



USDA's June 2015 Acreage and Grain Stocks reports:

- **Soybeans – Bullish report due to acreage and stocks below expectations**
 - At 625m bushels, 1 June soybean stocks came in 50m bu below expectations, but are up 54% YOY.
 - Acreage at 85.1m acres was 200,000 acres below the average trade guess and but up 2% YOY.
 - Yields need to reach the five-year average of 43 bu/acre to avoid necessity of demand rationing.
- **Corn – Bullish report due to acreage and stocks below expectations**
 - At 4,447m bushels, 1 June corn stocks came in 100m bu below expectations, but are up 15% YOY.
 - Acreage at 88.9 mn acres was 240,000 acres below the average trade guess, and down 2% YOY.
 - Yields need to exceed 160 bu/acre to avoid need for demand rationing.
- **Wheat – Bearish as acreage and stocks were above expectations, but quality concerns persist.**
 - US stocks at 753m bu came in 40m bu above expectations and are also up 28% YOY.
 - Also, all wheat acreage, at 56.1m acres, exceeded the average trade guess by 370,000 acres.
- **Cotton – Bullish as acreage fell well below expectations**
 - US cotton plantings were 4%, or 350,000 acres, below expectations, at 9.0m acres.
 - Given an expected global deficit of more than 6m tonnes, we expect prices to rise above US\$ 70/bu later in the year.

Markets are adding the risk premium back into future prices. USDA's June corn and soybean stocks and acreage came in below market expectations and were thus bullish for corn and soybeans. Also, for cotton, the report was bullish, as the acreage fell well below the average trade estimate, while all wheat area and stocks exceeded expectations.

As the USDA acreage numbers are based on surveys conducted in the first half of June, the number might not properly reflect the acreage that could not be planted so far due to the heavy rains throughout June. Revisions in USDA's August and September reports are thus very likely.

The market will continue to focus on weather, and prices will depend on weather and crop conditions in the next weeks, when US corn moves into pollination. Dry weather is needed and is supposed to arrive next week.

USDA June 2015 Acreage and Grain Stocks estimates

Planted acreage	USDA Jun 30	USDA Mar 31	2014 Final	2014 Jun 30	Trade Estimates		
					Avg	Low	High
15/16 Acreage (Thousand Acres)							
All principal crops	325,669		326,784	330,508			
Corn	88,897	89,199	90,597	91,691	89,136	88,100	91,742
Soybean	85,139	84,635	83,701	84,839	85,332	83,760	86,800
All Wheat	56,079	55,367	56,822	56,474	55,707	55,100	56,800
Winter Wheat	40,620	40,751	42,399	42,296	40,821	40,500	42,000
Spring Wheat	13,505	12,969	13,025	14,178	13,174	12,800	13,450
Cotton	8,998	9,549	11,037	11,369	9,350	8,800	9,700

Quarterly Stocks	Jun 1, 2015	Jun 1, 2014	Mar 1, 2015	Trade Estimates		
				Avg	Low	High
Stocks (Mn Bushels)						
Corn	4,447	3,852	7,750	4,557	4,350	4,700
Soybean	625	405	1,327	679	604	773
All Wheat	753	590	1,140	712	650	765

Source: USDA, Bloomberg, Rabobank, 2015

Source: USDA, Bloomberg, Rabobank, 2015

Stefan Vogel

Global Head
Global Sector Strategist, G&O

Tracey Allen

Senior Commodities Analyst
Agri Commodity Markets Research
AgriMarketsResearch@rabobank.com

+44 20 7664 9514

Carlos Mera

Senior Commodities Analyst
Agri Commodity Markets Research

SOYBEANS

At 0.625bn bu, 1 June soybean stocks were below the average market expectation. The acreage forecast, at 85.1m acres, was below expectations as well; even so, it is 0.5m acres higher than USDA’s March acreage forecast. Soybean stocks are still up 54% up YOY, the highest in three years. Also, the soybean area marks a record and is 1.4m acres up YOY. We expect USDA to revise their yield estimate of 46 bu/acre downward in the July WASDE report, due to recent heavy rains in the Midwest and growing crop concerns. But June conditions only poorly correlate with final yields, and the coming months will be most important for yield development. Assuming that the current USDA acreage number might need to be revised downward in subsequent reports, good yields become even more crucial. The tables below show that the yield needs to exceed 43 bu/acre, or otherwise 2015/16 US stocks would decline, forcing the market to ration demand through a strong price level. The five and ten-year US soybean yield average is close to 43 bu/acre, and in three out of the last five years, this level was exceeded, while in 2011 and in the drought year of 2012 yields remained below the average.

