

USDA NASS Quarterly Grain Stocks Report on June 30th

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July 1, 2010

June 1st Quarterly Grain Stocks Report Summary Released on June 30th

The results of the U.S. Quarterly Grain Stocks report by themselves are supportive of both feedgrain and oilseed prices, but are negative for wheat market prospects.

On Wednesday, June 30th the USDA National Agricultural Statistical Service released its report of quarterly grain stocks in the United States as of June 1st, 2010. This report indicated markedly lower corn and soybeans stocks on June 1st and greater usage of these same crops during the March – May 2010 period than had been anticipated by grain market analysts prior to the report. As a result, it is likely that MY 2009-10 usage estimates will rise for U.S. corn and soybeans in the July 9, 2010 USDA WASDE report, with requisite decreases in ending stocks and ending stocks-to-use. This report also indicated that even larger June 1st stocks of wheat existed in the U.S. than had been anticipated – likely signaling some combination of declines in usage and/or increases in ending stocks for MY 2009-10 may occur in the upcoming July WASDE projections.

Prospects for U.S. corn prices in the later part of MY 2009-10 and entering MY 2010-11 have improved as a result of tighter than expected June 1st stocks and lower than anticipated 2010 U.S. corn acreage figures as reported in the June 30th USDA Acreage report.

Prospects for soybean markets in MY 2010-11 are still mixed, as the positive effect of lower than expected June 1st soybean stocks in the U.S. are weighed against larger than expected 2010 planted acres of soybeans.

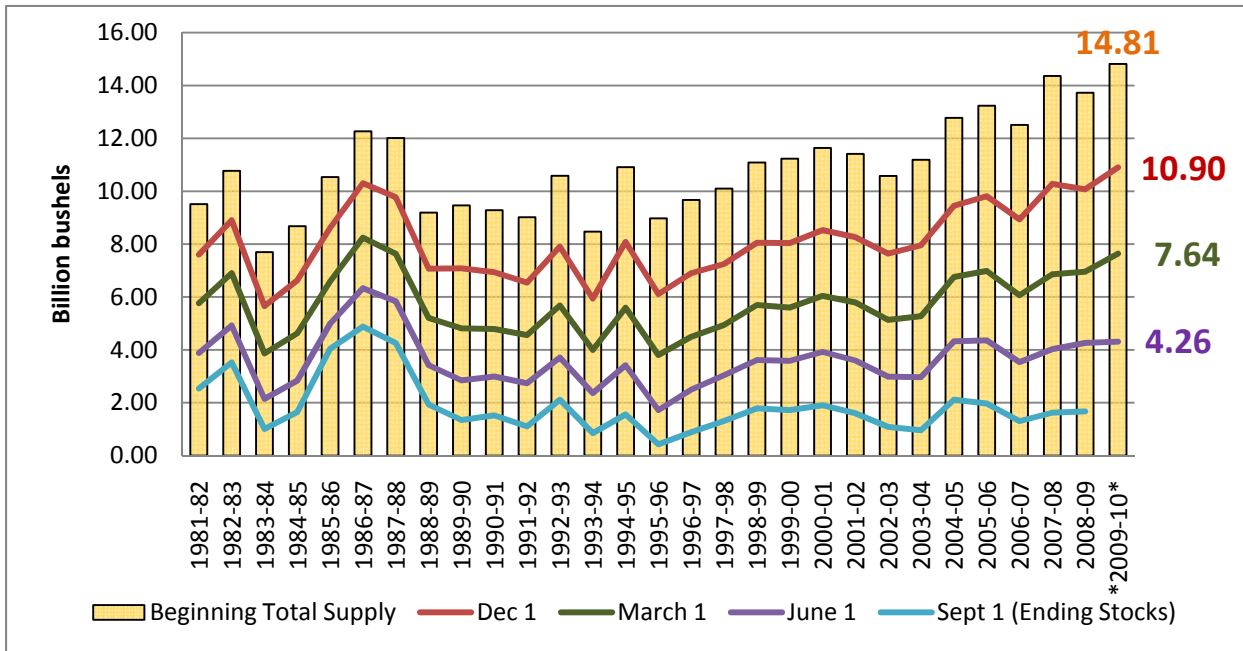
Wheat market prospects continue to be limited, as sizable increases have occurred in June 1st 2010 U.S. wheat stocks over the previous year. To the degree that reports of declining foreign wheat supplies translate into decreased competition for U.S. wheat exports, the downward pressure on U.S. wheat prices resulting from the June 1st Grain Stocks and Acreage reports may be somewhat moderated.

