

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

### Corn prices rally as production prospects slide...

- The USDA's August 2011 WASDE report was released overnight, providing a fundamental reason for higher corn prices. Oilseed prices also received a reason to rise. But the wheat market, which observed an increase in world production and stocks, will only rise on the back of the corn market.
- US corn production prospects have been slashed because of poor weather. Subsequently US corn stocks are forecast to fall to their lowest level on record. This will continue to support high prices. Assuming financial markets stabilise, US corn futures are likely to test, if not exceed, the June record-high price of 800 US cents per bushel.
- Global oilseed production prospects were revised lower because of unfavourable US soybean crop conditions. US soybean stockpiles are extremely tight, implying that US soybean prices should remain historically elevated.
- The USDA's world wheat projections were bearish for prices. The USDA lifted global production by ~10 million tonnes, mainly because of big FSU crops. World wheat ending stocks have been revised higher to 189 million tonnes, a comfortable result. The world wheat stock-to-use ratio is pegged at 28%, comfortably above the 2007/08 result of 20%. If it were not for extraordinarily tight global corn supplies, world wheat prices would be much lower than current levels.
- The USDA report was bearish for cotton prices. The USDA surprised the cotton market by lifting US production forecasts, despite the Texas drought. And global use was revised lower because of price-induced demand destruction and fading global economic prospects. Global cotton stocks were subsequently revised higher to more comfortable levels.

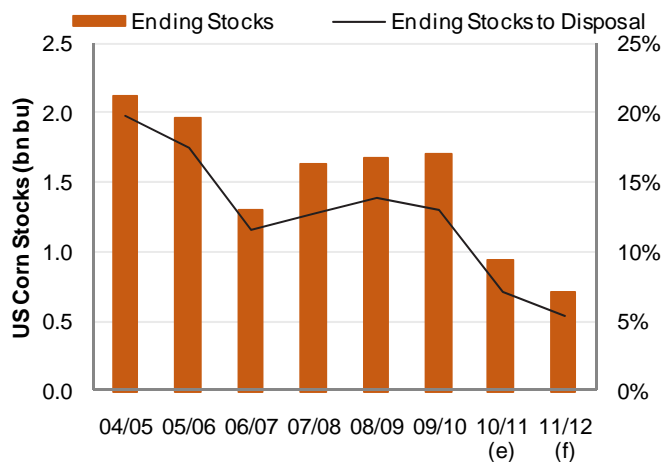
### Key results

US STOCKS		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 USDA Aug Est.	2011/12 USDA Jul Est.	2011/12 Avg Trade Est.	2011/12 USDA Aug Est.
Wheat	(bn bu)	0.540	0.571	0.456	0.306	0.657	0.976	0.861	0.861	0.670	0.674	0.671
Corn	(bn bu)	2.114	1.967	1.304	1.624	1.673	1.708	0.880	0.940	0.870	0.732	0.714
Soybeans	(bn bu)	0.256	0.449	0.574	0.205	0.138	0.151	0.200	0.230	0.175	0.170	0.155
Cotton	(m bale)	5.500	6.050	9.480	10.040	6.340	2.950	2.750	2.850	3.000	3.000	3.300

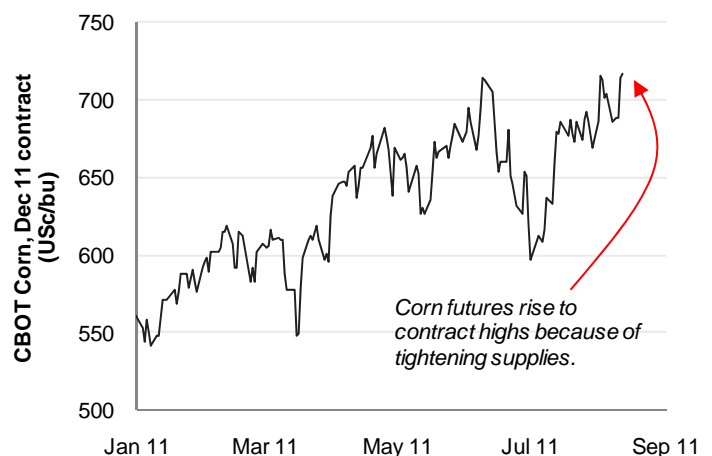
WORLD STOCKS		2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 USDA Jul Est.	2010/11 USDA Aug Est.	2011/12 USDA Jul Est.	2011/12 Avg Trade Est.	2011/12 USDA Aug Est.
Wheat	(mt)	151.4	147.8	127.0	124.7	166.2	198.9	190.0	191.740	182.2	184.5	188.870
Corn	(mt)	131.3	123.0	108.7	129.9	149.2	143.9	120.9	122.930	115.7	114.1	114.530
Soybeans	(mt)	48.2	52.8	62.7	51.4	42.6	59.3	65.9	68.420	62.0	61.9	60.950
Cotton	(m bale)	54.1	60.4	62.8	60.6	60.5	44.3	44.4	44.990	51.0	-	52.660

