

Final Analysis of USDA's September 12, 2013 Crop Report

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Take Home Points

8 of 11 years since 1989 with Aug to Sept gains in corn yield went on to post additional gains from Sept to Final (today's corn yield advanced 0.9 BPA vs. Aug).

5 of 9 years since 1992 with Aug to Sept declines in soy yield went on to post additional declines from Sept to Final (today's soy yield declined 1.4 BPA vs. Aug)

USDA today ups HRS and Durum carryover stocks while pruning SRW stocks another 5 mil bu. Advise waiting until after 9/30/13 USDA Small Grains Annual before entertaining typically strong seasonal tendency for MLS to gain on KC and CGO wheat from mid Sept into late year.

Trade grappling with USDA's 2nd lowest in a decade pod count but 2nd highest soy pod weight. This item will be flushed out thoroughly at USDA's annual Data Users Meeting in Chicago on Monday Oct 21. In the meantime—suspect most private sector analysts will be trimming their 2013 US soy yield below NASS's 41.2 BPA forecast (we cut our bean yield 0.7 BPA vs. USDA Sept forecast of 41.2 BPA)

As noted in prior reports, USDA in recent years tends to overstate corn demand on the Sept report and understate bean demand.

Attached graphics detailing 9/13 US CN/BN yields relative to prior years suggests that the 2013 US soy yield may be high relative to other sub-optimal growing seasons although today's bean yield as percent of corn yield at 26.5% is already low vs. most years but still above the 24.5-25.5% BN/CN yield ratios area than characterized '03 (a low bean yield year) and '04 (a record corn yielding year).

Goldman in wake of today's report ups 3 month CBOT soy futures forecast \$2.00 to \$12.50.

Delta Farm Press today reports Midsouth soybean yields are holding up well in full-season plantings. However, southern states need rain to bring along double crop beans. Corn yields in the Midsouth are mostly strong.

Bottom line—soybean longs in drivers seat short term but bears will be out in force once post Sept crop report strength stalls out. Grains set up wide trading range until 2013 US corn yield clarified. Eroding row crop basis and pipeline replenishment will be negative undertows. Advise bull spreading deferred soybean spreads. Job of market is to pull more acres from corn into beans.

Yield Updates:

- S IN--130 acres picked so far. 23-26% Dry average is 235-240bpa. Best ground farmer has, earliest planted. Very happy, thought he had 200 bushel corn. Got rains two weeks ago or so. Thinks double crop beans have really turned around- should be decent.
- NW OH—Findley Early corn variety, planted early went 240, well above expectations.

Corn

	2011/12		2012/13			2013/14	
	USDA	USDA	USDA	RJO	USDA	USDA	RJO
	12-Sep	12-Aug	12-Sep	12-Sep	12-Aug	12-Sep	12-Sep
Planted area	91.9	97.2	97.2	97.2	97.4	97.4	96.4
% Harv	0.914	87.40	87.40	87.40	0.92	0.92	0.92
Harv area	84.00	87.7	87.7	87.7	89.14	89.14	88.2
BPA	147.2	122.3	123.4	123.4	154.4	155.3	153.3
Production	12,358	10,780	10,780	10,780	13,763	13,843	13,521
Carryin	1,128	989	989	989	719	661	671
Production	12,358	10,780	10,780	10,780	13,763	13,843	13,521
Imports	28	165	162	162	30	26	25
Supply	13,514	11,934	11,931	11,931	14,512	14,530	14,217
Feed/Residual	4,562	4,450	4,475	4,460	5,100	5,100	5,100
Food/Seed/Ind	1421	1400	1395	1400	1450	1450	1430
Ethanol	5000	4650	4665	4665	4900	4900	4900
Exports	1543	715	735	735	1225	1225	1175
Total Use	12,526	11,215	11,270	11,260	12,675	12,675	12,605
Ending Stks	988	719	661	671	1,837	1,855	1,612
Stks/Use	7.89%	6.41%	5.87%	5.96%	14.49%	14.64%	12.79%

Comments: We have trimmed 1 mil off corn harvested area, 2 BPA off the corn yield and 70 mil bu off of 13/14 demand which shrinks 9/14 US corn stocks to 1.612 bil bu—242 mil below USDA. FSA will issue updated prevent plant data next Tuesday which is unlikely to be as inflammatory as their August report. Corn lows likely in if our assumptions are realized. At the very least, the corn market will require more evidence of much better than expected Midwest yields before breaking significantly lower.