Corn Stocks on June 1, 2010

Corn stocks in all positions on June 1, 2010 totaled 4.31 billion bushels (bb), up 1.1% from a year ago, and the largest amount of June 1st corn stocks since 2006 (Figure 1). The 4.31 bb June 1st corn stocks figure was 288 mb or 6.3% lower than average pre-report expectations of private analysts which ranged from 4.459 to 4.784 bb. This estimate was smaller than the lower end of the range of pre-report estimates. Of this total, 2.131 bb were stored on farms, with 2.179 bb stored off farms. Figure 1 shows generally increasing trends for U.S. total supplies and quarterly corn stocks on December 1st and March 1st since the mid-1990s, but a slower rate of increase or “leveling off” of June 1st corn stocks since MY 2004-05.

Figure 1. U.S. Corn Total Supply & Quarterly Use Since the 1981-82 Marketing Year

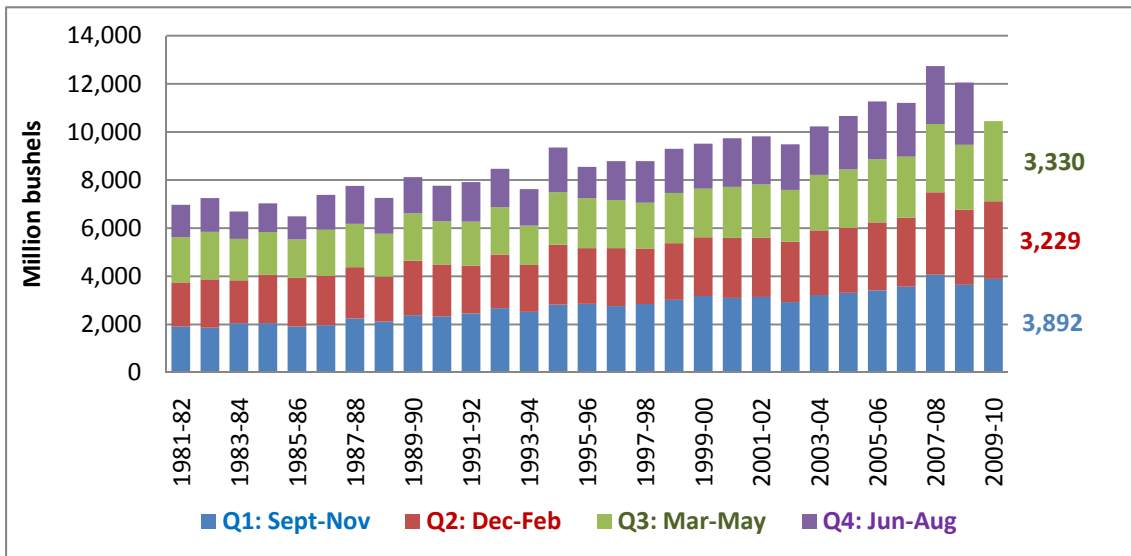
(Source: USDA National Agricultural Statistical Service)



A total of 3.330 bb of U.S. corn was used during the March – May 2010 period compared to 3.229 bb during the Dec 2009 – February 2010 quarter (Figure 2). This projected use is up 632 million bushels (mb) from the March – May 2009 quarter, and up 254 mb or 8.3% more than had been expected on average by the grain trade. The increase in May-March corn use relative to pre-report expectations could possibly be attributed to low test weights of corn resulting from late maturity and poor harvest conditions during fall 2009, to stronger than anticipated livestock feeding (at lower prices for corn), or other factors.

