



**Rabobank**

# Agri Commodity Markets Research

*July WASDE: Give or Take*

## RaboResearch

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## Rabobank's price outlook based on the USDA's July WASDE:

### Corn – Neutral – US carry-out rises on increased acreage and optimistic production forecasts

- US 2020/21 corn carry-out was cut below 1.1bn bu on higher domestic FSI use. US 2021/22 carry-out, however, was raised an above-estimate 75m bu MOM to 1.43bn bu, as higher-than-expected production (+175m bu) offset demand raises in FSI/biodiesel (25m bu) and exports (50m bu).
- Brazil's 2020/21 corn production was cut 6m mt, to 93m mt.

### Wheat – Mildly Bullish- Reduced US spring wheat production leads to lower stocks globally

- The drop in US spring wheat yield results in a significantly lower US all wheat yield: from 50.7 to 45.8 bu/acre.
- On a global scale, the change in the US is by far the most important, resulting in lower global stocks and a tighter balance sheet.

### Soybeans – Neutral – 2021/22 acres, yield and stocks were unchanged, remain uncomfortably low

- The USDA offset lower US 2020/21 soy imports and exports/crush, leaving ending stocks at a wholly uncomfortable 135m bu. 2021/22 saw no changes, leaving modest carry-out growth of 20m bu to 155m bu, slightly above expectations. 2021/22 US Soy Oil stocks were cut 15m lbs to a very low 1.488bn lbs.
- Brazil + Argentina's 2021/22 ending stocks were raised 5m mt MOM, partially reflecting export losses to China (-3m mt MOM). World carry-out is set to rise 3m mt in 2021/22, to 94.5m mt – more than expected.

### Cotton – Neutral – Rising US production offsets export demand and raises carry-out

- US 2021/22 ending stocks rose more than expected as production offset higher export demand.
- The 2021/22 global outlook continues to see ending stocks tightening.

## The USDA

performed an adept and familiar dance around the world's extreme feed grain and oilseed supply risks. In the US, summer acreage grew but still failed to meet expectations, while row crops like corn, soybeans and spring wheat have entered yield determinant phases with conditions far beneath the five-year average that included two bad years. Yield-preserving rainfall in July allowed the USDA to stay its hand this time, but its

small chisel over the past year has nonetheless revealed a slim figure, with 2021/22 corn, soybean and spring wheat stocks dramatically low. ACMR expects yield cuts in next month's WASDE report may undo some of the production gains here. It could be a soft landing in store for G&O supplies, but they certainly face a year or more near or at scarcity, raising price risks for consumers.

Figure 1: July 2021 WASDE – Stocks and production summary

US Production	USDA			Trade Estimates 2021/22		
	20/21	21/22 Jun	21/22 Jul	Avg	Low	High
<b>US Production (M bu)</b>						
Corn	14,182	14,990	15,165	15,107	14,820	15,276
Soybeans	4,135	4,405	4,405	4,392	4,330	4,405
All Wheat	1,826	1,898	1,746	1,843	1,724	1,947
Cotton (M bls)	14.6	17.0	17.8	17.29	16.6	18.5
<b>US Stocks</b>						
<b>US Stocks (M bu)</b>						
Corn	1,082	1,357	1,432	1,361	1,000	1,542
Soybeans	135	155	155	147	102	185
Wheat	844	770	665	724	572	809
Cotton (M bls)	3.2	2.9	3.3	3.04	1.95	4.5
<b>Global Stocks</b>						
<b>Stocks (M mt)</b>						
Corn	279.9	289.4	291.2	286.5	277	295
Soybeans	91.5	92.6	94.5	92.6	91.2	93.5
All Wheat	290.2	296.8	291.7	295.8	292	300
Cotton (M bls)	91.6	89.3	87.7	89.9	88.4	92

Source: USDA, Bloomberg Finance L.P., Rabobank 2021

Figure 2: July 2021 WASDE – Production and export summary

Global	USDA			YOY % Chg	MOM % Chg
	20/21	21/22 Jun	21/22 Jul		
<b>Production (M mt)</b>					
Corn	1,120.7	1,189.9	1,194.8	7%	0%
Brazil	93.0	118.0	118.0	27%	0%
Argentina	48.5	51.0	51.0	5%	0%
Ukraine	30.3	37.5	37.5	24%	0%
Soybeans	363.6	385.5	385.2	6%	0%
Brazil	137.0	144.0	144.0	5%	0%
Argentina	46.5	52.0	52.0	12%	0%
All Wheat	775.8	794.4	792.4	2%	0%
Russia	125.9	86.0	85.0	-33%	-1%
EU	35.2	137.5	138.2	293%	1%
Ukraine	85.4	29.5	30.0	-65%	2%
Canada	33.0	32.0	31.5	-5%	-2%
Australia	17.6	27.0	28.5	62%	6%
<b>US</b>					
<b>US Exports (M bu)</b>					
Corn	2,850	2,450	2,500	-12%	2%
Soybeans	2,270	2,075	2,075	-9%	0%
All Wheat	992	900	875	-12%	-3%
Cotton	16	15	15	-7%	3%