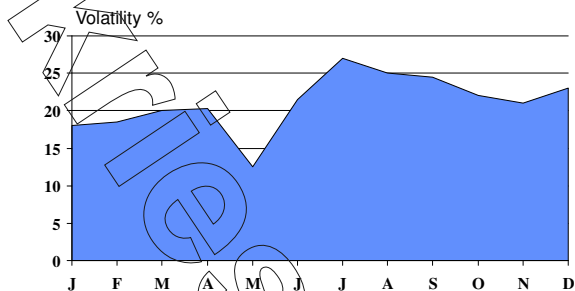
	2011/12		2012/13		2013/14		
Beans	USDA 12- Sep	USDA 12-Aug	USDA 12-Sep	RJO 12- Sep	USDA 12- Aug	USDA 12- Sep	RJO Sept 12
Planted area	75	77.20	77.20	77.20	77.20	77.20	76.60
% Harv	0.984	0.986	0.986	0.986	0.989	0.989	0.989
Harv area	73.80	76.1	76.1	76.1	76.4	76.4	75.75
BPA	41.9	36.6	36.6	36.6	42.6	41.2	40.5
Production	3,094	3,015	3,015	3,015	3,255	3,149	3,068
Carryin	215	169	169	169	125	125	125
Production	3094	3,015	3,015	3,015	3,255	3,149	3,068
Imports	16	35	35	35	16	16	15
Supply	3,325	3,219	3,219	3,219	3,396	3,290	3,208
Crush	1,703	1,685	1,680	1,685	1,675	1,655	1,635
Domestic	93	94	94	94	116	115	116
Exports	1,360	1315	1320	1315	1385	1370	1320
Total Use	3156	3094	3094	3094	3176	3140	3071
Ending Stks	169	125	125	125	220	150	137
Stks/Use ratio	0.05	0.04	0.04	0.04	0.07	0.05	0.04

Comments: We have trimmed 0.650 mil acres off of harvested area, 0.7 BPA off of yield and 69 mil bu off of demand which triggers another tight 9/14 US soy carryover of only 137 mil bu. Trade will be prone to lean lower on upcoming Oct and Nov soy yield adjustments given unfavorably dry finish to 2013 US Midwest growing season and the large number of late planted soy acres. We would not rule out new SX highs if our forecasts are realized. At the very least, deferred soy futures will gain on deferred corn in addition to likely narrowing of deferred soybean spreads.

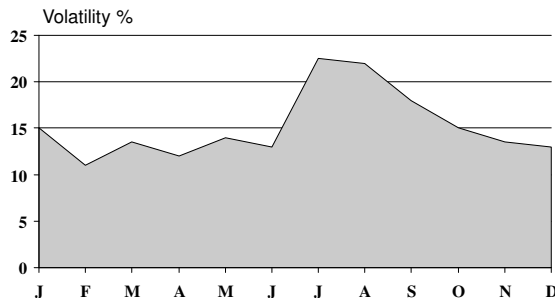
Wheat							
	2011/12	2012/13			2013/14		
	USDA Sep[t 12	USDA 12- Aug	USDA 12- Sep	RJO 12- Sep	USDA 12- Aug	USDA 12- Sep	RJO 12-Sep
Plt area	54.4	55.7	55.7	55.7	56.53	56.53	56
% Harv	0.84	0.88	0.88	0.88	80.9	80.9	80.9
Harv area	45.7	49	49	49	45.73	45.73	45.3
BPA	43.7	46.3	46.3	46.3	46.2	46.2	46.75
Production	1999	2269	2269	2269	2114	2114	2118
Stocks	862	743	743	743	718	718	718
Production	1999	2269	2269	2269	2114	2114	2118
Imports	113	122	122	122	130	140	130
Supply	2974	3134	3134	3134	2962	2972	2966
Food	941	945	945	945	958	958	953
Seed	76	73	73	73	73	73	75
Feed	164	389	391	391	280	280	295
Exports	1050	1009	1007	1007	1100	1100	1050
Total Use	2,231	2,416	2,416	2,416	2,411	2,411	2,373
Ending Stks	743	718	718	718	551	561	593
S/U ratio	33.3%	29.7%	29.7%	29.7%	22.9%	23.3%	25.0%