Figure 2. U.S. Corn Use by Quarter Since the 1981-82 Marketing Year

(Source: USDA National Agricultural Statistical Service)

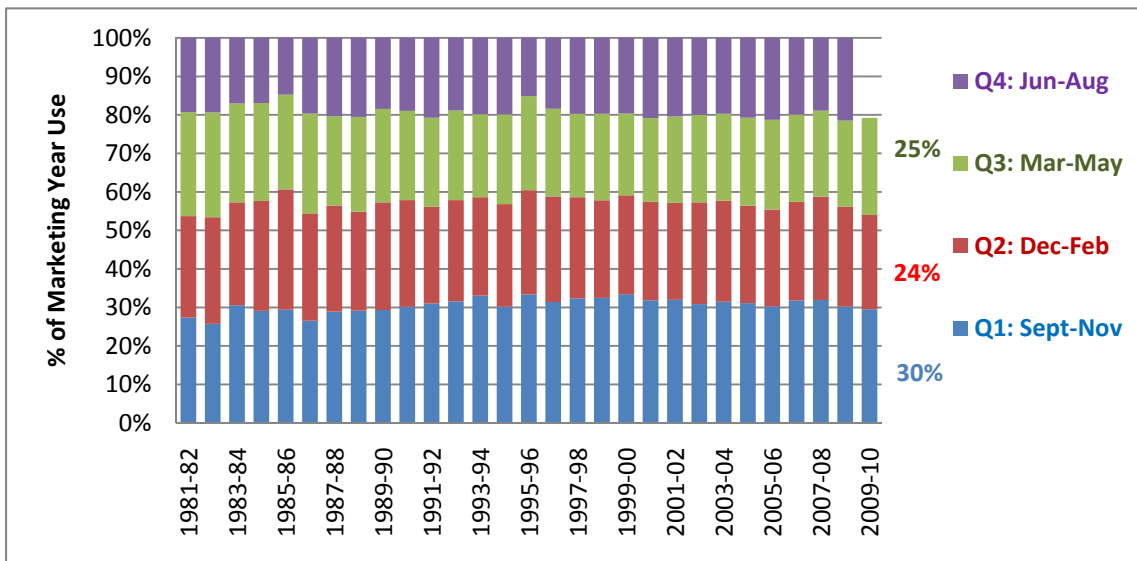


The 3.330 bb in corn usage during March-May 2010 represents 25.2% of projected total corn usage during MY 2009-10, up by 2.8% from the average use of U.S. corn for March-May for the previous 10 years (Figure 3).

December-February 2010 usage of 24.5% is lower than the 25.8% average of total usage figure for the Dec-Feb quarter over the last 10 marketing years.

These findings indicate much stronger use of U.S. corn during the March-May 2010 period than had been expected coming into the June 30th USDA NASS Grain Stocks Report. They also may signal that projections of total U.S. corn usage may increase and that ending stocks projections may decrease for MY 2009-10 in the July 2010 USDA WASDE report.

Figure 3. % U.S. Corn Use by Quarter Since the 1981-82 Marketing Year
(Source: USDA National Agricultural Statistical Service)

