

# USDA WASDE Note

January 12, 2023  
HTS Commodities

	<u>Corn</u>			
	Average Bloomberg Estimate	January Actual	Actual - Estimate	December
US Production (mbu)	13,936	13,730	-206	13,895
Yield (bpa)	172.5	173.3	0.8	171.9
Ending Stocks (mbu)	1,314	1,242	-72	1,257
Brazil Production (mmt)	126.4	125.0	-1	126.0
Argentine Production (mmt)	51.6	52.0	0.4	55.0
Dec 1 US Stocks	11,173	10,800	-373	11,642.0

Source: Bloomberg, USDA

## HTC's Comments

We view the January WASDE as supportive for US corn prices. We believe that the appropriate term for the domestic and global corn balance sheets is “reductions”. From the supply side, the USDA reduced US harvest acres by 1.6 ma to 79.2 ma from the December report. Despite the 1bpa yield increase, 173.3bpa, US production was reduced by 200 mbu to 13.730 bbu. To help manage the ending stocks figure US demand was also reduced. Exports were lowered by 150 mbu, feed and residual by -30mbu and FSI by 10mbu. Corn for ethanol use was not adjusted, but this figure was lowered in the December WASDE. The 1.242 bbu carryout, -15mbu, does nothing to change price projections the figure seems like a fair and appropriate starting point ahead for the new calendar year.

Argentine and Brazilian corn production were lowered from December, -3mmt and -1 mmt, respectively. Given the severity of the La Nina induced drought, the Argentine crop reduction was expected. Brazil's corn crop, estimated at 125 mmt, would be the largest on record. The forecasted 52 mmt Argentine corn crop is still +2.5 mmt YoY, but remains vulnerable as acute dryness across the country remains a concern. Ukraine corn exports were raised by 3 mmt from December while Argentine exports were lowered by the same amount. We believe that the relationship between Argentine, Ukraine and US corn exports is a variable that demands monitoring. We see these relationships as potentially impacting US corn demand, ending stocks, and prices. If the US is able or unable to generate material export sales over the next 10 weeks and the southern hemisphere crops stabilize, we will reevaluate the price projections for US old crop corn.

Overall we view the domestic WASDE as supportive for US corn and see the 1.242 bbu US carryout is a friendly input for the moment. The decline in US harvested acres and production combined with the decline in Argentine corn production and exports are short run bullish catalysts that can limit the negative sentiment of US corn prices.

**Please contact your HTS Commodities associate for help interpreting the USDA's January WASDE and to design a market based solution for your corn business.**

# USDA WASDE Note

January 12, 2023

HTS Commodities

## Soybeans

	Average Bloomberg Estimate	January Actual	Actual - Estimate	December
US Production (mbu)	4,357	4,276	-81	4,634
Yield (bpa)	50.3	49.5	-0.8	50.2
Ending Stocks (mbu)	233	210	-23	220
Brazil Production (mmt)	152.4	153.0	0.6	152.0
Argentina Production (mmt)	46.5	45.5	-1.0	49.5
Dec 1 US Stocks	3,162	3,020	-142	1,378

Source: Bloomberg, USDA

### HTC's Comments

We view the January WASDE as supportive for US soybean prices and neutral for meal and oil. Similar to our comments about corn, we believe that the appropriate word for the domestic and global soy and soy derivative balance sheets is "reductions". From the supply side, the USDA reduced US harvested acres by .3 ma to 86.3 ma while yields fell by .7 bpa to 49.5 bpa. US production was reduced by 70 mbu to 4.276 mbu. Exports were lowered by 55 mbu which resulted in the carryout falling by 10 mbu to 210 mbu.

Argentina and Brazil were the focus points of the report as production potential continues to weigh on different aspects of the US soy and soy derivatives trades. Argentine soy production was lowered by 4 mmt to 45.5 mmt. Brazilian production was lifted by 1 mmt. Brazil's soy crop, estimated at 153 mmt, would be the largest on record. Chinese soybean imports were raised by 1.97 mmt with all of the volume coming from Brazil. The forecasted 45.5 mmt Argentine soy crop is still +1.6 mmt YoY, but similar to corn, the crop remains vulnerable as acute dryness across the country remains a concern.

