

October 9, 2009

USDA October 2009 Report Highlights

USDA released their much anticipated WASDE and Crop Production reports this morning. The following tables display the announced USDA numbers, as well as the average (composite of Dow and Reuters surveys) and range of trade estimates (as reported by DJ and Reuters) for 2009/10 crop production and yield for US corn and soybeans.

2009/10 Crop Production

| (In billion bushels) | USDA Actual | Average Trade Estimates | Trade Estimates Range |
|----------------------|-------------|-------------------------|-----------------------|
| Corn | 13.018 | 12.99 | 12.701 – 13.244 |
| Soybeans | 3.250 | 3.286 | 3.184 – 3.411 |

2009/10 Crop Yield

| (In bushels per acre) | USDA Actual | Average Trade Estimates | Trade Estimates Range |
|-----------------------|-------------|-------------------------|-----------------------|
| Corn | 164.2 | 162.635 | 159.6 – 165.5 |
| Soybeans | 42.4 | 42.841 | 41.45 – 44.4 |

Corn – USDA cut projected acreage harvested acreage to 79.3 million based on FSA data, but bumped up yield to a new record high. This of course is before any October freeze losses. Bulls will be disappointed that acreage cuts were not larger. The crop number is very close to the average trade guess and thus somewhat neutral in itself. See the S&D comments below.

Soybeans – The trade was looking for USDA to hike average yield to the second highest ever, with some guesstimates a full 1.2 bushels per acre above the record high of 43 bpa. That didn't happen, as it was raised only .1 bushels to 42.4. Harvested acreage is projected at 76.619 million, down about 200,000 from last month. USDA cut planted acres by about the same amount, based on FSA data.

The following table displays the actual, average estimate and range of trade estimates for 2009/10 US crop ending stocks. These numbers are influenced by the crop production assumptions in the first table above. If you have a larger crop estimate, odds are good that you also have one of the higher ending stocks estimates.

2009/10 Ending Stocks

| (In billion bushels) | USDA Actual | Average Trade Guess | Trade Estimate Range |
|----------------------|-------------|---------------------|----------------------|
| Corn | 1.672 | 1.672 | 1.474 – 1.827 |
| Soybeans | .230 | 0.253 | 0.2 – 0.322 |
| Wheat | .864 | 0.800 | 0.739 – 0.888 |

Corn – USDA surprised traders with a smallish September 30 ending stocks number at 1.674 billion bushels, and that flowed to the beginning stocks for 2009/10. Production was above the average trade guess, but they hiked feed & residual use another 50 million bushels. The ending

stocks figure is exactly at the pre-report average guess. They cut exports 50 million. No change was made to ethanol use or to the cash average price. HFCS use was increased 5 million. World corn production was lowered 1.5 MMT, with China down 5 MMT as an upward revision in acreage offset lower yields. Ending stocks were cut 2.87 MMT, which is supportive but may already be reflected in the rally of the past couple weeks.

Soybeans –A rise in ending stocks was anticipated, due to the larger crop production figures being assumed. The increase was only 10 million bushels, however, as production was up 5 million, ending stocks were up 28 million but projected exports were raised 25 million bushels. World soybean ending stocks were hiked sharply, however, to 54.79 MMT from 50.53 MMT. Argentine production was hiked 1.5 MMT.

Wheat – Ending stocks were expected to rise, due to USDA’s hike in projected Other Spring wheat and Durum production as reported on September 30. As we anticipated, USDA cut exports by 50 million bushels. Feed and residual was cut 45 million based on 1Q use, with the net result being a hike of 121 mbu. in ending stocks. The average cash price estimate was trimmed to \$4.85. World ending stocks were put at 186.73 MMT vs. 186.61 MMT last month, essentially UNCH given the scale of the numbers.

2009/10 Cotton Supply & Demand

| (In million 480-lbs bales) | USDA Actual | Average Trade Guess | Trade Estimate Range |
|----------------------------|-------------|---------------------|----------------------|
| Crop | 13.00 | 13.18 | 13.1 – 13.3 |
| Domestic Use | 3.40 | 3.47 | 3.4 – 3.5 |
| Exports | 10.50 | 10.47 | 10.35 – 10.5 |
| Carryout | 5.40 | 5.41 | 5.3 – 5.55 |

Cotton – On average, analysts saw USDA erasing last month’s higher production estimate. They were accurate, as the crop was cut to 13 million bales. There were minor adjustments to domestic use and exports. Ending stocks were very close to the average trade guess. The world numbers were little changed, with ending stocks at 56.13 million bales vs. 56.26 million last month.

Opening calls are lower by 4 to 10 cents for corn and beans, mostly on “buy the rumor, sell the fact” thinking and a stronger US dollar this morning. Wheat calls are 4-8 lower but could be weaker if corn tanks.

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