

USDA Report Preview – Planting Intentions and Quarterly Stocks

On Thursday night the USDA will release two key reports. The first is the 2011 US Planting Intentions report; the second is the 1st March Quarterly Stocks report. In this note, we review the results of a recent Reuters Survey of trade expectations.

1. USDA 2011 Planting Intentions Report

According to a Reuters' poll, analysts expect:

- US all wheat acreage in 2011 to be 57.3 million acres, up 7% from 2010.
- US corn area for 2011 to be 91.8 million acres, up 4% from 2010.
- US soybean area for 2011 to be 77 million acres, down 1% from the 2010 acreage.
- US cotton area for 2011 to be 13.2 million acres, up 20% from the 2010 cotton acreage.

We believe the forecast decline in US soybean acreage is too bearish. The USDA could surprise the market by pegging US soybean acreage above last year's record 77.4 million acres.

Table 1: Trade estimates for US 2011 crop planting intentions

	Corn	Soybean	All Wheat	Winter Wheat	Other Spring Wheat	Durum	Cotton
USDA 2011 Forecast	?	?	?	?	?	?	?
- Avg trade estimate	91.84	76.87	57.29	41.10	13.73	2.55	13.22
- Highest trade estimate	92.60	78.50	58.40	42.90	14.31	2.80	13.50
- Lowest trade estimate	91.00	75.00	56.00	40.20	13.00	2.40	12.80
USDA 2011 Feb. Outlook Forum	92.00	78.00	57.00	~	~	~	13.00
USDA 2010 Actual Planting	88.19	77.40	53.60	37.34	13.70	2.57	11.04

Units are million acres.

Source: Reuters and Commonwealth Bank.

On the following pages we outline the implications of these area estimates on US crop production and stocks.

2. USDA Quarterly Stocks Report

According to a Reuters' poll, analysts expect:

- US wheat stocks at 1st March to be 1.4 billion bushels, up 3% yoy, but nearly 30% below the 1st December position.
- US corn stocks 1st March to be 6.7 billion bushels, down 13% yoy, and 33% below the 1st December position.
- US soybean stocks 1st March to be 1.3 billion bushels, up 2% yoy, but 43% below the 1st December position.

Table 2: Trade estimates for US Quarterly Stocks

	Wheat	Corn	Soybeans
USDA 1st Mar. 2011	?	?	?
- Average trade estimate	1.399	6.690	1.299
- Highest trade estimate	1.488	6.880	1.366
- Lowest trade estimate	1.275	6.552	1.266
USDA 1st Mar. 2010	1.356	7.694	1.270
USDA 1st Dec. 2011	1.928	10.040	2.277

Units = billion bushels

Source: Reuters and Commonwealth Bank



Implications of planting estimates on US production and stocks.

In this section, we use the trade-estimates for 2011 US crop area and calculate likely production and ending stock positions for US wheat, corn, soybeans and cotton. The four scenario's that are modelled include:

- Low yields – yields in 2011 will be equal to the lowest yields observed since 2004/05.
- Average yields – yields in 2011 will be equal to the average yields observed since 2004/05.
- Trend yields – yields in 2011 will correspond with the trend yields observed since 2004/05.
- High yields – yields in 2011 will be equal to the highest yields observed since 2004/05.

The key results of this preliminary analysis include:

- US wheat production and stocks are not likely to fall below the 2006/07 and 2007/08 results, even with low yields.
- US corn supplies will remain tight in 2011/12, even if trend-yields are achieved. To prevent US corn stocks falling further in 2011/12, near-record yields or demand rationing will be needed.
- US soybean supplies will remain tight in 2011/12, even with trend-yields. If poor US soybean yields are achieved, demand rationing may be required.
- US cotton production and stocks are likely to increase under each yield scenario.

