

DITSCH



T R A D I N G

APRIL 2013

MONTH END COMMENTS

The old crop soybean situation remains very tight. I estimate June 1 stocks will dip to around 430 million bushels, a record-low 13% of initial supplies. US soybean exports wound down a bit earlier than I had expected due to a combination of bird flu in China and aggressive soybean exports from Brazil. US April soybean exports are likely to finish in the 30-35 million bushel range, or only about half of the past 5-year average. I expect exports to average only about 20-25 million bushels per month May through August. Thus, I believe USDA may be 5-10 million bushels too high with their soybean export projection. US soybean meal exports, on the other hand, have extended beyond my expectations due primarily to slow farmer selling and logistic issues in Argentina. The higher meal exports suggest USDA is likely 20-30 million bushels too low with their crush projection. Thus, I feel US carryout will probably be near 110 million bushels, or about 15 million below the latest USDA projection. If realized, this would be the tightest ending stocks in recent history.

This bullish old crop scenario has had a hard time gaining traction in recent months for a variety of reasons. First, bird flu in China has really slowed down their soybean demand in the near-term. Second, South American production reached record levels and world stocks have been replenished even while US stocks remain extremely tight. Finally, US weather has been extremely cool and wet. Corn planting is advancing at a record-slow pace. As the cool, wet weather persists into May, there is increasing potential for intended corn acreage to shift over to soybean acreage. I believe US soybean acreage could approach 80 million acres vs. the USDA March projection of 77.2 million acres. This combination of slower Chinese demand, higher South American supplies, and larger US acreage should rebuild world soybean supplies considerably over the next 6 months. I am currently projecting 2013/14 US soybean carryout over 300 million bushels assuming trend yields.

The poor planting weather suggests US corn acreage could dip towards 94 million acres vs. the USDA March projection of 97.2 million acres. While this is a significant change, there was considerable room in the 2013/14 US corn balance sheet due to flattening ethanol demand and increased world competition. Thus, assuming corn acreage just over 94 million acres, one can still project corn ending stocks near 2 billion bushels in 2013/14 (vs. near 800 million bushels in 2012/13). The biggest uncertainty at this point is the weather over the next 2-4 weeks and just how much acreage will truly be lost. The fear in the marketplace is that the loss of acreage simply is not easy to quantify at this point. Obviously there are some serious cross-winds in the corn market at this time. My bias remains lower prices over time, but we need improved planting weather first. Prices may rally further before that happens.

Regards,
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May 1, 2013

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