Figure 1: US corn ending stocks



Source: USDA and CBA

Figure 2: Chicago corn futures (December 11 contract)



Source: Bloomberg and CBA



## Wheat

- US wheat production for 2011/12 has been revised lower from 2.106 billion bushels to 2.077 billion bushels this month, but this still exceeded trade guesses of 2.07 billion bushels. The 6% downward revision to US spring wheat production estimates, due to unfavourable growing conditions, accounted for the smaller US wheat production forecast.
- US wheat export estimates were reduced by 50 million bushels because of increased competition, particularly from increased FSU supplies. US domestic wheat consumption was raised slightly, reflecting increased wheat feeding in the livestock industry, because of extremely tight (and expensive) corn supplies.
- US wheat stocks for 2011/12 were forecast at 671 million bushels, up marginally from the July forecast and roughly in line with trade estimates. Although US wheat stocks for 2011/12 are forecast 22% below the 2010/11 carry-out result, they are more than double the tight 2007/08 result of 306 million bushels. The US wheat stock-to-use ratio for 2011/12 is forecast at 28.3%, a comfortable result compared to 2007/08 (13%). Within the complex, HRW and HRS wheat stocks are tighter than SRW stocks.
- The USDA's world wheat projections were bearish for prices. The USDA lifted global production by ~10 million tonnes this month to 672 million tonnes, mainly because of big FSU crops. European wheat production was also revised higher with the USDA noting that "harvest results for France indicate yields were hurt less by prolonged spring dryness than early reports had suggested". The forecast 2011/12 world wheat crop is ~ 24 million tonnes larger than the weather affected 2010/11 crop.
- World wheat consumption for 2011/12 has been revised higher this month, reflecting increased wheat supplies and more wheat being used in livestock feed rations. But still, world wheat ending stocks for 2011/12 have been revised higher by ~6 million tonnes to 189 million tonnes, a comfortable result. The stock-to-use ratio is pegged at 28%, comfortably above the 2007/08 result of 20%. Wheat stocks above 170 million tonnes (25% stock-to-use) are ample.

## Coarse grain and corn

- US feed grain supplies are forecast at critically tight levels because of sharply lower corn production prospects. Sorghum production prospects were also reduced, as were barley production forecasts. The USDA slashed their US corn production forecast to 12.9 billion bushels this month, down from 13.5 billion bushels last month and average trade estimates of 13.1 billion bushels. US corn yields are now forecast at 153 bushels per acre, down 5.7 bushels from last month because of the hot temperatures in July.
- US corn use has been reduced because of lower supplies and forecast higher prices. Feed and residual use is reduced by 150 million bushels, corn use for ethanol production is lowered 50 million bushels (reflecting lower national gasoline consumption) and corn exports for 2011/12 are reduced 150 million bushels.
- US corn stocks were reduced to just 714 million bushels for 2011/12, 18% below last month's forecast of 870m bushels and below average trade guesses of 732m bushels. This is an extraordinarily tight US corn carryout projection, the tightest on record, and should continue to support near record corn prices. The corn stock-to-use ratio is projected at 5.4%, compared with last month's projection of 6.4%.
- Lower coarse grain production prospects in the US outweigh higher production prospects in other countries. Overall, world coarse grain production for 2011/12 was lowered 14 million tonnes. Global consumption estimates were also reduced (reflecting tighter supplies), and global coarse grain ending stocks have been revised lower by 2 million tonnes to 147.2 million tonnes. The resulting stock-to-use ratio (12.8%) is the tightest on record.

## Oilseeds

- Poor weather has reduced US oilseed production prospects. US oilseed production for 2011/12 is projected at 91.7 million tonnes, down 4.7 million from last month. Soybean, canola, and sunflower seed production is all projected lower. The USDA cut its US soybean crop estimate to 3.06 billion bushels from 3.23 billion last month because of lower yields. The trade had guessed that production would come in at 3.19 billion bushels.
- US soybean consumption for 2011/12 has been revised lower, as have exports. But still, US soybean ending stocks were revised lower to just 155 million bushels from 175 million last month, below average trade estimates of 170 million bushels. The stock-to-use ratio for US soybeans is forecast at just 5%, down from 7% last year, and only marginally above the record tight result of 4.4% observed in 2008/09. The forecast tight US soybean carryout, in addition to extraordinarily tight US corn supplies, implies continued high US soybean prices.
- Global oilseed production for 2011/12 is projected at 451.4 million tons, down 4.1 million tons from last month mostly due to a reduction in the US soybean crop. Global canola (rapeseed) production was also reduced, mainly reflecting smaller crops in Ukraine and Belarus. A 1 million tonne upward revision to Brazil's soybean crop (to 73.5 million tonnes) is the most notable upward revision. Global soybean ending stocks for 2011/12 have been revised lower by 1 million tonnes



this month to 61 million tonnes, of which 22.4 million tonnes are in Argentina, 18.7 million tonnes are in Brazil, and 12.8 million tonnes are in China. Combined, these three nations will hold 88% of the worlds expected soybean stocks at the end of the 2011/12 season.

