

2017/18 Stocks higher than USDA & Trade, but Wheat up slightly

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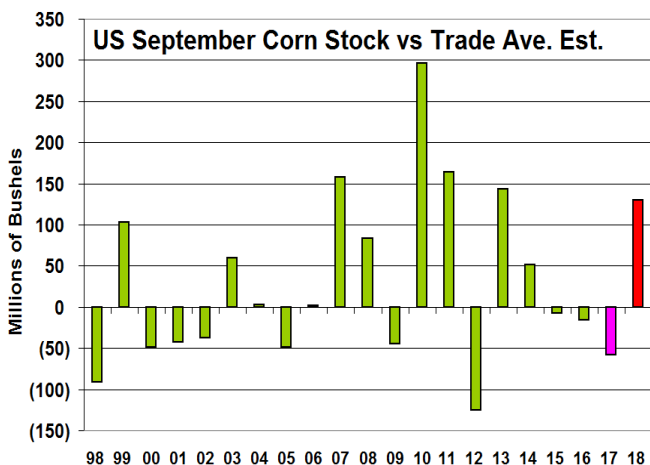
Market Analysis

Friday's September Quarterly Stocks & Small Grains reports provided some surprises in both corn and soybean final stocks while wheat's 2018 US crop size was modestly higher than its August level. This year's final corn and bean supplies were higher than the USDA's previous levels & the trade's estimates. US all-wheat production was up just 7 million bu. to 1.884 billion bu. and 12 million over the trade's expectations.

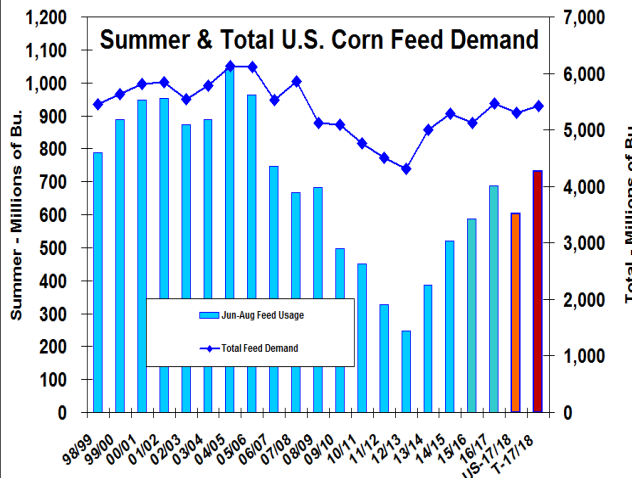
Ahead of last week's report, final US corn stocks had registered declines in 4 of the last 6 years. Given this past summer's high wheat prices and strong cattle-on-feed and hog/chicken numbers, the trade was expecting a 3-5% rise in corn's feed usage. Instead, this year's US final stocks were sharply higher by 130 million bu. to 2.140 billion bu. With ethanol and exports near expectations, feed/residual demand must have fell short by 12.4% to 602 million bu. Higher sorghum, oats, and barley usage and increased DDGs consumption are likely part of corn's feed short-fall. However, an underestimate of 2017's corn crop also seems to be behind last week's big stock jump even with corn's record 176.6 bu. yield.

Soybeans stocks were also higher when the USDA raised its 2017/18 crop size by 19 million bu. to 4.411 billion bu. and cut its residual to 16 million bu. This larger supply and slightly less exports than the USDA prompted last week's 37 million bu. rise to 438 million bu. vs. trade & the USDA's 395 million bu last level. These additional beginning stocks have added more bushels to 2018/19 crop or about 0.5 of a bu. to beans' 2018 yield which is necessary with no China trade talks on the agenda.

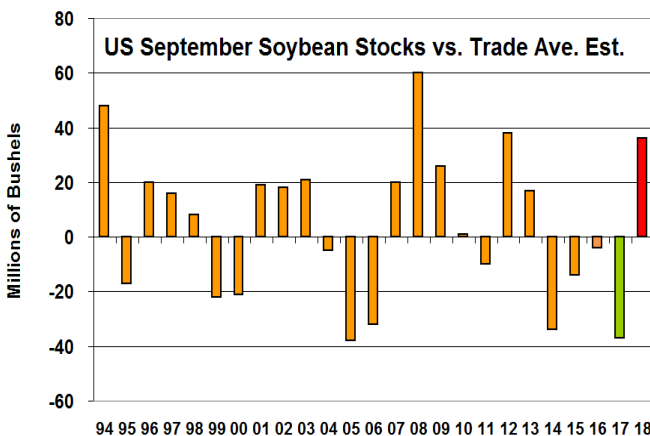
Wheat's larger supplies came from spring wheat (+9 million) & durum (+4) while PNW white wheat was left unchanged. Wheat's 9/1 stocks were 36 million bu. over the trade, but this summer's feed disappearance was 40 million higher than 2017 which remains surprising.



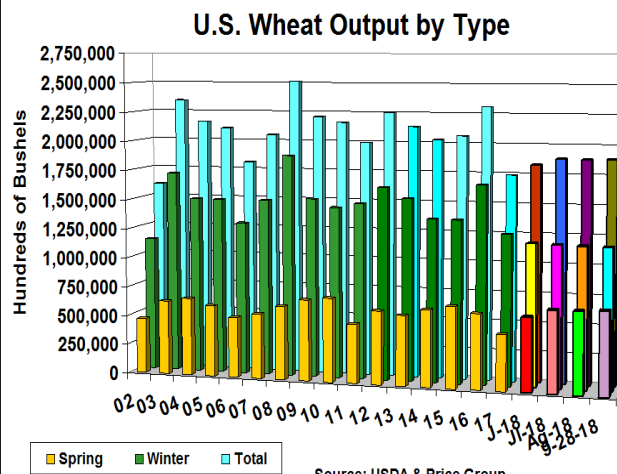
Source: USDA



Source: USDA & Price Group



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What's Ahead: A mid-week rain across the Midwest slowed some harvest activity and a killing freeze in western portion of the N. Plains may have damaged some late crops, but the trade remains cautious about this fall's corn and soybean yield trends. Weather in Brazil's Mato Grasso province remains important and will be monitored closely by the trade. **Livestock producers should look to cover fall your feed needs on setbacks.**

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