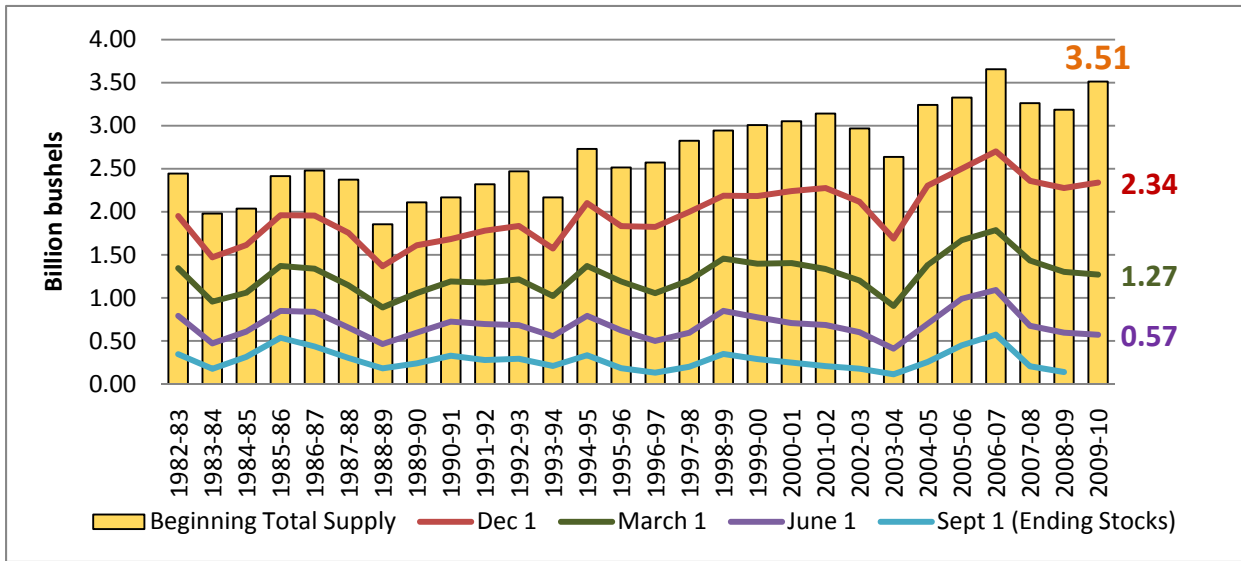


Soybean Stocks on June 1, 2010

Soybean stocks in all positions on June 1, 2010 totaled 571 mb, down 25 mb or 4.2% from a year ago, which is the smallest amount of June 1st soybean stocks since 2004 (Figure 4). The 571 mb June 1st soybean stocks figure was 23 million bushels or 3.9% less than average pre-report expectations of private analysts, and lower than the bottom end of the pre-report estimate range of 580 to 620 mb. Of this total, 233 mb were stored on farms, with 384 mb stored off farms. Figure 4 shows generally increasing total supplies of U.S. soybeans since the late 1980s, but decreasing quarterly June 1st stocks since 2007.

Figure 4. U.S. Soybean Total Supply & Quarterly Use Since the 1982-83 Marketing Year

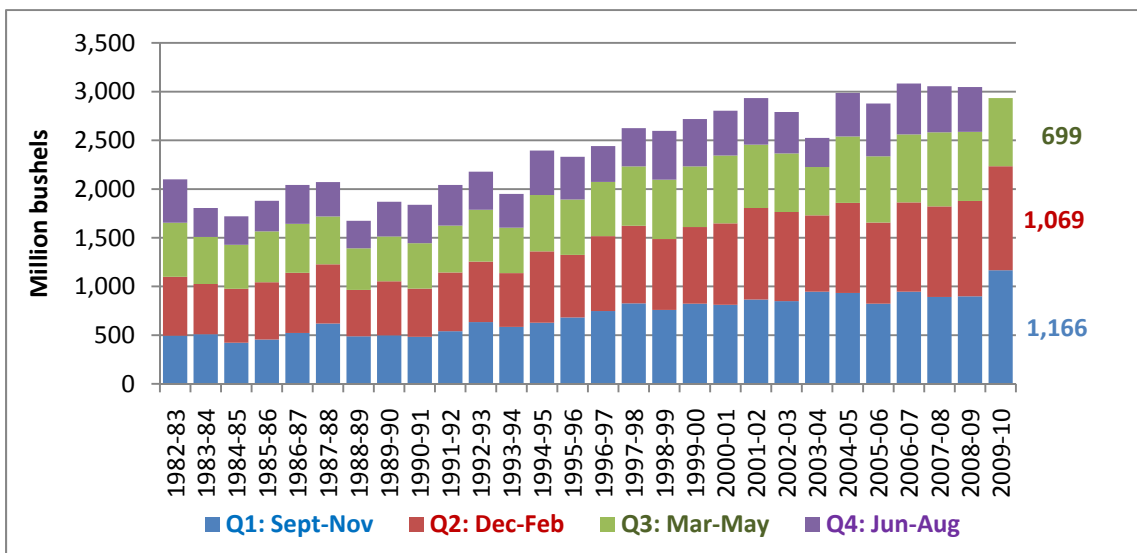
(Source: USDA National Agricultural Statistical Service)



A total of 699 mb of U.S. soybeans were used during the March – May 2010 period compared to 709 mb during the same period in 2009 (Figure 5). United States soybean usage during the March – May quarter was 23 mb or 3.4% more than had been expected on average by the grain trade.