Figure 1: US wheat area and production estimates

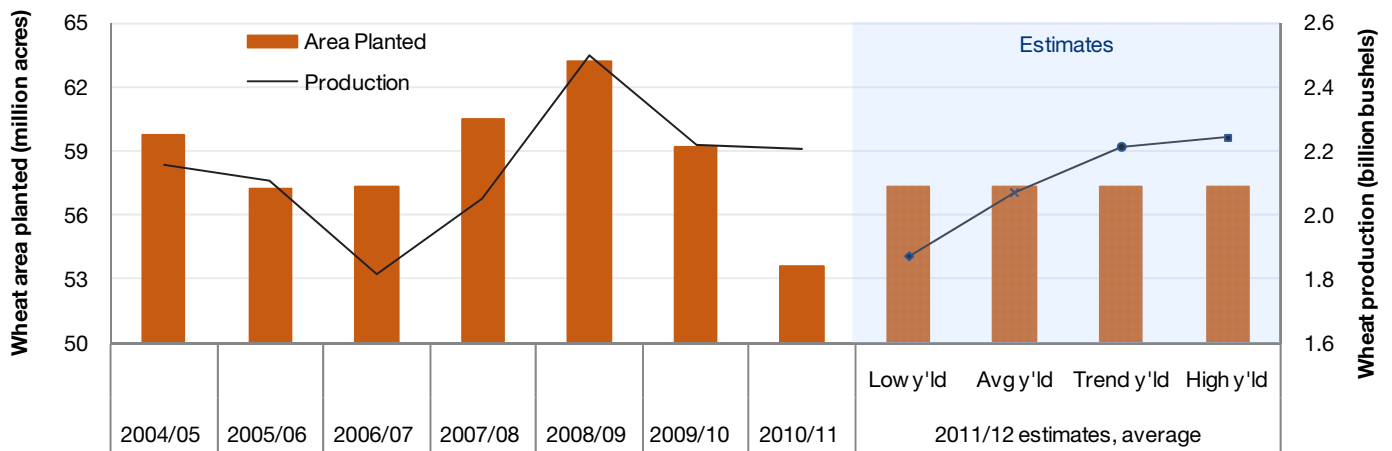


Figure 2: US wheat ending stock estimates

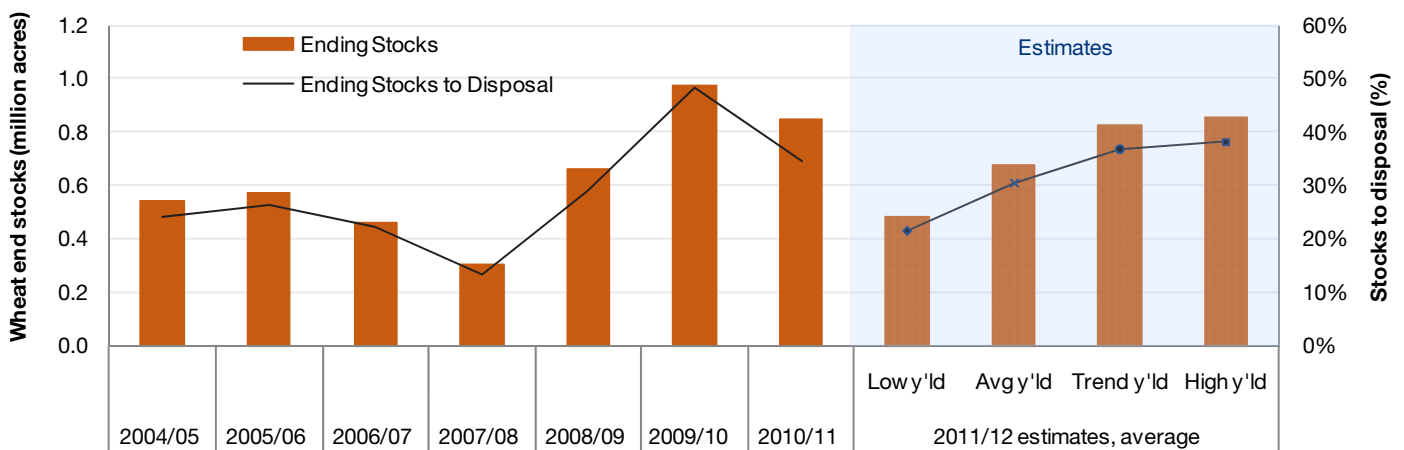