Comment: Our lower harvested all wheat area is offset by 0.55 BPA bump in the 2013 US wheat yield amid stellar US HRS yields. We are not as optimistic as USDA on wheat exports given large supplies of lower priced wheat available from competing exporters. A 593 US wheat carryover, if realized, would be 6 year low and thus supportive at current price levels. Nonetheless, suspect further gains in global wheat production are forthcoming on subsequent crop reports thus WZ rallies beyond \$6.80 unlikely

Soybean Option Volatility

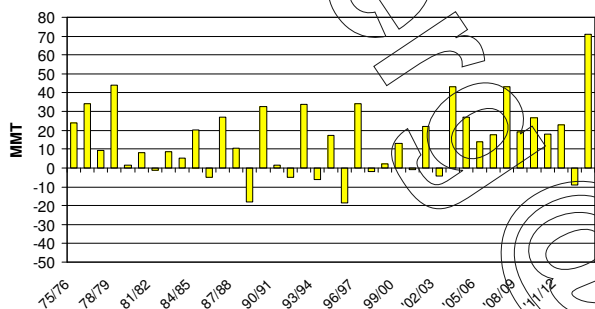


Corn Option Volatility



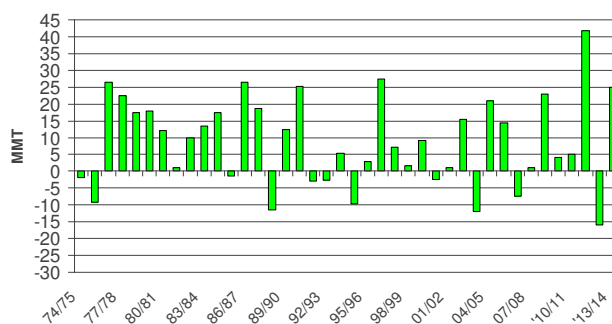
Annual Change in World Coarse Grain Usage

Down 9 mmt for 12/13 and up 71 mmt for 13/14

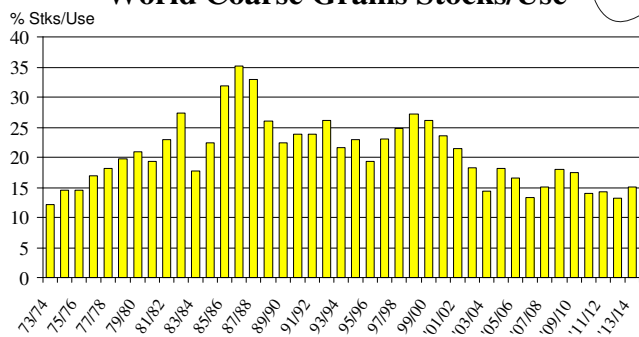


Annual Change in World Wheat Usage

Assumes drop of 16 mmt for 12/13 and 25 mmt gain for 13/14

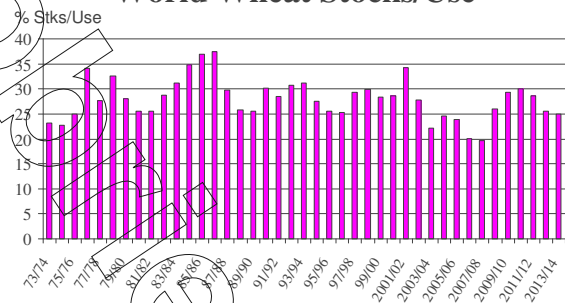


World Coarse Grains Stocks/Use



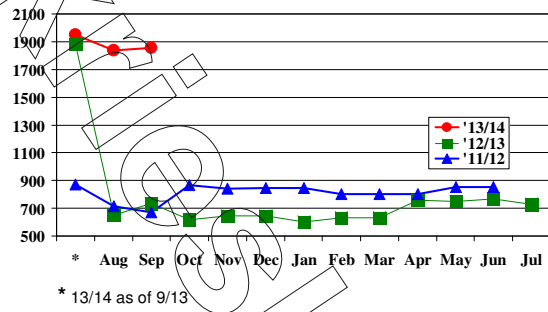
2011/12 assumes 1151 production, 1151 use, 165 stocks
 2012/13 assumes 1128 production, 1142 use, 151 stocks
 2013/14 assumes 1245.5 production, 1213 use, 183.4 stocks