Figure 5. U.S. Soybean Use by Quarter Since the 1982-83 Marketing Year

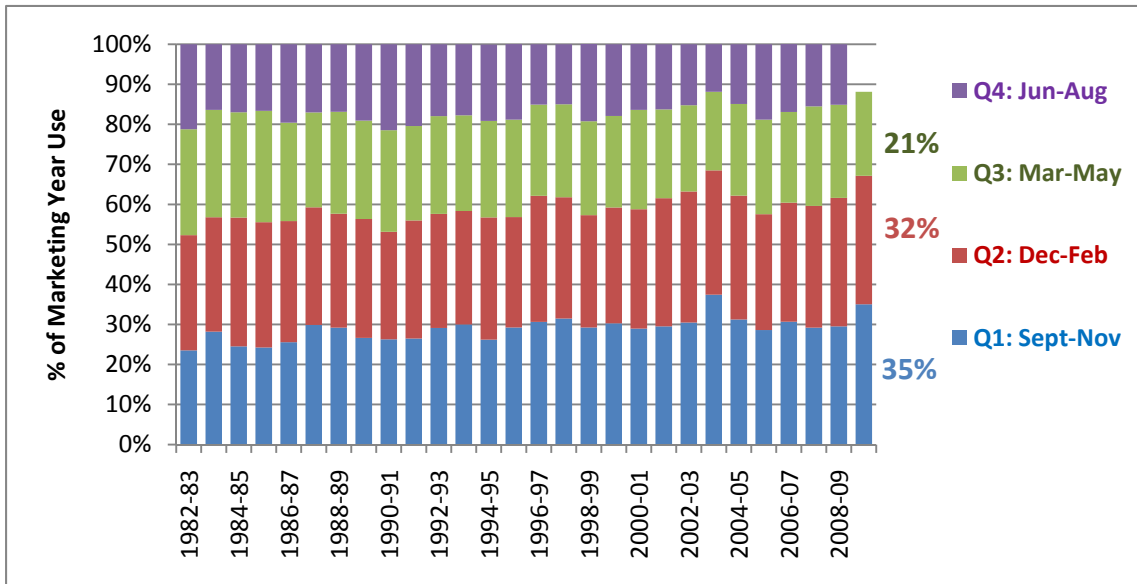
(Source: USDA National Agricultural Statistical Service)



The 699 mb estimate of soybean usage during March – May 2010 represents 21% of projected total soybean usage during MY 2009-10, 1.8% less than average March – May soybean usage as a percent of total use for the marketing year for the previous 10 years (Figure 6). Coupled with strong U.S. soybean usage during the September – November 2009 and December – February 2010 quarters, these findings indicate that projected total usage of U.S. soybeans in MY 2009-10 are likely to increase, with associated decreases in ending stocks occurring in the July 2010 USDA WASDE report.

Figure 6. % U.S. Soybean Use by Quarter Since the 1982-83 Marketing Year

(Source: USDA National Agricultural Statistical Service)