## Cotton

- The USDA report was bearish for cotton prices. The USDA surprised the cotton market by lifting US production estimates by ~ ½ million bales to 16.6 million. Leading into the report the trade had forecast production to be cut by ½ million bales because of the Texas drought. The USDA's estimates show harvested area of 9.7 million acres, indicating that 30% of planted area has been abandoned due to severe drought. But forecast yields were increased slightly this month, and US cotton carry-in supplies were raised slightly because of smaller than expected exports in 2010/11.
- US cotton consumption forecasts for 2011/12 were left unchanged at 3.8 million bales but exports were revised marginally higher to 12.3 million bales. Still, increased production and higher carry-in supplies means that US cotton ending stocks 2011/12 have been revised higher from 3 million to 3.3 million bales, up 16% from the historically tight 2010/11 result of 2.85 million bales.
- World cotton consumption for 2010/11 and 2011/12 has been reduced this month because of price-induced demand destruction and deteriorating global economic prospects. The UDSA notes that there has been "continued weakness in fibre demand and increased substitution of polyester for cotton". The reduced consumption estimate has outweighed lower global production prospects for 2011/12 (mainly reflecting the smaller Brazilian crop), meaning that world 2011/12 cotton stocks were revised higher to 52.7 million bales. This compares favourably to the 44-45 million bale carry-out of the 2009/10 and 2010/11 seasons. The projected world cotton stocks-to-use ratio of 46% also reflects a recovery from the very tight levels of the two preceding years, but is still the third lowest since 1994/95.



