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## What impact did the USDA's first 2023/24 projections have on the market?

### Executive summary

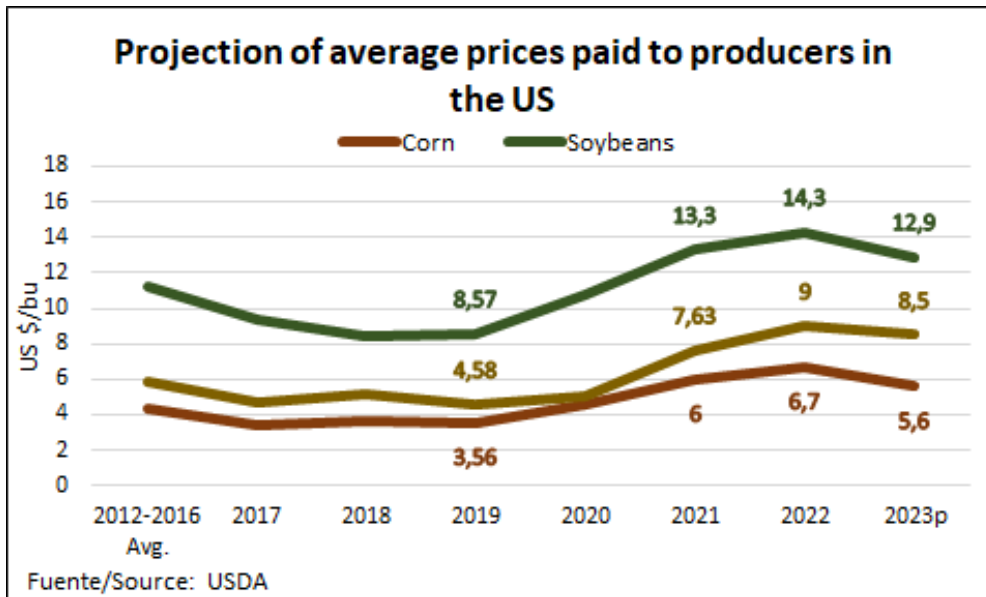
- The USDA's first projections for the 2023/24 campaign in the US had a bearish impact on the prices of major crops.
- The USDA expects lower prices for producers in the 2023/24 campaign.
- In corn, more planted area is expected, weakness in the growth of exports and a recomposition of stocks.
- In soybeans, the same planted area as in the 2022/23 cycle is projected, although with very high yields per acre. Crush would be the main driver of demand.
- In wheat, there would be an increase in planted area with improved production. Supply would increase more than demand, but it would be the most balanced balance.

### Full report

On Thursday, February 23rd, the United States Department of Agriculture (USDA) released the "Grain and Oilseeds Outlook" report for the 2023/24 season, in the context of the Annual Agricultural Outlook Forum.

The market paid close attention to the USDA's 2023/24 projections, which had a mostly bearish impact on the prices of major agricultural commodities following the report's publication. On that Thursday (23rd), the continuous soybean contract fell by US \$0.07/bu (↓0.49%) to US \$15.273/bu, corn by US \$0.15/bu (↓2.2%) to US \$6.593/bu, and wheat remained relatively stable at US \$7.5/bu. On Friday (24th), prices began to plummet, a situation that continued into the following week that began on February 27th, although with some cuts in losses towards the end of the week.

The USDA published a bearish projection for the average prices that producers will receive in the 2023/24 cycle in the United States. The largest relative decrease is projected in corn, with a 16.4% drop from the 2021/22 season, going from US \$6.4/bu to US \$5.6/bu. Soybeans could see a 9.8% decrease from US \$14.3/bu to US \$12.9/bu. Meanwhile, the average price of wheat would be located at US \$8.5/bu, a 5.6% decrease compared to the previous season.



According to the USDA, commodity prices are expected to remain relatively high but below the peaks reached last year. Overall, soybeans and corn supply and demand balances are not expected to remain tight, with significant competition in the export market. Meanwhile, a recovery in wheat production is expected, which would improve ending stocks for the upcoming season.