Reverberations from the weakening Argentine soy crop were evident as the USDA lowered the country's meal and oil exports by 1.1 mmt and .25 mmt respectively. The USDA raised Brazilian meal and oil exports by 1.1 mmt and by .10 mmt. Despite the Argentine production risks, US meal exports remained unchanged while oil exports declined by .14 mmt. Currently, the spot and +30 days FOB premiums of US meal relative to Argentina, Brazil and other originations is a negative for US export demand. We also see the USDA's global supply and demand calculus allowing for viable and pragmatic opportunities for canola and rape meal as protein substitutes for US and Argentine meal. Because Argentina is the world's largest soy meal and oil exporter we continue to monitor FOB spreads to help gauge interest for US exports.

Overall we view the domestic WASDE as supportive for US beans and neutral for meal and oil. US bean supplies are tight and should continue to support prices. We are not as constructive on US meal prices and see many risks of the US becoming the residual supplier. We continue to monitor the production progress in Argentina and Brazil to help gauge the potential impacts on global meal and oil export demand.

**Please contact your HTS Commodities associate for help interpreting the USDA's January WASDE and to design a market based solution for your soy business.**

# USDA WASDE Note

January 12, 2023

HTS Commodities

Wheat	<u>Wheat</u>			
	Average Bloomberg Estimate	January Actual	Actual - Estimate	December
US Ending Stocks (mbu)	581	567	-14	571
HRW 23/24 Acres	23.9	25.3	1.4	23.1
SRW 23/24 Acres	6.9	7.9	1.0	6.6
White 23/24 Acres	3.7	3.7	0.0	3.6
Dec 1 US Stocks	1,339	1,280	-59	4.6

Source: Bloomberg, USDA

## HTC's Comments

We view the data from the January WASDE and Winter Wheat Seedings report as a negative for US wheat prices. Despite the government finding 30 mbu of wheat feeding, we see this figure through a lens of incredulity and believe that this figure was used to manage the balance sheet after the December 1 stocks number pushed total US wheat stocks upwards by 30 mbu. Aside of “managing the carryout” through the feed and residual number, the seed use was raised by 3 mbu which was reflected by a growth in MY 23/24 acres. All wheat ending stocks fell by 4 mbu to 567 mbu from December. By class ending stocks for HRW were raised by 25mbu, spring wheat by 1 mbu, SRW lowered by 7 mbu and WW by 8 mbu.

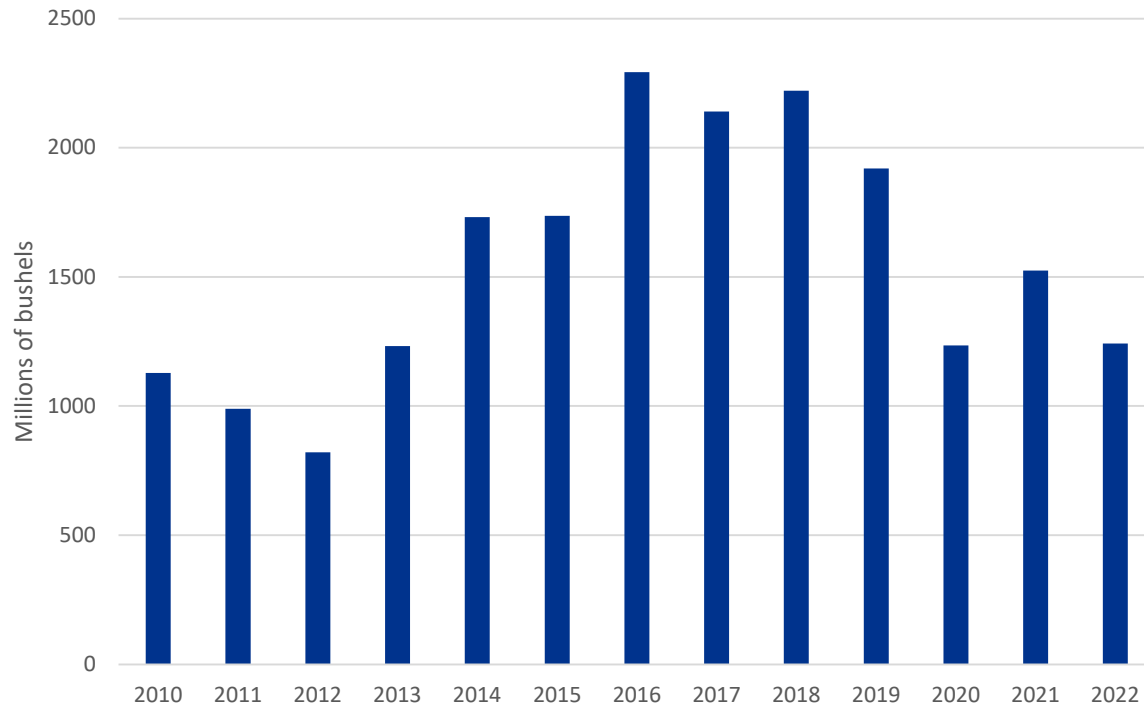
The Winter Wheat Seedings report was a negative input for the Chicago and Kansas City trades. Taking advantage of favorable pricing conditions in 2022, winter wheat producers are expected to raise planted acres by 11% YoY to 36.95 ma during MY 23/24. HRW acres rose by 10% YoY to 25.3 ma with acres up across most of the growing region. The largest acres increase was in Texas while the Dakotas remain unchanged. Soft wheat acres soared by +20% YoY to 7.9 ma with the largest increases coming in Illinois and Missouri. White wheat acres expanded by 3% YoY.

