn bu)	0.080	0.093	0.095	0.09	0.089	0.089	0.900	0.900
Exports	(bn bu)	1.116	1.159	1.279	1.50	1.550	1.540	1.540	1.520
Ending Stocks	(bn bu)	0.574	0.205	0.138	0.15	0.170	0.180	0.160	0.190
Ending Stocks to Disposal	(%)	19.1%	6.7%	4.4%	4.5%	5.2%	5.5%	3.9%	4.7%

US COTTON DATA		2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 USDA May Est.	2010/11 USDA Jun Est.	2011/12 USDA May Est.	2011/12 USDA Jun Est.
Yield	(lb/ac)	814	879	813	777.00	811	812.000	800	800.000
Area Planted	(m ac)	15.27	10.83	9.47	9.15	10.97	10.970	12.57	12.570
Area Harvested	(m ac)	12.73	10.49	7.57	7.53	10.71	10.700	10.80	10.200
Production	(m bale)	21.59	19.21	12.82	12.19	18.10	18.100	18.00	17.000
Domestic Use	(m bale)	4.94	4.59	3.59	3.46	3.80	3.800	3.80	3.800
Exports	(m bale)	13.01	13.65	13.28	12.04	15.50	15.000	13.50	13.000
Ending Stocks	(m bale)	9.48	10.04	6.34	2.95	1.75	2.25	2.50	2.50
Ending Stocks to Disposal	(%)	52.8%	55.0%	37.6%	19.0%	9.1%	12.0%	14.5%	14.9%

US WHEAT PROD'N		2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 USDA May Est.	2010/11 USDA Jun Est.	2011/12 USDA May Est.	2011/12 USDA Jun Est.
Hard Winter	(bn bu)	0.682	0.956	1.035	0.920	1.018	1.018	0.762	0.777
Hard Spring	(bn bu)	0.432	0.450	0.512	0.548	0.570	0.570	-	?
Soft Red Winter	(bn bu)	0.390	0.352	0.614	0.404	0.238	0.238	0.427	0.434
White	(bn bu)	0.254	0.221	0.255	0.237	0.275	0.275	-	?
Durum	(bn bu)	0.053	0.072	0.084	0.109	0.107	0.107	-	?
<b>All US Wheat</b>	(bn bu)	<b>1.812</b>	<b>2.051</b>	<b>2.499</b>	<b>2.218</b>	<b>220.8%</b>	<b>220.8%</b>	<b>-</b>	<b>?</b>

## Key data – global perspective

WORLD WHEAT		2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 USDA May Est.	2010/11 USDA Jun Est.	2011/12 USDA May Est.	2011/12 USDA Jun Est.
Production	(mt)	596.3	611.0	682.2	684.3	648.1	648.2	669.6	664.3
Consumption	(mt)	616.9	617.3	641.5	652.2	662.1	659.4	670.5	667.2
Feed consumption	(mt)	106.3	96.3	117.9	117.2	122.8	120.0	124.2	121.7
Exports	(mt)	111.2	117.2	143.7	135.9	124.7	126.4	127.3	127.6
Stocks	(mt)	127.0	124.7	166.2	198.3	182.2	187.1	181.3	184.3
Stocks to Use	(%)	20.6%	20.2%	25.9%	30.4%	27.5%	28.4%	27.0%	27.6%

WORLD CORN		2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 USDA May Est.	2010/11 USDA Jun Est.	2011/12 USDA May Est.	2011/12 USDA Jun Est.
Production	(mt)	712.4	792.4	798.8	813.0	815.4	820.6	867.7	866.2
Consumption	(mt)	728.5	772.0	782.0	816.8	838.6	846.6	860.8	871.7
Feed consumption	(mt)	478.1	496.6	479.3	484.3	493.5	499.5	506.1	514.4
Exports	(mt)	93.8	95.6	84.5	97.0	90.6	90.6	92.5	93.2
Stocks	(mt)	108.7	129.9	149.2	143.5	122.2	117.4	129.1	111.9
Stocks to Use	(%)	14.9%	16.8%	19.1%	17.6%	14.6%	13.9%	15.0%	12.8%

WORLD COARSE GRAIN		2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 USDA May Est.	2010/11 USDA Jun Est.	2011/12 USDA May Est.	2011/12 USDA Jun Est.
Production	(mt)	989.1	1078.7	1110.2	1109.6	1084.7	1089.5	1146.8	1143.9
Consumption	(mt)	1016.1	1056.5	1079.7	1108.7	1123.1	1130.8	1142.8	1152.1
Exports	(mt)	117.4	127.1	113.0	123.15	114.5	114.6	115.1	114.3
Stocks	(mt)	138.4	161.7	195.9	194.83	158.4	153.5	162.4	145.3
Stocks to Use	(%)	13.6%	15.3%	18.1%	17.6%	14.1%	13.6%	14.2%	12.6%

WORLD SOYBEANS		2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 USDA May Est.	2010/11 USDA Jun Est.	2011/12 USDA May Est.	2011/12 USDA Jun Est.
Production	(mt)	236.6	221.2	212.0	260.8	262.0	263.5	263.3	262.8
Consumption (total)	(mt)	224.5	229.7	221.3	238.4	254.4	255.8	262.7	263.2
Exports	(mt)	71.5	79.6	76.8	92.65	95.6	94.5	98.8	98.8
Stocks	(mt)	62.7	51.4	42.6	59.31	63.8	64.5	61.9	61.6
Stocks to Use	(%)	27.9%	22.4%	19.2%	24.9%	25.1%	25.2%	23.5%	23.4%



WORLD OILSEEDS		2006/07	2007/08	2008/09	2009/10	2010/11	2010/11	2011/12	2011/12
		Actual	Actual	Actual	Actual	USDA May Est.	USDA Jun Est.	USDA May Est.	USDA Jun Est.
Production	(mt)	403.33	392.22	396.31	442.31	449.3	450.6	459.2	456.9
Consumption (crush only)	(mt)	328.36	339.09	338.66	357.55	376.3	377.5	389.5	389.6
Exports	(mt)	83.73	92.67	94.16	108.14	111.0	109.6	115.5	115.2
Stocks	(mt)	72.54	61.68	54.97	70.97	73.8	74.7	72.2	71.1
Stocks to Use	(%)	22.1%	18.2%	16.2%	19.8%	19.6%	19.8%	18.5%	18.3%

WORLD COTTON		2006/07	2007/08	2008/09	2009/10	2010/11	2010/11	2011/12	2011/12
		Actual	Actual	Actual	Actual	USDA May Est.	USDA Jun Est.	USDA May Est.	USDA Jun Est.
Production	(m bale)	121.99	119.91	107.10	101.38	114.6	114.3	124.7	123.8
Consumption	(m bale)	123.47	122.97	109.95	118.40	116.5	115.5	119.5	119.0
Exports	(m bale)	37.12	38.47	30.07	35.57	37.0	35.9	39.9	39.4
Stocks	(m bale)	62.83	60.61	60.54	44.28	42.5	43.2	47.9	48.3
Stocks to Use	(%)	50.9%	49.3%	55.1%	37.4%	36.5%	37.4%	40.1%	40.6%



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