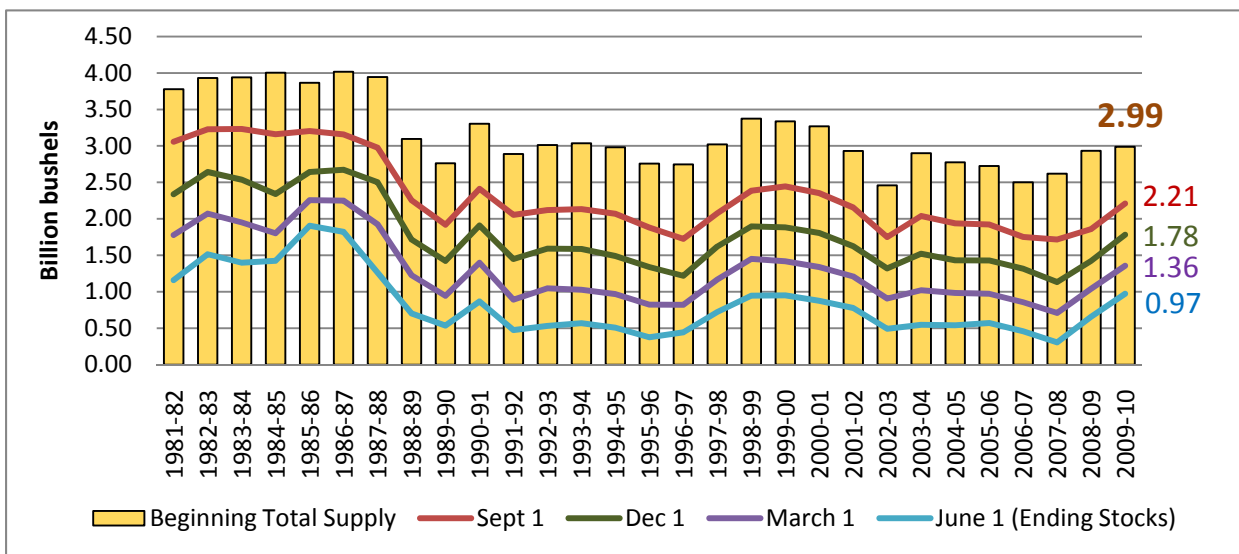


Wheat Stocks on June 1, 2010

Wheat stocks in the United States in all positions on June 1, 2010 totaled 973 mb, up 317 mb or 48.3% from a year ago, and the largest amount of June 1st wheat stocks since year 2000 (Figure 7). The 973 mb June 1st wheat stocks figure was 33 million bushels or 3.5% more than average pre-report expectations of private analysts, and above the high end of the range of prereport estimates (i.e., 929 to 950 mb). Of this total, 210 mb were stored on farms, with 763 mb stored off farms. Figure 7 shows increasing total supplies and quarterly June 1st, September 1st, December 1st and March 1st stocks of U.S. wheat since the 2007/08 marketing year.

Figure 7. U.S. Wheat Total Supply & Quarterly Use Since the 1981-82 Marketing Year

(Source: USDA National Agricultural Statistical Service)

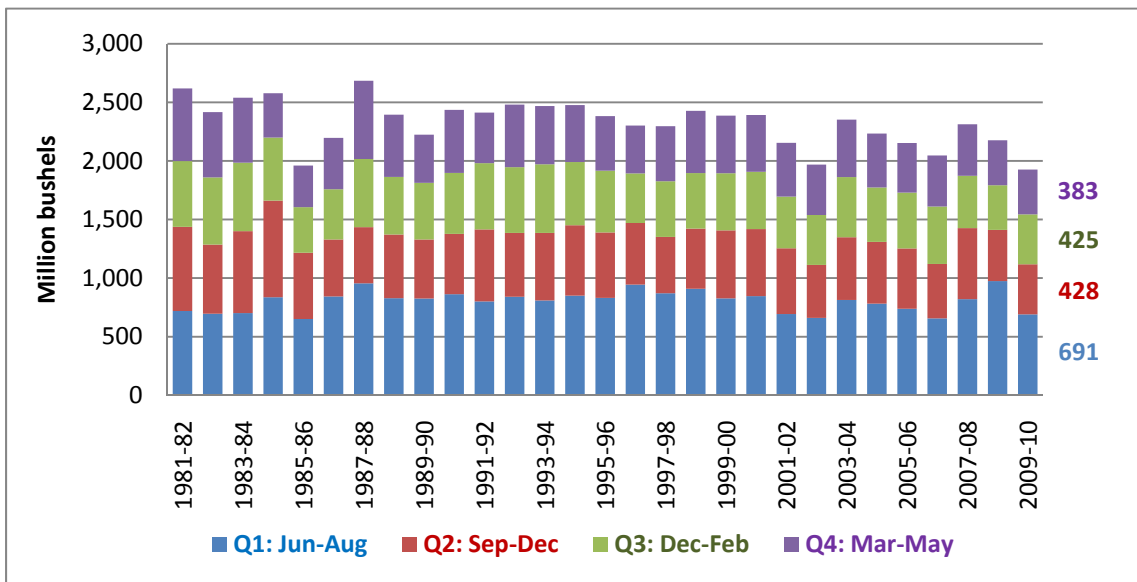


A total of 383 mb of U.S. wheat was used during the March - May 2010 period compared to 381 mb during March - May 2009, and the average over years 2000-2009 of 462 mb for the March - May quarter (Figure 8).

This estimate of March – May 2009 wheat usage was down 29 mb or 7.0% from pre-report average expectations of the grain trade. These results signal continued weakness in usage of U.S. wheat, and may lead to reduced projections of total use of U.S. wheat in MY 2009-10. Increased MY 2009-10 ending stocks of wheat in the U.S. will equate to larger beginning stocks for MY 2010-11, dampening U.S. wheat price prospects for the coming year. If slow rates of exports and domestic use continue for U.S. wheat, then ending stocks-to-use estimates for MY 2009-10 will likely rise to greater than 50% or more, signalling limited prospects for increases in wheat market prices in the immediate future. In this market environment, it is likely that lower cash wheat prices and diminished expectations for wheat prices in the coming year will lead to reduced wheat seedings in fall 2010 and spring 2011, eventually resulting in production cutbacks, tighter supplies and improved price prospects in 1-3 years.