CORN

1 June corn stocks were reported at 4,447m bushels—110m bushels below the average trade estimates. This is a 15% percent increase YOY and the highest since 1988. USDA’s corn acreage estimate of 88.9m acres came in 240m acres below trade expectations. The table below shows that only yields above 165 bu/acre would result in lower stocks. We maintain our long-held yield estimate of 163 bu/acre to 165 bu/acre. This would be close to the 2009 US yield, the second-highest after last year’s record 171 bu/acre. Yields at or below 160 bu/acre would require substantial demand rationing and thus would mean continued strong prices.

Weather in the next two months will be crucial for yields. A significant part of the corn should be in pollination within the next four weeks. The crops have more than enough moisture to sustain a longer period of dry weather, while hot weather and continued heavy rains would be adverse. Futures have moved most in the front months, while deferred contracts—so much higher than in recent weeks—might still offer some opportunities for buyers to hedge some of their needs.

WHEAT

With 753m bushels, US wheat stocks also came in above expectations and show a 28% YOY increase, which reflects the slow US export pace. The planted area estimate of all wheat, at 56.1m acres, was at the high end of the trade guess range, as spring wheat, at 13.5m acres, exceeded the average trade guess by 330m acres and thus exceeds last year’s acreage by almost 0.5m acres. Fund short-covering has resulted in a strong rally in the last two weeks, despite high US stocks, lacklustre US wheat exports and decent crops in the Black Sea region.

COTTON

Cotton acreage declined further from the March projection, to 9.0m acres, down 18% YOY. We consider today’s report to be bullish for cotton. Looking ahead—and considering the improvement in moisture in the Southern states, along with a likely below-average abandonment rate—we expect US production to reach 14.7m bales in 2015/16, down 12% YOY. Considering reduced production forecasts for other regions, we estimate the global deficit in 2015/16 to reach 6.4m bales. ICE #2 has already gained about 5% in the last four trading days, and we expect it to strengthen further, trading at USc 70/lb through 2H 2015.

US 2015/16 soybean S&D to show slight deficit if yields fall below 45 bu/acre and yields below 43 bu/acre require demand rationing.

US Soybean S&D (Mn acres/Mn bu.)	USDA June WASDE		2015/16 yield scenarios		
	14/15(†)	15/16(†)	low	medium	high
Beginning Stocks	92	330	330	330	330
Area Planted	83.7	84.6	85.1	85.1	85.1
Area Harvested	83.1	83.7	84.4	84.4	84.4
Yield	47.8	46.0	43.0	45.0	47.0
Production	3,969	3,850	3,631	3,800	3,969
MY Imports	30	30	30	30	30
Total Supply	4,091	4,210	3,991	4,160	4,329
MY Exports	1,810	1,775	1,775		
Crush	1,815	1,830	1,830		
Seed/Residual	136	129	129		
Domestic Consumption	1,951	1,959	1,959		
Total Usage	3,761	3,734	3,734	3,734	3,734
Ending Stocks	330	475			
YOY stock change	238	146	-73	+96	+265

Source: USDA, Rabobank, 2015

US 2015/16 corn S&D to show deficit if yields fall below 165 bu/acre and yields below 160 bu/acre require demand rationing.

US Corn S&D (Mn Acres/Mn bu.)	USDA June WASDE		2015/16 yield scenarios		
	14/15(†)	15/16(†)	low	medium	high
Beginning Stocks	1,232	1,876	1,876	1,876	1,876
Area Planted	90.6	89.2	88.9	88.9	88.9
Area Harvested	83.1	81.7	81.1	81.1	81.1
Yield	171.0	166.8	160.0	165.0	170.0
Production	14,216	13,630	12,976	13,382	13,787
MY Imports	25	25	25	25	25
Total Supply	15,472	15,531	14,877	15,283	15,688
MY Exports	1,825	1,900	1,900		
Feed Consumption	5,250	5,300	5,300		
FSI Consumption	6,522	6,560	6,560		
Ethanol Usage	5,175	5,200	5,200		
Domestic Consumption	11,772	11,860	11,860		
Total Usage	13,597	13,760	13,760	13,760	13,760
Ending Stocks	1,876	1,771			
YOY stock change	644	-105	-759	-353	+52

Source: USDA, Rabobank, 2015

The planting numbers are based on surveys conducted in the first half of June; however, ongoing rains in the last four weeks most likely have prevented several farmers from planting the amount they indicated to USDA in the survey. Over the last 20 years, the standard error terms for corn, soybeans and wheat plantings were, on average, close to 1%; however, this year’s error might be higher, and the USDA is expected to further adjust the acreage for corn and soybeans in the August Crop Production report, as well as for cotton in the September Crop Production report, and for spring wheat and durum wheat in the Small Grains Annual report at the end of September.