Key charts

Figure 1: World wheat supplies

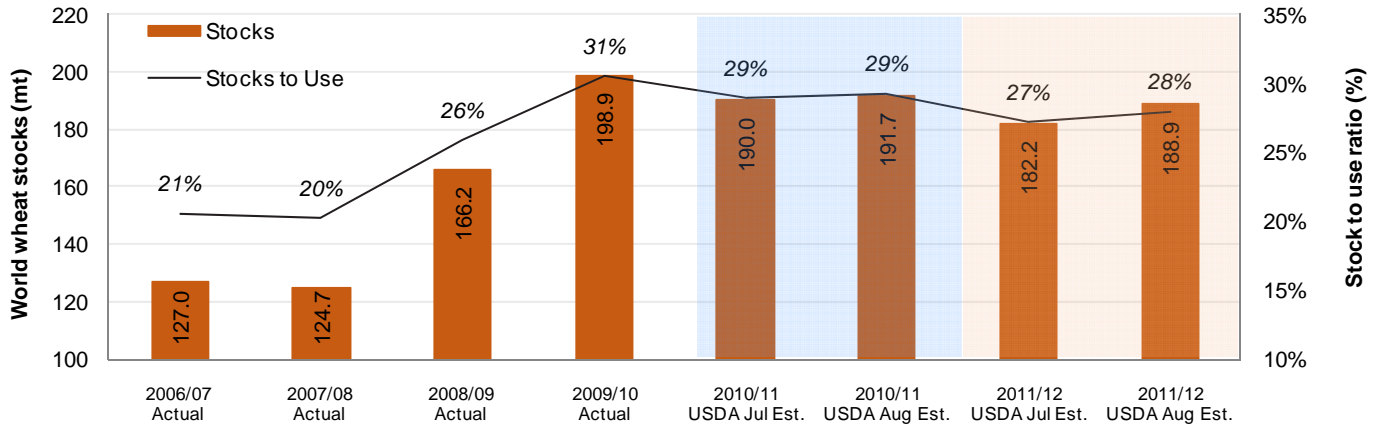


Figure 2: US wheat supplies

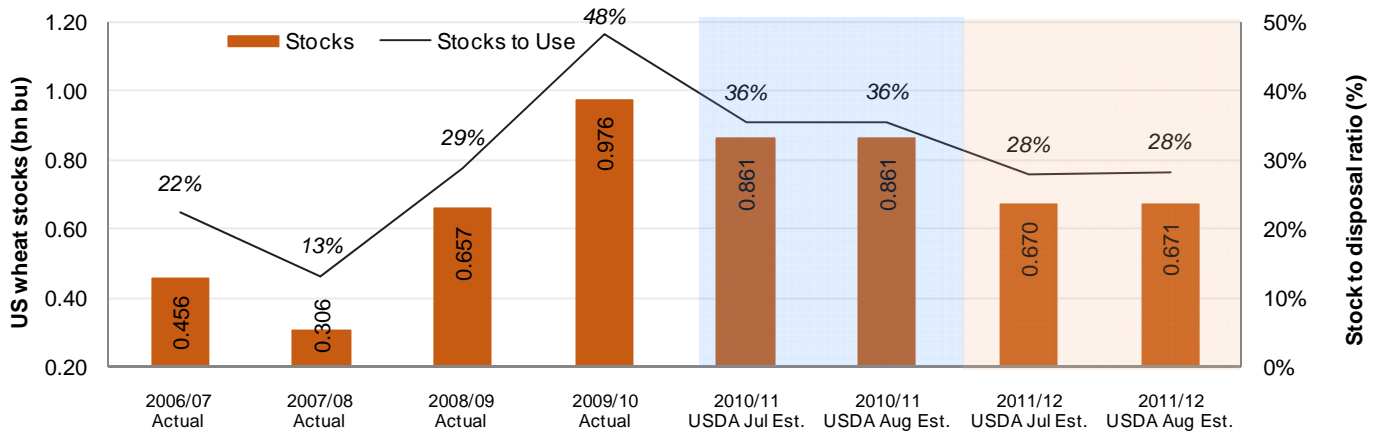


Figure 3: World corn supplies

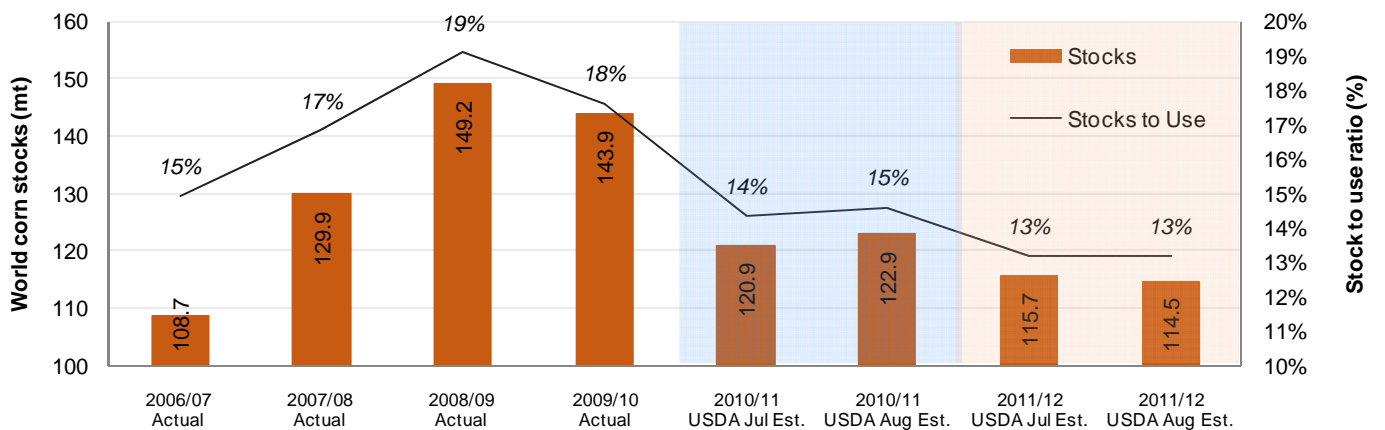




Figure 4: US corn supplies

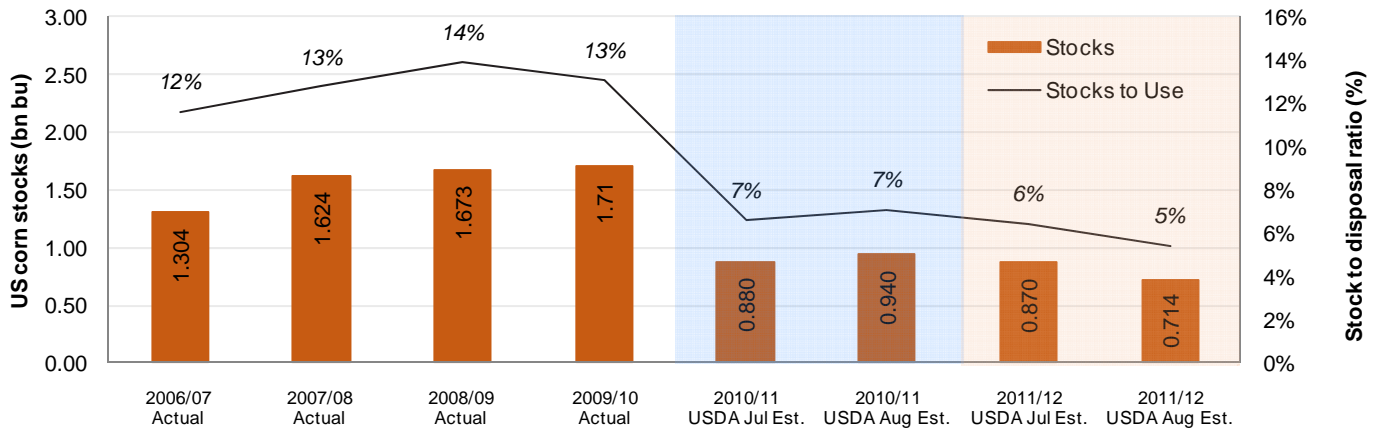


Figure 5: World soybean supplies

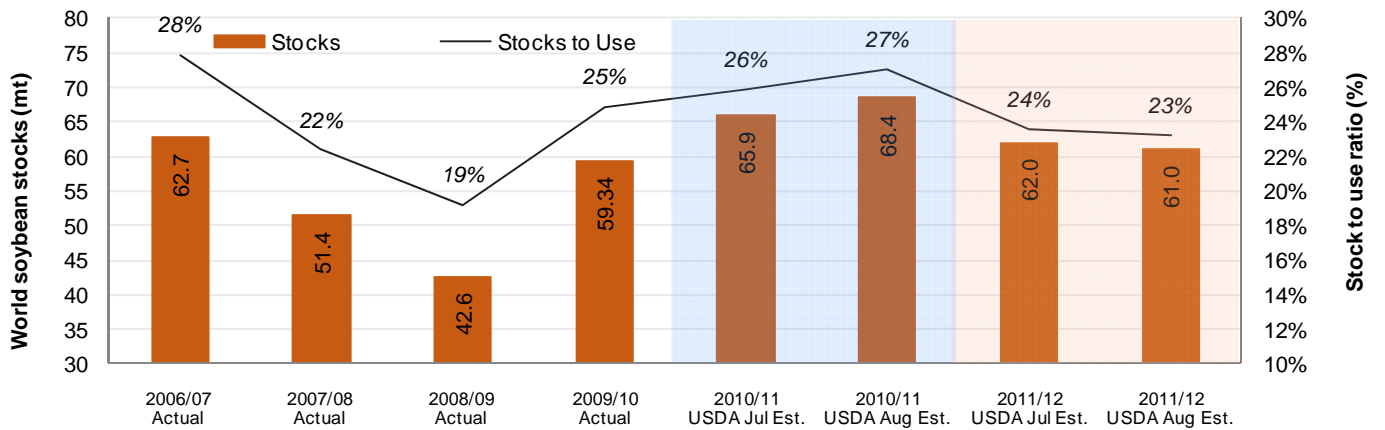


Figure 6: US soybean supplies

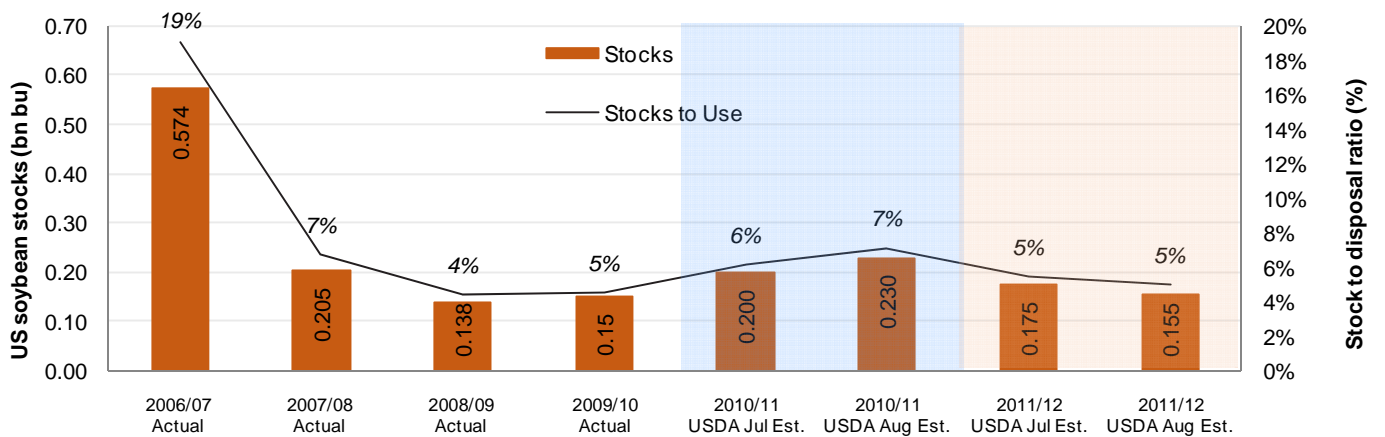




