Area and Stocks Reports in the United States: Bullish Impact on Soybeans and Bearish Impact on Cereals

Highlights

- On Friday (30th), the USDA released its annual Area report and quarterly Stocks report.
- The most significant impacts were seen in soybeans and corn due to lower-than-expected area data for soybeans and the opposite for corn.
- In the case of soybeans, prices rose from US $466/t on Thursday to close at US $493.84/t on Friday (↑US $28.5/t). Meanwhile, corn prices dropped from US $209.4/t to US $194.77/t (↓US $13.28/t).
- The USDA estimates soybean area at 83.51 million acres, a 5% decrease from the previous year. For corn, it is estimated at 94.1 million acres, a 6% increase from the previous year.
- In wheat, an area of 49.63 million acres is expected, which was in line with analysts' expectations. This represents an 8.6% increase in area compared to 2022, driven by an increase in winter and spring wheat acreage.
- The quarterly stocks data as of June 1st was bullish for all three crops, with the tightest values in soybeans and wheat estimated at 21.7 Mt and 15.8 Mt, respectively. These values are nearly 20% lower than the previous year.
- Corn stocks as of June 1st are at 104.3 Mt, which was below analysts' expectations prior to the report. However, the data on increased planted area had a clearly greater overall influence.

Introduction

On Friday, June 30th, the United States Department of Agriculture (USDA) released two highly anticipated reports: the Planted Area report and the Quarterly Stocks report in the United States.

Regarding the impact of these reports in Chicago, there was a significant surprise in soybeans, with a clear bullish impact, recording an increase of US$ 28.5/t and doubling the previous price increases prior to the publication, due to a much smaller planted area than expected. It had a bearish effect on corn due to a larger planted area than estimated before the report, with soft wheat contracts declining after the publication, mainly due to market contagion from corn. Hard wheat contracts remained positive due to a decrease in the area allocated to that variety.

Full Report

The Planted Area report had the most significant impact on the market on Friday. The USDA estimated that soybean planting in the United States would reach an area of 83.51 million acres in the 2023/24 season, 4.17 million acres below market expectations, and a 5% decrease compared to the previous season. Historically, this would be the fifth-largest planted area in history.

On the corn side, the USDA increased its area numbers, estimating planting for the 2023/24 season at 94.1 million acres, 2.24 million acres above analysts' expectations prior to the report's publication, and a 6% increase compared to the previous year. According to the USDA, this is the third-largest corn planted area since 1944.

Regarding wheat, the USDA's estimate of 49.63 million total acres aligned with market expectations and represented a 9% increase from the previous cycle. The winter wheat area grew by 11% in the season, covering 37.01 million acres. As for spring wheat, the market expected an average area of 10.51 million acres, but the USDA reported 11.14 million acres, a 3.1% increase from the previous year and a more optimistic figure than analysts had anticipated. Finally, for hard wheat, the USDA estimated 1.48 million acres, indicating a 7.5% decrease compared to the previous year.

USDA - Planted Area 2023 in the U.S., in million acres

	2022	2023 Outlook Forum Feb-23	Intentions Mar-23	Area Report Avg. Est.	Area Report Jun-23	Δ	2023 vs 2022
Corn	88.6	91.0	92.0	91.85	94.10	2.24	5.50
Soybeans	87.5	87.5	87.5	87.67	83.51	-4.17	-4.00
Wheat	45.7	49.5	49.9	49.66	49.63	-0.03	3.93
Winter Wheat	33.3	s/d	37.5	37.31	37.01	-0.31	3.71
Spring Wheat	10.8	s/d	10.6	10.51	11.14	0.63	0.34
Durum Wheat	1.6	s/d	1.8	1.77	1.48	-0.29	-0.12

Fuente/Source: USDA & Bloomberg

Regarding the Quarterly Stocks report, the USDA did not bring significant surprises to the market, but it confirmed a scenario of stocks well below the previous year for soybeans and wheat.

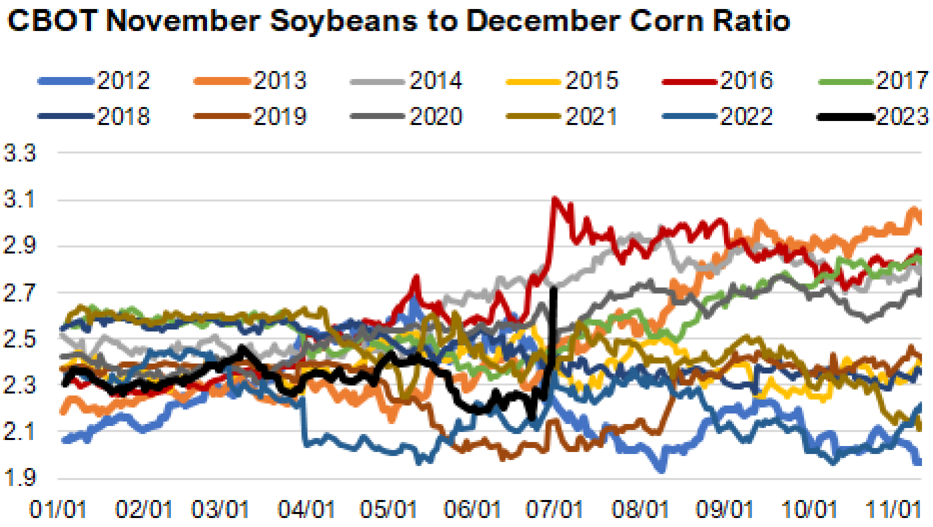
In the Quarterly Stocks report as of June 1st, the USDA estimated soybean stocks at 21.7 million metric tons, slightly below the operators' expectations prior to the report but representing an 18% decrease compared to the same time last year. As for wheat, stocks were estimated nearly 5% below analysts' expectations, at 15.8 million metric tons; here, too, a 17% decline can be seen compared to the same time in 2022. Lastly, corn stocks were estimated at 104.3 million metric tons, 4% below analysts' expectations and a 6% decrease compared to June of the previous year.

USDA: Quarterly Grain Stocks

Grain	USDA Jun-22		Survey Summary (Jun-23) Low		High		Avg.		USDA Jun-23		USDA Jun-23 vs Avg. Est.		2023 vs 2023	
	Mbu	Mt	Mbu	Mt	Mbu	Mt	Mbu	Mt	Mbu	Mt	Mbu	Mt	Mbu	Mt
Corn	4,349	110	4,086	104	4,410	112	4,255	108	4,106	104	-149	-4	-243	-6.2
Soybeans	968	26	750	20	920	25	812	22	796	22	-16	0	-172	-4.7
Wheat	698	19	588	16	690	19	611	17	580	16	-31	-0.8	-118	-3.2

Fuente/Source: USDA & Bloomberg

Regarding the price impact of these two reports, the ratio between November soybean futures and December corn futures surged to 2.72 on Friday, compared to 2.39 on Thursday. This is likely the largest single-day increase in the price ratio between the two commodities. A sharp increase occurred at the end of June 2016 as well, but it was more gradual than the current one, reaching a peak of 3.11 on June 30th.



Fuente/Source: CBOT

In the case of soybeans, they went from trading at US $466/t on Thursday to closing at US $493.84/t on Friday (↑US $28.5/t). Meanwhile, corn dropped from US $209.4/t to US $194.77/t (↓US $13.28/t). The changes in prices were significant, clearly indicating uncertainty regarding the weather, which adds volatility. However, the market was focused on a different narrative regarding the planted area, which was disruptive to expectations. Overall, it could be argued that there was an overreaction in the market, and price fluctuations are expected to smooth out in the coming days.

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