There is still a long way to go, as there is uncertainty about planting intentions for soybeans and corn, and whether the drought that affected yields in recent trading cycles has been left behind. Additionally, geopolitical disputes and resolutions may have an impact, along with developments in the macroeconomic context that influence monetary policy (interest rates) and capital flows in the markets.

**In the 2023/24 campaign, supply would increase more than demand in corn, soybeans, and wheat.**

Taking into account the average of estimates made by analysts surveyed by Bloomberg, the increase in planted area in corn was slightly underestimated, with production reaching 383.2 million tonnes, close to the upper limit of market expectations. The USDA currently projects a production increase of 34.5 million tonnes of corn for the 2023/24 cycle, with a significant recomposition of stocks. In general, total supply would increase by 8% and total demand only by 4.3%. There are limitations on the increase in the demand for ethanol due to the recession scenario that impacts the use of fuels. On the other hand, the USDA records that export possibilities present certain difficulties in increasing. Production would be 24.8 million tonnes more than in the 2020/21 cycle, and exports would be 13.87 million tonnes less than in that productive campaign, considering a domestic consumption that would not grow strongly. In other words, the USDA would be seeing significant supply from competing exporting countries.

It is a fact that input costs have fallen sharply in recent months, which will be a clear incentive to produce corn, but the USDA has not yet begun surveys of producers to have a better idea of planting intentions. This data will only be available at the end of March, so we will have to wait for the results of the surveys to have more certainty about the production projections for US corn in 2023/24.

## US - Corn Supply and Demand Balance Sheet



	2020/21	2021/22	2022/23	Prev. Est.*	2023/24p	Var YoY
<b>Planted area (Mha)</b>	36.7	38.0	35.9	36.8	36.8	2.7%
<b>Yield (T/HA)</b>	10.76	11.09	10.88	11.28	11.39	4.7%
<b>Area Harvested (Mha)</b>	33.31	34.52	32.05		33.6	4.9%
<b>Total Supply (Mt)</b>	407.8	414.9	385.0		416.0	8.0%
Beginning Stocks	48.7	31.4	35.0		32.2	-8.0%
Production	358.4	382.9	348.7	379.7	383.2	9.9%
Imports	0.6	0.6	1.3		0.6	-50.0%
<b>Total Demand (Mt)</b>	376	380	353		368	4.3%
Feed/Residual	142	145	134		142	6.2%
FSI	164	172	170		170	0.0%
Ethanol	128	135	133		133	0.0%
Exports	69.8	62.8	48.9		56	14.3%
<b>Ending Stocks (Mt)</b>	31.37	34.98	32.18	45.95	47.93	48.9%
<b>Stock to use</b>	8.3%	9.2%	9.1%		13.0%	

*Fuente/Source: USDA/Bloomberg*

*\*Average of the estimates prior to the report release according to Bloomberg.*

In the case of soybeans, the USDA maintained caution in the direction of the planted area for the upcoming harvest, unchanged from the 2022/23 campaign at 87.5 million acres (34.5 million hectares). The market was more optimistic, as the average of analysts' estimates expected 88.6 million acres (35.8 million hectares). Regarding production, it was found to be in line with expectations, indicating that the USDA was more optimistic about yields. At this point, the USDA projects a very high national yield of 52 bu/ha (3,497 t/ha), based on a trend adjusted for climate assuming normal weather during the crop growing season. This expected yield would tie the historical record of the 2016/17 cycle, meaning a good weather scenario for the new commercial cycle is expected. As for the increase in total demand, it would increase to a lesser extent than total supply, and they also project weakness in export volume despite the production improvement.

On the demand side, crush would be the main driver due to growth in the demand for soybean meal and high input prices to produce biofuels in the United States. Last year, the use of soybean oil to produce biofuels increased, and prices in the US rose above world markets, leading to historic lows in exports. This trend is expected to continue under current state mandates and the proposed Environmental Protection Agency (EPA) rule for 2023 to 2025.