Figure 7: World cotton supplies

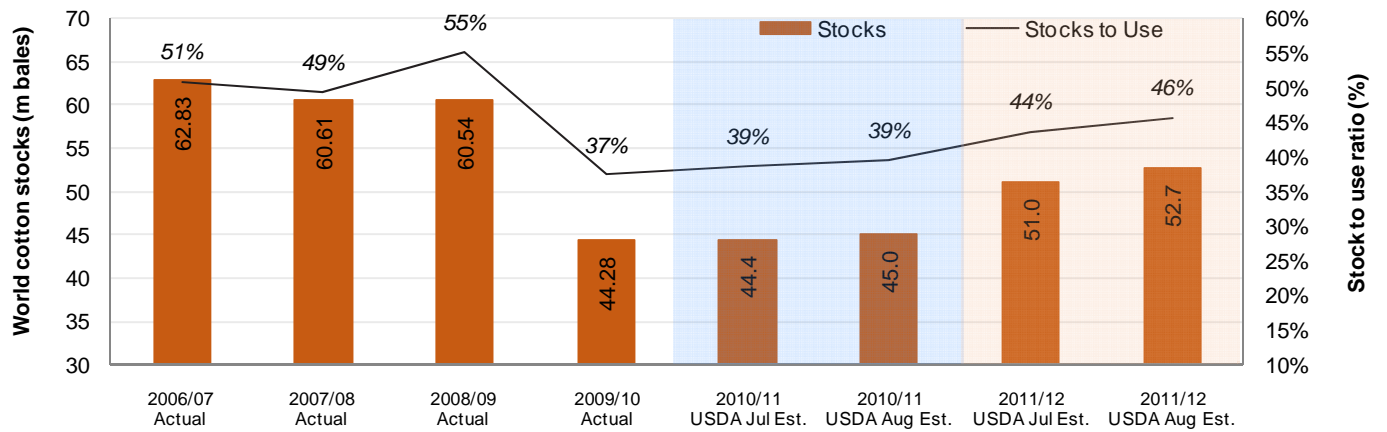
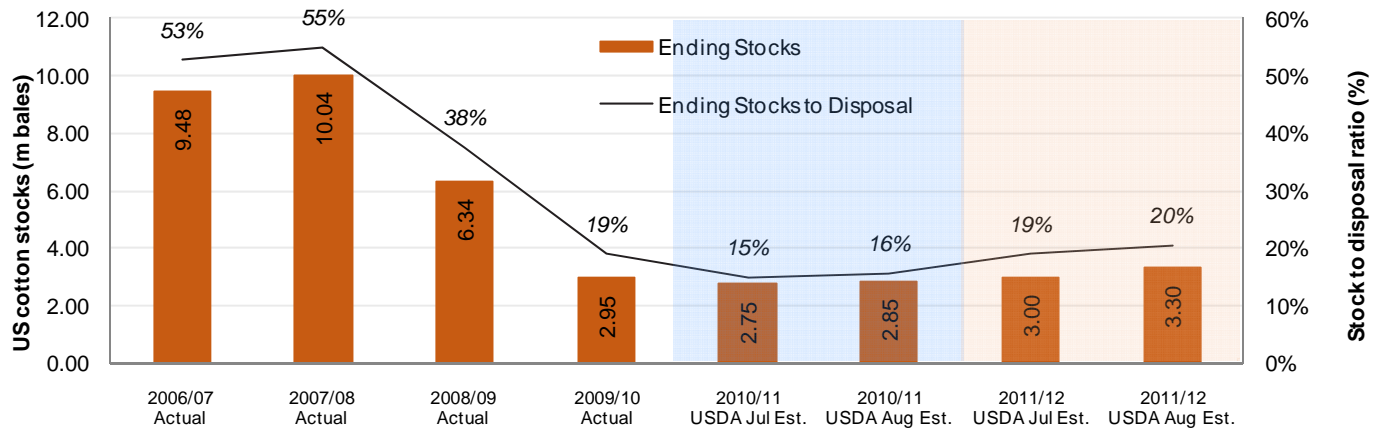


Figure 8: US cotton supplies





## Key data – US perspective

US WHEAT		2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 USDA Jul Est.	2010/11 USDA Aug Est.	2011/12 USDA Jul Est.	2011/12 USDA Aug Est.
Yield	(bpa)	38.70	40.20	44.90	44.50	46.400	46.400	44.600	45.200
Area Planted	(m ac)	57.30	60.50	63.20	59.20	53.600	53.600	56.400	55.200
Area Harvested (Implied)	(m ac)	46.80	51.00	55.70	49.90	47.600	47.600	47.200	45.900
Production	(bn bu)	1,812	2,051	2,499	2,22	2,208	2,208	2,106	2,077
Consumption	(bn bu)	1.140	1.051	1.260	1.14	1.137	1.131	1.247	1.267
Exports	(bn bu)	0.908	1.263	1.015	0.88	1.286	1.289	1.150	1.100
Ending Stocks	(bn bu)	0.456	0.306	0.657	0.976	0.861	0.861	0.670	0.671
Ending Stocks to Disposal	(%)	22.3%	13.2%	28.9%	48.4%	35.5%	35.6%	28.0%	28.3%

