

Agriculture Digest

Alert: USDA Quarterly Report a Modest Surprise for the market; Bullish Old-Crop and Bearish New-Crop Corn and Beans...

Earlier today the United States Department of Agriculture (USDA) published its assessment of US grain inventories as of June 1st as well as an update on domestically planted acres for corn, beans, cotton and other crops (see: [Citi Research USDA preview published on Monday 24th June](#)). The report affirmed Citi's previously published views on strengthening row-crop structure and bullish old-crop/new-crop spreading both in advance of the report and subsequent its release. New-crop levels for corn (December, Z3) were trading at US\$515/bu after the report from US\$550/bu at the beginning of the week with the July-Dec (N3 – Z3 spread) gained US\$19/bu during today's session. New-crop soybeans (November, X3) are trading down 1% flirting with US\$1260/bu and Citi continues to see further downside for new-crop beans by about US\$100/bu from current levels targeting US\$1175/bu.

Corn: US acreage came in at 97.3-mn acres and the highest since 1936 versus consensus estimates of 95.5-mn acres and Citi's own estimate of 95.9-mn acres. Despite the delayed start to the sowing season and that USDA field surveys during 1H June occurred at a time when all the maize had yet to be sowed, this number came in as a 'high' surprise. Separately, June 1 stocks of 2.764-bn bu affirmed a tight old-crop environment versus consensus of 2.85-bn bu and Citi's more accurate outlook for 2.80-bn bu that argued for a rally in the July – Dec spread this week and subsequent this report. The run-rates in ethanol production are likely to remain elevated and drive consumption. We noted that Sept – Dec (U3 – Z3) would pop on the report which it has today but that we expect this spread to narrow to flat. As the first notice for the July contract rolls—and--should growing weather hold-up over the next couple weeks we expect the spread to collapse. Ratings and emergence look favorable for maize despite delayed planting concerns during the spring which we had decided to fade noting adequate time for recovery and given the still sizable allocation that was being put forward (see: [Citi Research note](#)).

Soybeans: planted acres came in line with Street consensus of 77.8-mn acres versus Citi's estimate just above 78-mn. The larger allocation from the initial March estimates of 77.2-mn should only add further pressure to the back-end of the curve. Furthermore, June 1 stocks of 0.435-bn bu came in tighter than the Reuters survey and Citi estimates of 0.44-bn bu and has caused cash and spreads to rally. 12/13 carryout for beans should remain tight but the robust pace of Brazil exports should help buttress markets during anticipated Chinese stockpiling in 2H'13 which might come in at a more subdued pace than previously anticipated by broker markets.

Prices: The Citi published price forecasts (from March 2013) for new-crop corn were 4Q'13 average US\$515/bu and 6-12m outlook of US\$500/bu. For soybeans these figures were US\$1175/bu and US\$1150/bu, respectively.

■ Agricultural Growth

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