World Wheat Stocks/Use

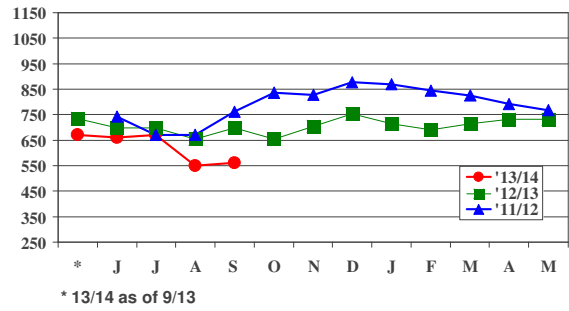


2011/12 assumes 697 production, 697 use, 199 stocks
 2012/13 assumes 655 production, 681 use, 174 stocks
 2013/14 assumes 709 production, 706.5 use, 176.3 stocks

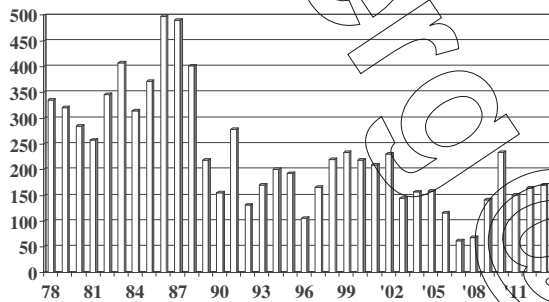
USDA Forecasts of 9/1 US Corn Stocks



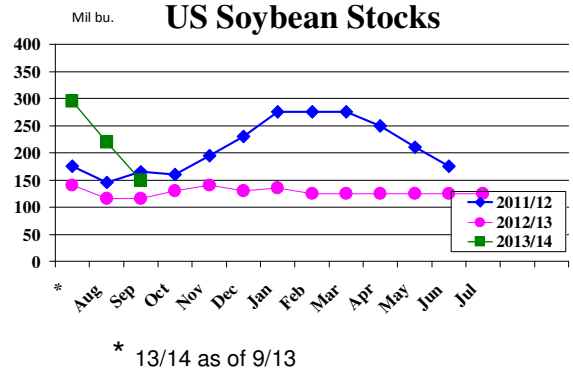
USDA Forecasts of 6/1 US Wheat Stocks



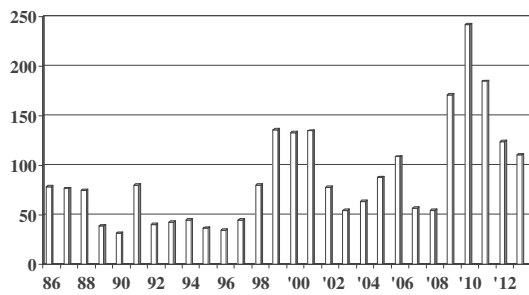
HRS Ending Stocks



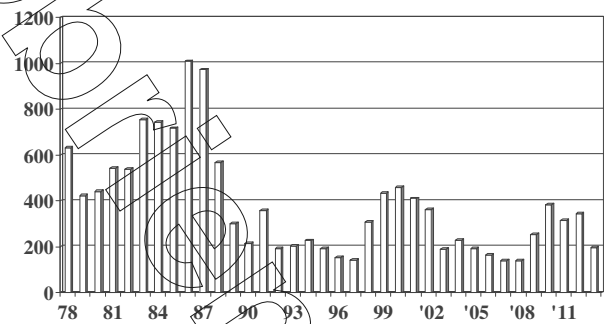
USDA Forecasts of 9/1 US Soybean Stocks



