



Revenue Management Update

Tuesday, April 10, 2012

USDA has done enough the last 10 days to confuse most analysts for quite some time! Back on March 31, USDA released a March 1 **corn** stocks estimate that was 150 million bushels below trade expectations, leading us to believe that feed and residual use during the first half of the marketing year was larger than expected. Then in the April S&D Report USDA kept corn feeding and ending stocks unchanged. However, they did state in their comments that *“Prospects for feed and residual disappearance during the remainder of 2011/12 will be limited by an improving outlook for summer wheat feeding and the potential for 2012 new-crop corn use during August.”* So I guess at this point I’d view the corn stocks number of 801 as tenuous, since it assumes a large amount of wheat and new crop corn *WILL* get fed prior to Sept. 1.

There was nothing bearish in this month’s **soybean** reports. USDA dropped US ending stocks 25 million bushels due to increased crush and exports. They also confirmed lower Brazilian and Argentine production estimates – down another combined 4 mmt. And USDA cut world ending stocks nearly 2 mmt to 55.52 mmt, which is down nearly 13 mmt from last year’s record high stocks. With US oilseed acreage in question, it wouldn’t appear that there’s much downside risk in soybeans for now aside from some minor profit taking.

US **wheat** ending stocks were cut 32 million bushels to a still more-than-adequate 793 million bushels, as USDA increased its wheat feeding estimate by 35 million to go along with their comment on reduced corn feeding. USDA also increased world wheat feeding by a whopping 6.83 mmt from last month, which is what we’ve been saying for months is what needs to happen! Still, their cut in world stocks of 3.3 mmt still leaves world stocks over 6.5 mmt above last year. We’re not going to get tight on wheat stocks any time soon.

For the first time in many months, USDA lowered its US **cotton** ending stocks estimate, citing an increase in exports as well as a slight decrease in last year’s yield/production. USDA also made a half cent increase in its average farm price. On the world level, however, USDA increased stocks 3.75 mmt to a new high, with majority of the increase coming from a change in the beginning stocks estimate. A quick search through past reports shows that the change was in India, and actually goes as far back as the 2009/10 crop year! So while it’s good news US stocks are lower, the jump in Indian stocks means greater competition is likely for exports down the road.

Diversified Services Marketing Group		2011-12 US Ending Stocks (million bushels or bales)			
	April USDA	March USDA	Change vs Previous	2010-11 Final	Change vs 2010-11
Corn	801	801	0	1128	-327
Soybeans	250	275	-25	215	+35
Wheat	793	825	-32	862	-69
Cotton	3.40	3.90	-0.50	2.60	+0.80

Diversified Services Marketing Group		2011-12 South American Soybeans (million metric tonnes)			
	April USDA	March USDA	Change vs Previous	2010-11 Final	Change vs 2010-11
Brazil	66.0	68.5	-2.5	75.5	-9.5
Argentina	45.0	46.5	-1.5	49.0	-4.0
Total	111.0	115.0	-4.0	124.5	-13.5

Diversified Services Marketing Group		2011-12 World Ending Stocks (million metric tons)			
	April USDA	March USDA	Change vs Previous	2010-11 Final	Change vs 2010-11
Corn	122.71	124.53	-1.82	128.27	-5.56
Soybeans	55.52	57.30	-1.78	68.43	-12.91
Wheat	206.27	209.58	-3.31	199.75	+6.52
Cotton	66.07	62.32	+3.75	45.49	+20.58



Diversified Services

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Diversified Services Revenue Management Update

2012-13 Diversified Services Corn Stocks Matrix

USDA 2012-13 Est. Beginning Stocks:	0.801 billion bushels	1.128 bln bu in 2011-12
USDA Estimated 2012-13 Demand:	13.400 billion bushels	12.705 bln bu in 2011-12

Corn Ending Stocks Based on Possible Scenarios:
 (billion bushels)



Planted Acres	Harvested Acres	Yield per Acre										
		2011	2007	2010	2008	155	157	160	Informa	USDA	2009	166
96.5	89.0	0.463	0.855	1.006	1.104	1.202	1.380	1.659	1.985	2.003	2.065	2.181
96.2	88.7	0.423	0.813	0.964	1.061	1.159	1.336	1.614	1.939	1.957	2.019	2.135
USDA 331	95.9	0.382	0.771	0.922	1.019	1.116	1.293	1.570	1.906	1.924	1.974	2.089
Informa	95.5	0.328	0.716	0.865	0.962	1.059	1.235	1.499	1.834	1.851	1.913	2.027
DS-Rich	95.2	0.288	0.674	0.823	0.919	1.015	1.192	1.455	1.788	1.806	1.867	1.982
Allendale	95.0	0.260	0.646	0.795	0.891	0.987	1.163	1.425	1.758	1.776	1.837	1.951
	94.5	0.193	0.576	0.724	0.820	0.916	1.090	1.352	1.683	1.700	1.761	1.874
2011	91.9	-0.159	0.214	0.358	0.451	0.544	0.714	0.968	1.290	1.307	1.366	1.476

Dark Red < minimum pipeline (6%) Red < 1 billion Green > 1 billion Dark Green > 1.5 billion

The big question is, "What does it all mean for 2012-13?" Looking at the corn situation, I plugged USDA's 801 mln bu in for beginning stocks, but I hiked demand to 13.4 bln bu due to additional use of new crop corn prior to September 1. The table shows possible 2013 ending stocks given different acreage and yields, with the black box around what I consider the most likely scenarios. All you need to know is that green numbers represent plentiful stocks, while red numbers mean tightness. And for corn, even with added demand of 700 million bushels next year, in most situations we'd be looking at increased stocks next year. In fact, with 95 million acres it would only take a yield just over 155 bpa to push ending stocks over 1 billion bushels. With planting much ahead of normal, the trade is going to assume at least a trend yield unless something changes. The case for soybeans is still much different however! Given USDA's cut in beginning stocks to 250 mln bu and assuming demand matches the high year of 2009-10 (3.361 bln bu), we WILL be looking at a drop in ending stocks, possibly to extremely tight levels. In fact, there's only 1 number on the table higher than this year's! My most likely scenario is from 73.9-75.0 million planted acres, and a yield 42-44 bpa. The high ends of these ranges would keep stocks near the levels we ended the 2009 & 2010 years, while the low ends of these ranges would require additional price rationing, with the real possibility of a return to 2008 price levels (\$16.00+).

2012-13 Diversified Services Soybean Stocks Matrix

USDA 2012-13 Beginning Stocks:	250 million bushels	215 mln bu in 2011-12
USDA Estimated 2012-13 Demand:	3361 million bushels	3036 mln bu in 2011-12

Soybean Ending Stocks Based on Possible Scenarios:
 (million bushels)



Planted Acres	Harvested Acres	Yield per Acre										
		2008	2011	2007	2010	USDA	2009	Informa	45.0			
75.5	74.6	-147	-43	-20	10	69	107	144	174	181	218	256
Informa	75.1	-163	-59	-37	-7	52	90	127	156	164	201	238
2011/USDA	75.0	-167	-63	-41	-11	48	85	122	152	159	196	234
DS-Rich	74.8	-174	-71	-49	-19	40	77	114	148	151	188	225
Allendale	74.5	-186	-83	-61	-32	27	64	101	130	138	174	211
USDA 331	73.9	-210	-107	-86	-56	2	39	75	104	112	148	185
	73.5	-225	-124	-102	-73	-15	22	58	87	94	131	167
	73.0	-245	-144	-122	-93	-36	0	36	65	72	109	145

Dark Red < below 150 mln Red < 200 mln Green > 200 mln Dark Green > above 250 million