US CORN		2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 USDA Jul Est.	2010/11 USDA Aug Est.	2011/12 USDA Jul Est.	2011/12 USDA Aug Est.
Yield	(bpa)	149.10	150.70	153.90	164.70	152.80	152.800	158.70	153.000
Area Planted	(m ac)	78.30	93.50	86.00	86.40	88.20	88.200	92.30	92.300
Area Harvested (Implied)	(m ac)	70.60	86.50	78.57	79.50	81.40	81.400	84.90	84.400
Production	(bn bu)	10.535	13.038	12.092	13.09	12.447	12.447	13.470	12.914
Consumption	(bn bu)	9.085	10.300	10.207	11.08	11.430	11.420	11.600	11.410
Feed & residual consumption	(bn bu)	5.595	5.913	5.182	5.14	5.000	5.000	5.050	4.900
Ethanol consumption	(bn bu)	2.119	3.049	3.709	4.57	5.050	5.020	5.150	5.100
Exports	(bn bu)	2.125	2.437	1.849	1.99	1.875	1.825	1.900	1.750
Ending Stocks	(bn bu)	1.304	1.624	1.673	1.71	0.880	0.940	0.870	0.714
Ending Stocks to Disposal	(%)	11.6%	12.8%	13.9%	13.1%	6.6%	7.1%	6.4%	5.4%

US SOYBEAN		2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 USDA Jul Est.	2010/11 USDA Aug Est.	2011/12 USDA Jul Est.	2011/12 USDA Aug Est.
Yield	(bpa)	42.70	41.70	39.70	44.00	43.5	43.5	43.400	41.400
Area Planted	(m ac)	75.50	64.70	75.70	77.50	77.400	77.400	75.200	75.000
Area Harvested (Implied)	(m ac)	74.60	64.10	74.70	76.40	76.600	76.600	74.300	73.800
Production	(bn bu)	3.188	2.677	2.967	3.36	3.329	3.329	3.225	3.056
Crush	(bn bu)	1.808	1.803	1.757	1.75	1.650	1.645	1.644	1.635
Seed use	(bn bu)	0.080	0.093	0.095	0.09	0.087	0.087	0.090	0.090
Exports	(bn bu)	1.116	1.159	1.279	1.50	1.520	1.495	1.495	1.400
Ending Stocks	(bn bu)	0.574	0.205	0.138	0.15	0.200	0.230	0.175	0.155
Ending Stocks to Disposal	(%)	19.1%	6.7%	4.4%	4.5%	6.1%	7.1%	5.4%	5.0%

US COTTON DATA		2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 USDA Jul Est.	2010/11 USDA Aug Est.	2011/12 USDA Jul Est.	2011/12 USDA Aug Est.
Yield	(lb/ac)	814	879	813	777.00	812	812.000	800	822.000
Area Planted	(m ac)	15.27	10.83	9.47	9.15	10.97	10.970	13.73	13.730
Area Harvested	(m ac)	12.73	10.49	7.57	7.53	10.70	10.700	9.60	9.670
Production	(m bale)	21.59	19.21	12.82	12.19	18.10	18.100	16.00	16.550
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	14.50	14.400	12.00	12.300
Ending Stocks	(m bale)	9.48	10.04	6.34	2.95	2.75	2.85	3.00	3.30
Ending Stocks to Disposal	(%)	52.8%	55.0%	37.6%	19.0%	15.0%	15.7%	19.0%	20.5%

US WHEAT STOCKS		2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 USDA Jul Est.	2010/11 USDA Aug Est.	2011/12 USDA Jul Est.	2011/12 USDA Aug Est.
Hard Winter	(bn bu)	0.165	0.138	0.254	0.385	0.386	0.386	0.199	0.222
Hard Spring	(bn bu)	0.117	0.068	0.142	0.234	0.185	0.185	0.173	0.143
Soft Red Winter	(bn bu)	0.109	0.055	0.171	0.242	0.170	0.170	0.183	0.197
White	(bn bu)	0.044	0.037	0.064	0.080	0.085	0.085	0.102	0.096
Durum	(bn bu)	0.022	0.008	0.025	0.035	0.035	0.035	0.014	0.013
<b>All US Wheat</b>	(bn bu)	<b>0.456</b>	<b>0.306</b>	<b>0.657</b>	<b>0.976</b>	<b>0.861</b>	<b>0.861</b>	<b>0.670</b>	<b>0.671</b>