Figure 3: US corn area and production estimates

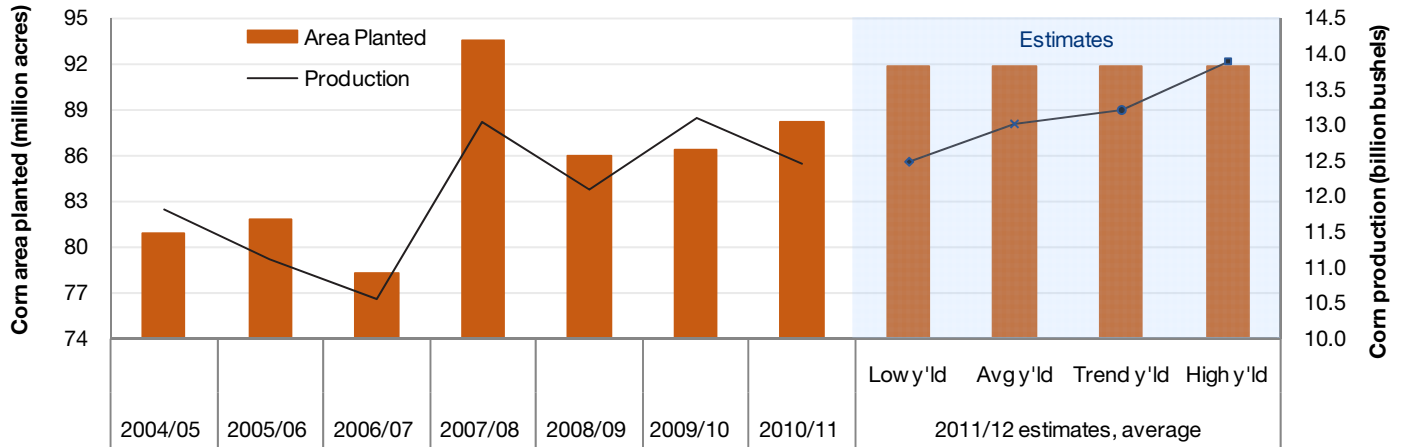


Figure 4: US corn ending stock estimates

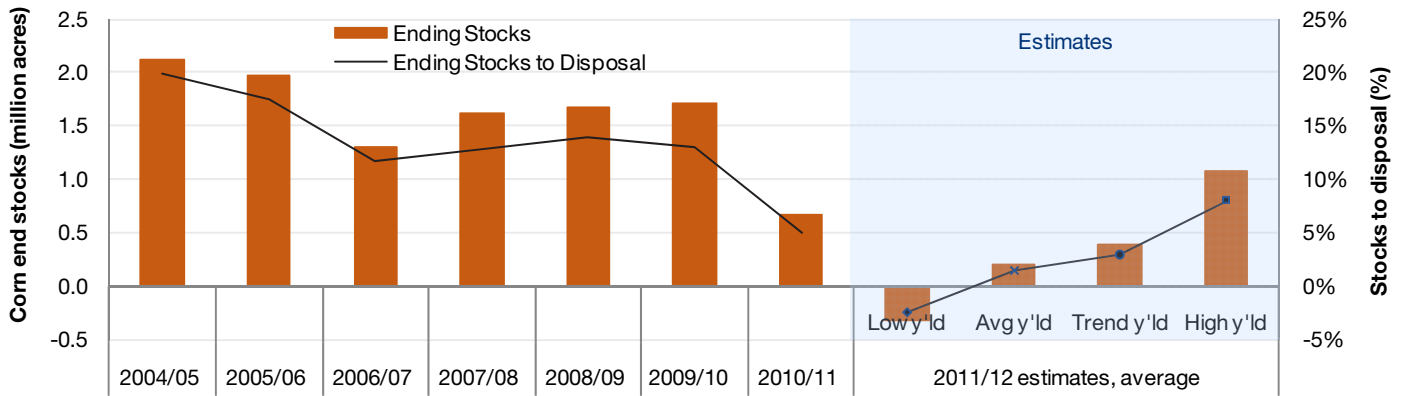


Figure 5: US soybean area and production estimates