Soybean exports would grow marginally to 55.1 million metric tons, as domestic demand limits the volume of unprocessed exports, in addition to the competition from South America remaining strong in the second half of 2023. On the other hand, soybean meal exports would reach a historical record of 13.1 million metric tons, with export restrictions from Argentina providing greater market opportunities for the United States.

## US - Soybeans Supply and Demand Balance Sheet

	2020/21	2021/22	2022/23	Prev. Est.*	2023/24p	Var YoY
<b>Planted area (Mha)</b>	33.8	35.3	35.4	35.9	35.4	0.0%
<b>Yield (T/HA)</b>	3.43	3.48	3.33	3.46	3.50	5.1%
<b>Area Harvested (Mha)</b>	33.4	34.9	34.9	0.0	35.1	0.5%
<b>Total Supply (Mt)</b>	129.5	128.9	124.2		129.2	4.0%
Beginning Stocks	14.3	7.0	7.5		6.1	-17.9%
Production	114.7	121.4	116.3	122.8	122.7	5.5%
Imports	0.5	0.4	0.4		0.4	0.0%
<b>Total Demand (Mt)</b>	122.5	121.4	118.0		121.3	2.8%
Crush	58.2	59.9	60.7		62.8	3.6%
Seed and residual	2.6	2.8	3.3		3.4	5.0%
Exports	61.6	58.7	54.1		55.1	1.8%
<b>Ending Stocks (Mt)</b>	7.0	7.5	6.1	8.7	7.9	28.9%
<b>Stock to use</b>	5.7%	6.1%	5.2%		6.5%	

*Fuente/Source: USDA/Bloomberg*

*\*Average of the estimates prior to the report release according to Bloomberg.*

In the wheat market, the USDA projects a recovery in the planted area for the 2022/23 cycle to 49.5 million acres (20 million hectares), above the market's average estimate prior to the report's release of 48.5 million acres (19.7 million hectares). The USDA's Winter Wheat and Canola Seedings report already estimated the planted area of winter wheat at 37.0 million acres (14.97 million hectares), an 11% increase from 2022/23 and the highest since 2015/16. As for production, 51.3 million tons are projected, a 14.4% increase compared to the 2023/24 campaign.

Regarding demand, domestic use is projected moderately higher with increased residual and animal feed use, as the expected increase in wheat supply will have a more competitive price than corn during the US summer months in some states outside of the corn belt that had significantly lower corn production last year. Wheat use for food is projected marginally higher to a new record of 26.59 million tons, based on population growth. Higher wheat exports are expected due to the increase in available supply, although they are still forecast below the 5-year average at 22.4 million metric tons.

## US - Wheat Supply and Demand Balance Sheet



	2020/21	2021/22	2022/23	Prev. Est.*	2023/24p	Var YoY
<b>Planted area (Mha)</b>	18,0	18,9	18,5	19,7	20,0	8,3%
<b>Yield (T/HA)</b>	3,34	2,98	3,13	3,27	3,31	5,8%
<b>Area Harvested (Mha)</b>	14,9	15,0	14,4		15,5	8,2%
<b>Total Supply (Mt)</b>	80,4	70,4	67,1		70,0	4,3%
Beginning Stocks	28,0	23,0	19,0		15,4	-18,6%
Production	49,7	44,8	44,9	51,5	51,3	14,4%
Imports	2,7	2,6	3,3		3,3	0,0%
<b>Total Demand (Mt)</b>	57,4	51,4	51,7		53,5	3,5%
Food/Seed	27,9	28,0	28,4		28,3	-0,3%
Feed/Residual	2,5	1,6	2,2		2,7	25,0%
Exports	27,0	21,8	21,1		22,4	6,5%
<b>Ending Stocks (Mt)</b>	23,0	19,0	15,4	17,7	16,5	7,0%
<b>Stock to use</b>	40,0%	37,0%	29,9%		30,9%	

Fuente/Source: USDA/Bloomberg

\*Average of the estimates prior to the report release according to Bloomberg.

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