## Key data – global perspective

WORLD WHEAT		2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 USDA Jul Est.	2010/11 USDA Aug Est.	2011/12 USDA Jul Est.	2011/12 USDA Aug Est.
Production	(mt)	596.3	611.0	682.2	684.4	648.2	648.2	662.4	672.1
Consumption	(mt)	616.9	617.3	641.5	652.0	656.6	655.3	670.2	675.0
Feed consumption	(mt)	106.3	96.3	117.9	117.1	117.3	115.7	123.0	127.9
Exports	(mt)	111.2	117.2	143.7	135.8	127.9	130.1	130.0	131.3
Stocks	(mt)	127.0	124.7	166.2	198.9	190.0	191.7	182.2	188.9
Stocks to Use	(%)	20.6%	20.2%	25.9%	30.5%	28.9%	29.3%	27.2%	28.0%

WORLD CORN		2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 USDA Jul Est.	2010/11 USDA Aug Est.	2011/12 USDA Jul Est.	2011/12 USDA Aug Est.
Production	(mt)	712.4	792.4	798.8	813.4	820.0	821.4	872.4	860.5
Consumption	(mt)	728.5	772.0	782.0	816.7	842.8	842.4	877.6	868.9
Feed consumption	(mt)	478.1	496.6	479.3	483.0	495.1	494.4	517.3	510.1
Exports	(mt)	93.8	95.6	84.5	96.8	90.2	90.0	94.9	93.0
Stocks	(mt)	108.7	129.9	149.2	143.9	120.9	122.9	115.7	114.5
Stocks to Use	(%)	14.9%	16.8%	19.1%	17.6%	14.3%	14.6%	13.2%	13.2%

WORLD COARSE GRAIN		2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 USDA Jul Est.	2010/11 USDA Aug Est.	2011/12 USDA Jul Est.	2011/12 USDA Aug Est.
Production	(mt)	989.1	1078.7	1110.2	1110.2	1089.9	1092.1	1150.3	1136.3
Consumption	(mt)	1016.1	1056.5	1079.7	1108.6	1127.8	1126.6	1158.5	1150.0
Exports	(mt)	117.4	127.1	113.0	122.95	114.4	115.1	115.9	115.3
Stocks	(mt)	138.4	161.7	195.9	195.40	157.3	160.9	149.2	147.2
Stocks to Use	(%)	13.6%	15.3%	18.1%	17.6%	13.9%	14.3%	12.9%	12.8%

WORLD SOYBEANS		2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 USDA Jul Est.	2010/11 USDA Aug Est.	2011/12 USDA Jul Est.	2011/12 USDA Aug Est.
Production	(mt)	236.6	221.2	212.0	260.8	263.7	264.0	261.5	257.5
Consumption (total)	(mt)	224.5	229.7	221.3	238.3	254.2	252.9	262.7	262.3
Exports	(mt)	71.5	79.6	76.8	92.59	92.8	91.2	97.6	97.9
Stocks	(mt)	62.7	51.4	42.6	59.34	65.9	68.4	62.0	61.0
Stocks to Use	(%)	27.9%	22.4%	19.2%	24.9%	25.9%	27.1%	23.6%	23.2%

WORLD OILSEEDS		2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 USDA Jul Est.	2010/11 USDA Aug Est.	2011/12 USDA Jul Est.	2011/12 USDA Aug Est.
Production	(mt)	403.33	392.22	396.31	442.31	451.2	452.1	455.5	451.4
Consumption (crush only)	(mt)	328.36	339.09	338.66	357.54	376.5	375.6	389.8	389.4
Exports	(mt)	83.73	92.67	94.16	108.14	108.0	106.6	113.9	113.9
Stocks	(mt)	72.54	61.68	54.97	70.01	75.7	78.1	70.7	69.5
Stocks to Use	(%)	22.1%	18.2%	16.2%	19.6%	20.1%	20.8%	18.1%	17.9%

WORLD COTTON		2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 USDA Jul Est.	2010/11 USDA Aug Est.	2011/12 USDA Jul Est.	2011/12 USDA Aug Est.
Production	(m bale)	121.99	119.91	107.10	101.38	114.6	114.6	123.2	122.7
Consumption	(m bale)	123.47	122.97	109.95	118.40	114.9	113.9	116.8	115.2
Exports	(m bale)	37.12	38.47	30.07	35.57	35.4	35.3	38.3	37.6
Stocks	(m bale)	62.83	60.61	60.54	44.28	44.4	45.0	51.0	52.7
Stocks to Use	(%)	50.9%	49.3%	55.1%	37.4%	38.6%	39.5%	43.7%	45.7%



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