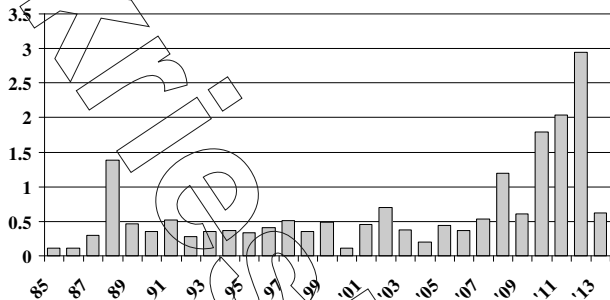
SRW Ending Stocks



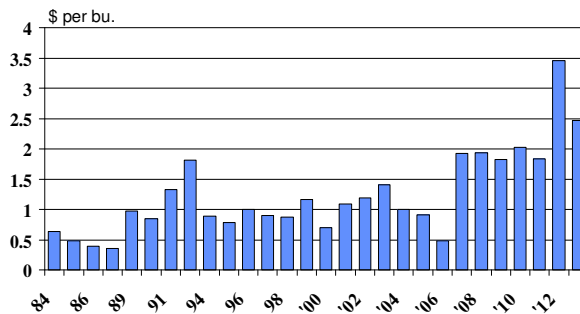
HRW Ending Stocks



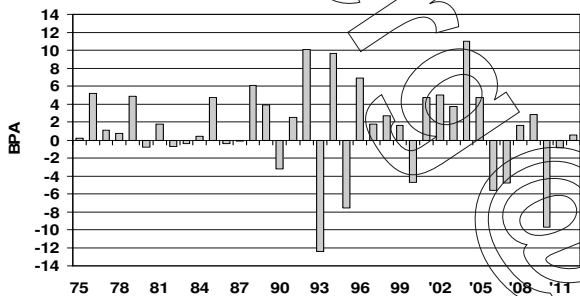
Summer Rallies in CZ



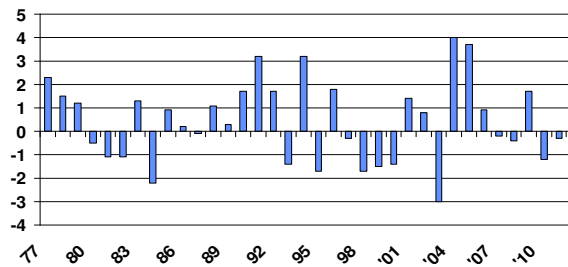
Summer Rallies in SX



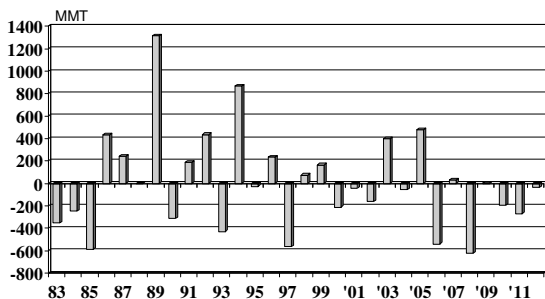
U.S. CORN YIELD Final vs. September



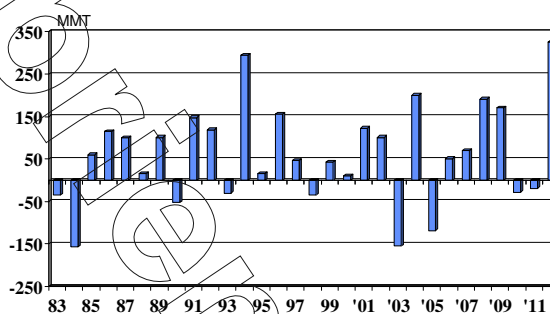
US Soybean Yield Final vs. Sept



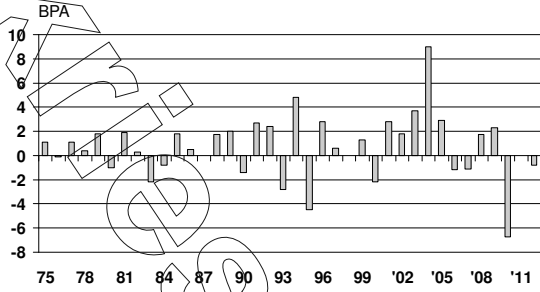
Final US Corn Demand vs. The Prior Year Sept Forecast