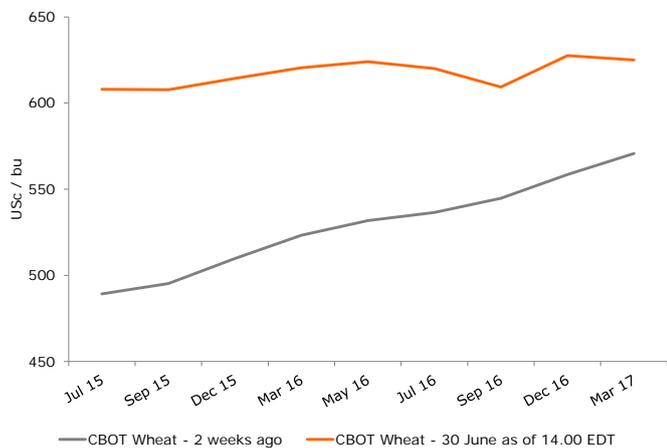
Reliability June Planted Acreage Estimates

[Based on data for the past twenty years]

Crop	Root mean square error	90 percent confidence interval	Difference between forecast and final estimate				
			Thousand acres			Years	
			Average	Smallest	Largest	Below final	Above final
	(percent)	(percent)	(1,000 acres)	(1,000 acres)	(1,000 acres)	(number)	(number)
Barley	3.2	5.5	99	18	254	3	17
Corn	0.9	1.6	633	28	2,014	4	16
Oats	4.4	7.6	115	1	304	4	16
Sorghum	6.3	10.8	394	1	1,133	12	8
Soybeans	1.1	2.0	731	32	1,464	7	13
Upland cotton	2.7	4.7	299	3	992	11	9
Wheat							
Winter wheat	1.4	2.5	486	36	1,147	5	15
Durum wheat	7.6	13.1	119	15	361	8	12
Other spring	3.2	5.5	289	24	1,283	11	9

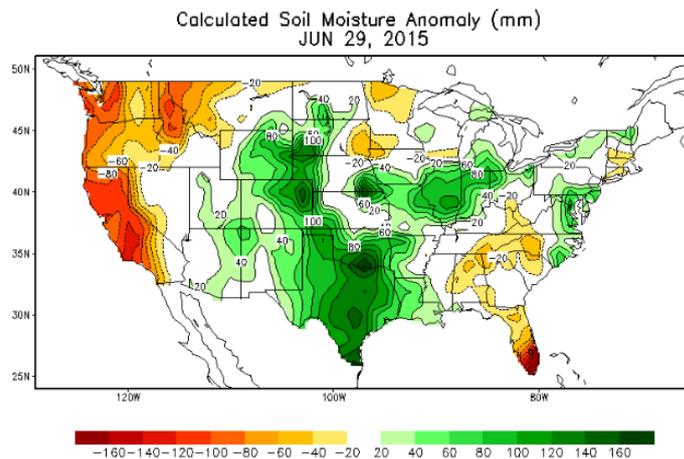
Source: USDA, 2015

CBOT Wheat surged by ~25% in the front months and by ~12% for late 2016 futures, within the last two weeks.



Source: Bloomberg, Rabobank, 2015

Heavy US rains resulted in very wet soils and raised concerns over wheat quality, as well as the impact on corn and soybean yields.



Source: NOAA, Rabobank, 2015



Rabobank Food & Agribusiness Research and Advisory (FAR)

Agri Commodity Markets Research (ACMR):

Stefan Vogel
Global Head
+44 20 7664 9523
stefan.vogel@rabobank.com

Tracey Allen
Senior Commodities Analyst
+44 20 7664 9514
tracey.allen@rabobank.com

Carlos Mera
Senior Commodities Analyst
+44 20 7664 9512
carlos.mera@rabobank.com

www.rabobank.com

Rabobank Markets

Corporate Risk & Treasury Management Contacts:

GLOBAL HEAD—Martijn Sorber
+31 30 21 69447
martijn.sorber@rabobank.com

ASIA—Koon Koh Tan
+65 6230 6987
koonkoh.tan@rabobank.com

AUSTRALIA—Terry Allom
+61 2 8115 3103
terry.allom@rabobank.com

NETHERLANDS—Arjan Veerhoek
+31 30 216 9040
arjan.veerhoek@rabobank.com

EUROPE—Eliana de Rossi
+44 20 7664 9649
eliana.de.rossi@rabobank.com

NORTH AMERICA—David Teakle
+1 212 808 6877
david.teakle@rabobank.com

SOUTH AMERICA—Sergio Nakashima
+55 11 5503-7150
sergio.nakashima@rabobank.com

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