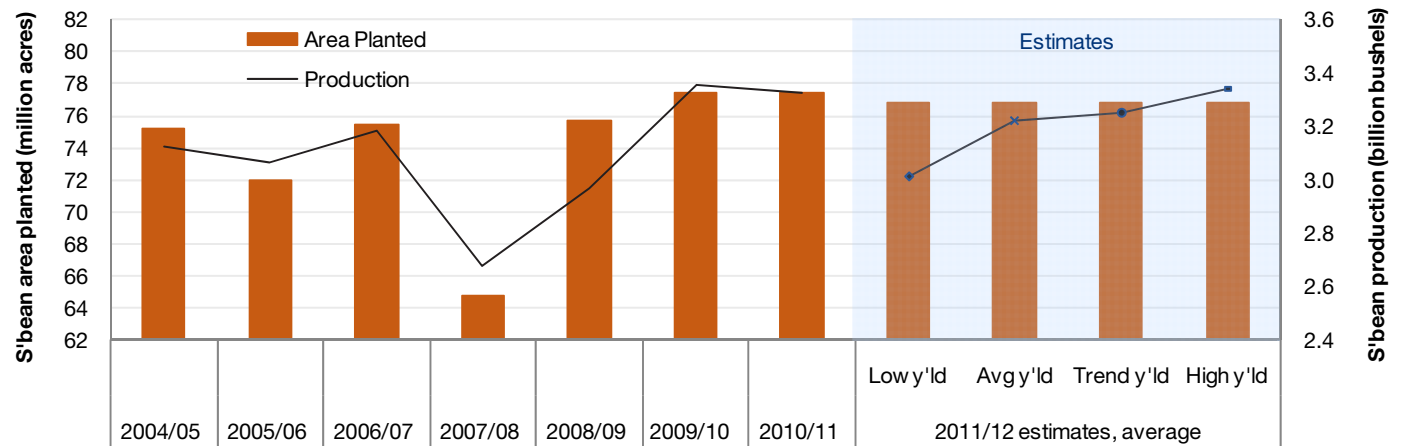




Figure 6: US soybean ending stock estimates

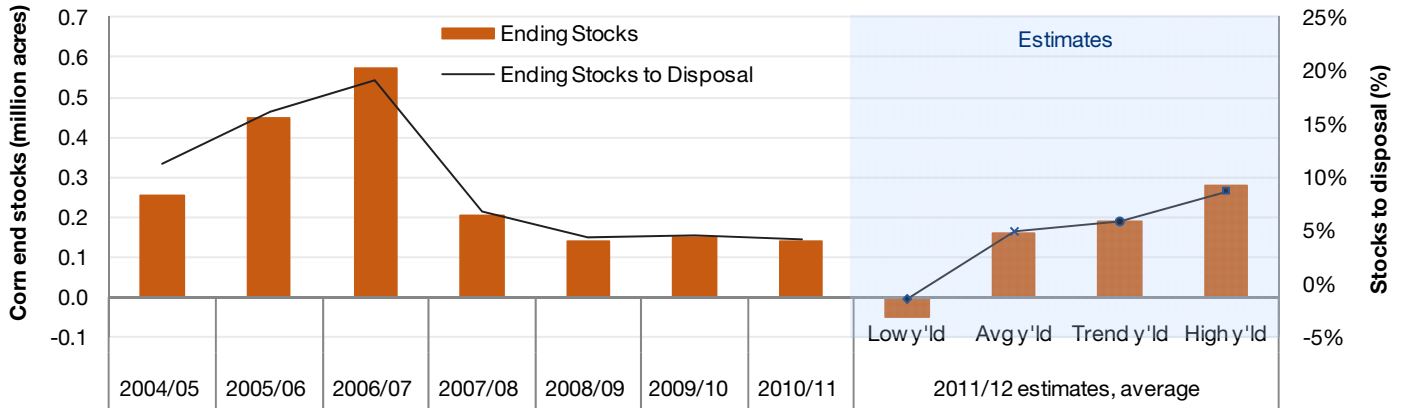


Figure 7: US cotton area and production estimates