Source: USDA, Bloomberg Finance L.P., Rabobank 2021

## Soybeans

**The USDA's WASDE soybean outlook was largely neutral from a US perspective, with 2020/21 and 2021/22 US soy ending stocks unchanged at 135m bu and 155m bu. Stronger competition from replenished Southern hemisphere crops, and expectations for lower Chinese import demand (-3m mt MOM, perhaps due to lower meal inclusion in feed), underpin an important change to last year's record US export activity.** Lower US participation in the soybean and soymeal export markets over the coming year will be key to easing demand pressure on the US and expanding ending stockpiles marginally from their precipitous levels, equivalent to 1-2 weeks of supplies. Supply concerns remain elevated, and with extremely poor crop conditions in the Dakotas (15% of national soy acreage), yields could begin to decline in the coming months. Meanwhile, soy oil ending stocks will continue to see support from lower crush and strong demand from feed, food, and biodiesel factions.

## Corn

**The July WASDE came in way too optimistic (bearish) for corn, in our view, with the USDA leaving US 2021/22 corn yield unchanged despite poor crop conditions below the five-year average and raising ending stocks 75m bu to 1.43bn bu.** The WASDE did raise US feed, exports and ethanol demand, but far too modestly given the current strong pace seen. The USDA continues to underestimate the paucity of supplies out of second-largest exporter Brazil (93m mt production and 28m mt exports, vs Rabobank's 88-89m mt and approx. 20m mt exports). The most striking note in this report was the USDA's yield punt to August with the admission that in "June, harvested-area weighted precipitation for the major corn-producing states

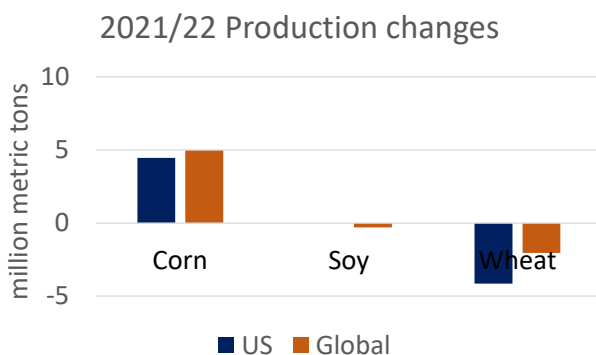
was below normal but did not represent an *extreme* deviation from normal conditions" which would be an acceptable conclusion, if USDA weren't positing record yields! Expectations for a US stocks rebound in 2021/22 remain premature given the impact of coming yield pull-backs on production, and because these rely on Brazil – both this year and next – easing pressure on US exports. The US has seen a break in the heatwave in time for pollination, but drought still persists. At best, the market sees a bottom to yield downside, but the upside is not increasing. Next year we expect to see prices well-supported by low supplies and consumer convergence.

## Wheat

**US HR Spring wheat massively reduced from 530m bu last year to 305m bu in 2021/22.** A drop was expected given the very adverse crop conditions, but the total number is slightly below market expectations. This brings down the all wheat yield from 50.7 to 45.8 bu/acre and production is lowered from 1.90bn bu to 1.75bn bu. US ending stocks are thus calculated at 0.67bn bu, which is below average trade expectations at 0.73bnbu.

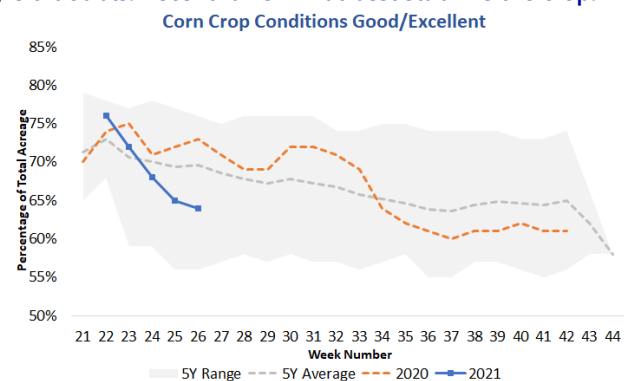
Globally, there are not huge changes, with ending 20/21 stocks lowered by 3.3m metric tons and 21/22 by 5.1m metric tons.

2021/22 crop changes vs previous WASDE show a drop in wheat but a dubious increase in corn



Source: USDA, Rabobank 2021

US corn ratings are far below the five-year average, raising yield doubts. Recent rains will at best stabilize the crop.



Source: USDA, Rabobank 2021

# Imprint

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