Figure 8. U.S. Wheat Use by Quarter Since the 1981-82 Marketing Year

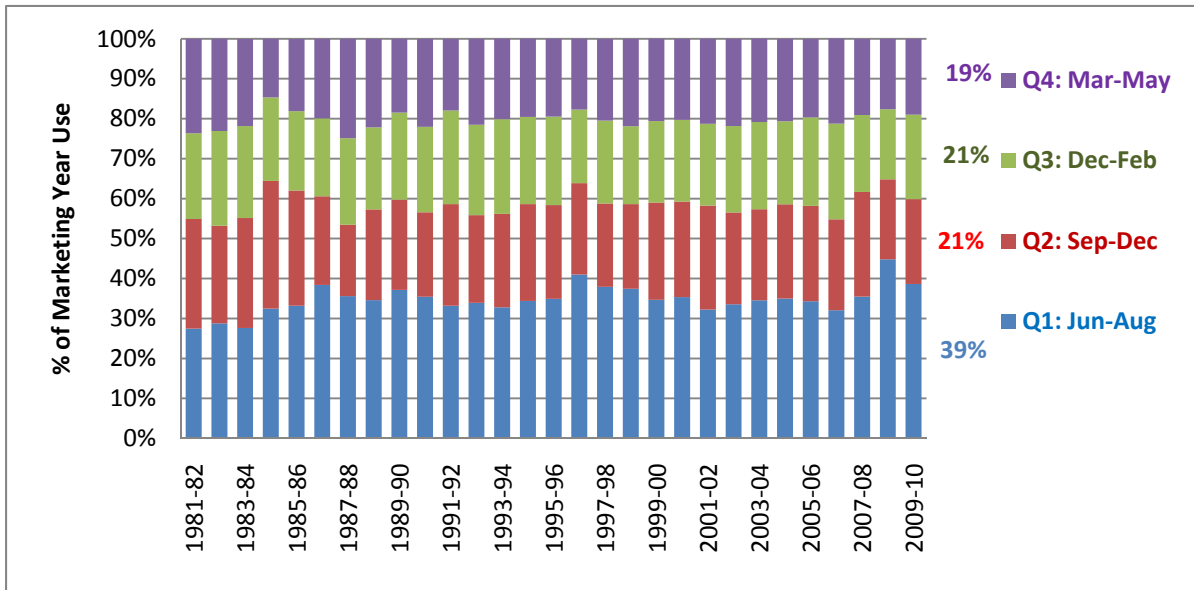
(Source: USDA National Agricultural Statistical Service)



The 383 mb in wheat usage during March - May 2010 represents 19.0% of projected total wheat usage during MY 2009-10, 1.8% less than the average March – May quarter usage for the previous 10 years (Figure 9). These findings indicate continued general weakness in total usage of U.S. wheat, and limited demand-based support for wheat prices in the near term.

Figure 9. % U.S. Wheat Use by Quarter Since the 1981-82 Marketing Year

(Source: USDA National Agricultural Statistical Service)



Grain Sorghum Stocks on June 1, 2010

Grain Sorghum stocks in all positions on June 1, 2010 totaled 87.854 mb, down 14.36 mb or 14.0% from a year ago. The 87.9 mb June 1st grain sorghum stocks estimate was nearly equal to pre-report expectations of private analysts which ranged from 80 to 110 mb. Of this total, 10.7 mb were stored on farms, with 77.2 mb stored off farms. Grain sorghum price prospects will likely follow closely with those of corn given that they are competitive substitutes for feedgrain usage.

Historic Reliability of Quarterly Grain Stocks Report Estimates

Due to differing survey procedures, the historic reliability of the on farm and off farm parts of USDA quarterly Grain Stocks reports are not equal. For the on-farm portion of the report from the 88,000 farmer operators surveyed, there is a 95% probability that the survey estimates for on farm stocks are within plus or minus 4.0% for corn, 5.8% for soybeans, and 6.0% for all wheat. The off farm survey numbers are based on a “full enumeration” of all commercial grain storage facilities in the U.S., with grain stocks reports typically received from 90% of the approximately 9,000 grain storage and handling facilities in the United States. Estimates are made for the missing 10% of grain facilities to make the survey complete.