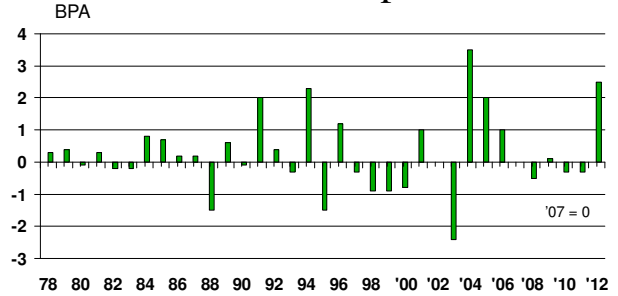
Final US Bean Demand vs. The Prior Year Sep Forecast



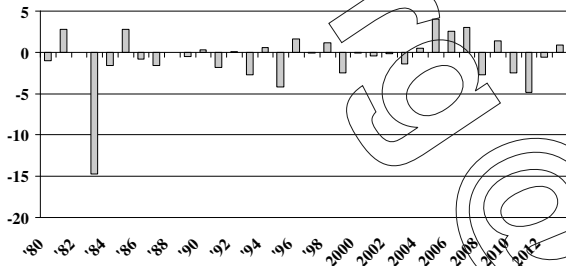
USDA Corn Yield
Oct vs. Sept



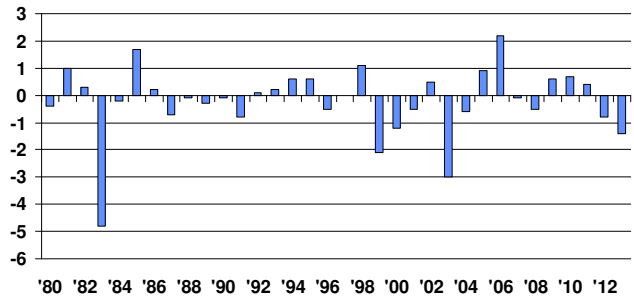
USDA Soybean Yield
Oct vs. Sept



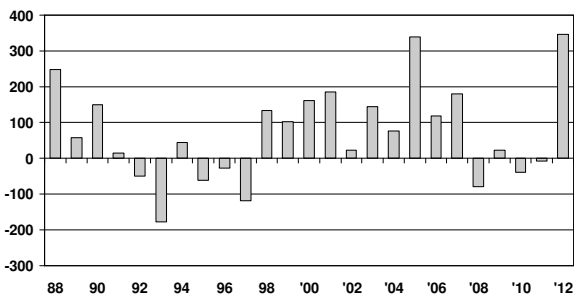
US Corn Yield
Sept vs. Aug



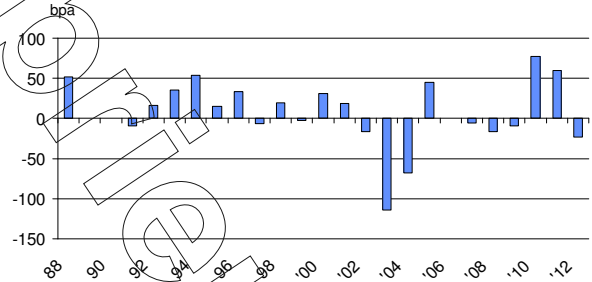
US Bean Yield
Sept vs. Aug



USDA September Corn Production
vs. Average Trade Guess



USDA September Soybean Production
vs. Average Trade Guess

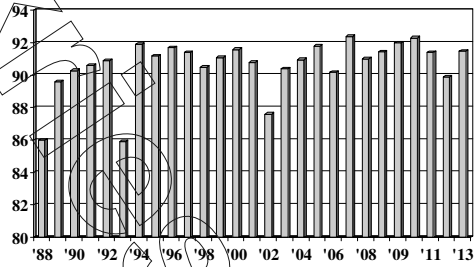


9/13 NASS corn 223 mb over trade

9/13 HASS soy 9 mb over trade

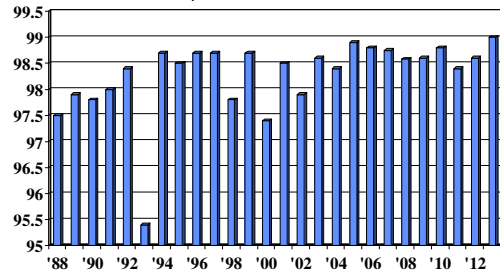
US Corn Acres Pct for Harvest

'13 = USDA Sept Est.