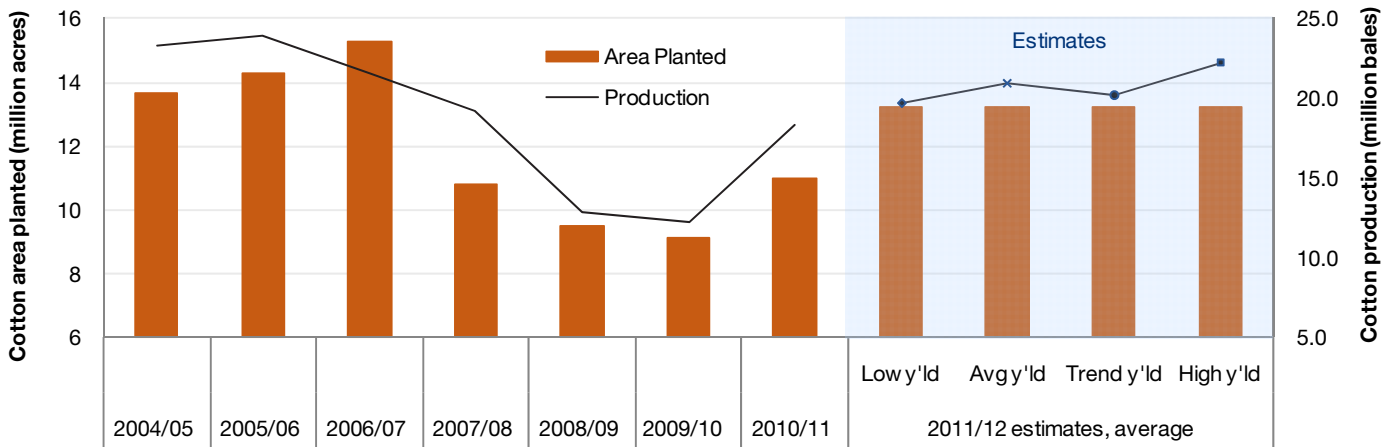
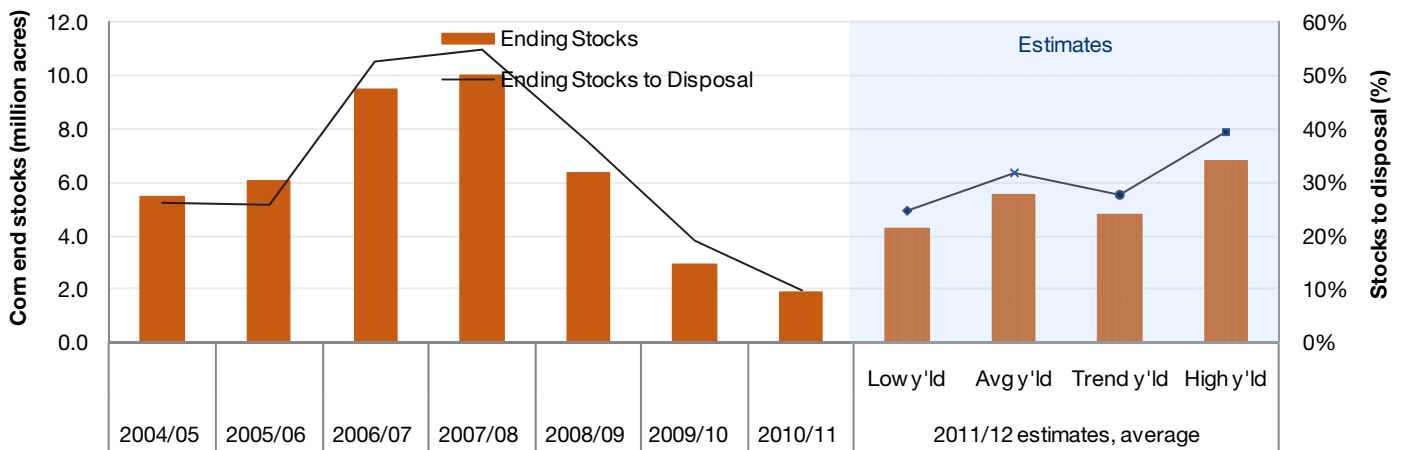


Figure 8: US cotton ending stock estimates





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