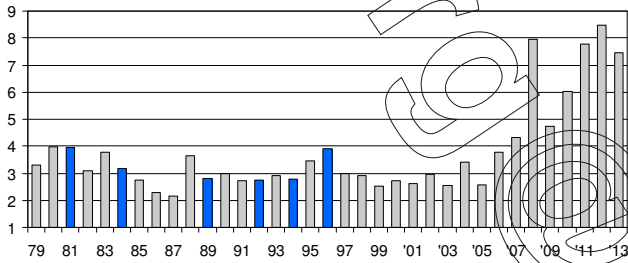
US Soybean Acres Pct for Harvest

'13 = USDA Sept Est



JAN-DEC CZ HIGHS

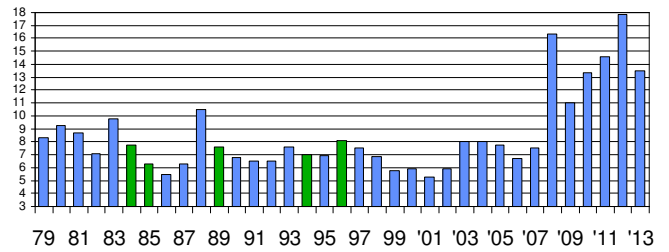
\$ per bu.



JAN-NOV SX HIGHS

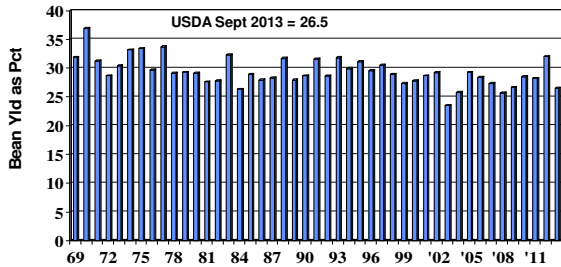
\$ per bu.

■ Column 2

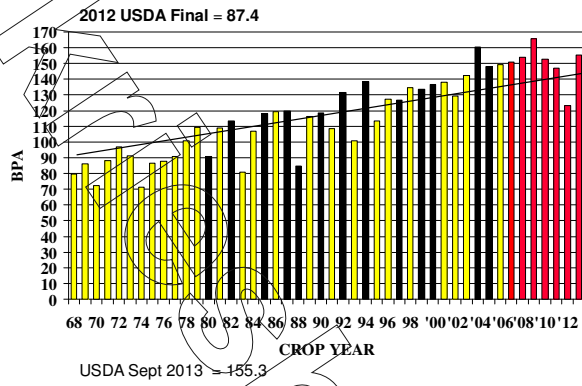


US Bean Yield as a Percent of Corn Yield

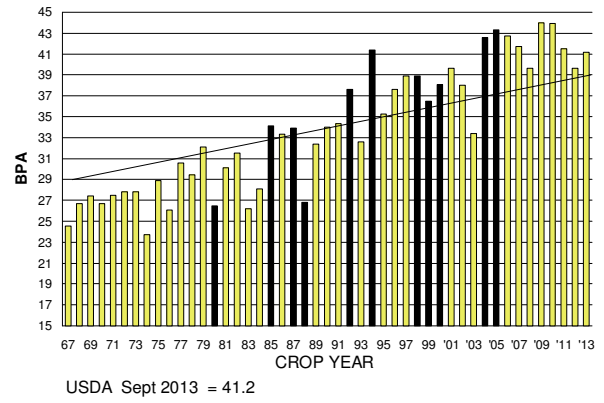
USDA Sept 2013 = 26.5



U.S. CORN YIELD



U.S. SOYBEAN YIELD



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Comment:

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