Overall we view the WASDE's ending stocks numbers as supportive for SRW and bearish HRW. However, the planted acres figure should help suppress some of the price momentum from the MY 23/24 trades and create/support for the old/new crop calendar spreads.

**Please contact your HTS Commodities associate for help interpreting the USDA's January WASDE and to design a market based solution for your wheat business.**

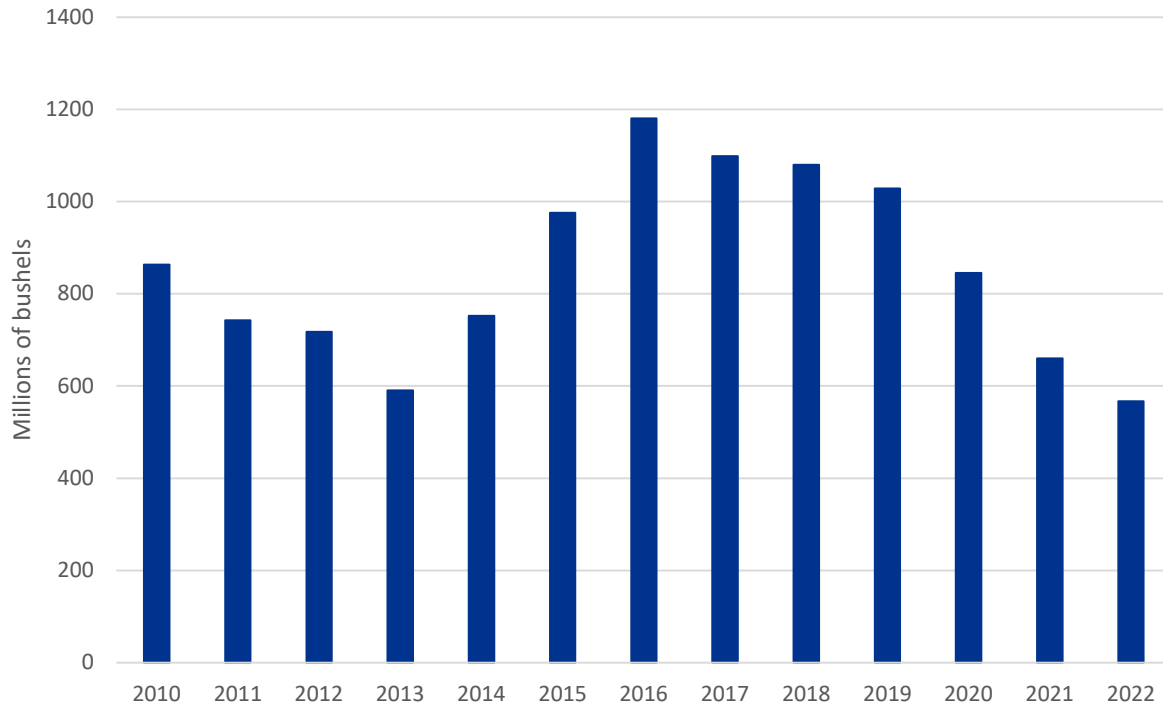
**January 12, 2023**  
**HTS Commodities**

### US Corn Ending Stocks



Source: USDA, Hilltop Securities

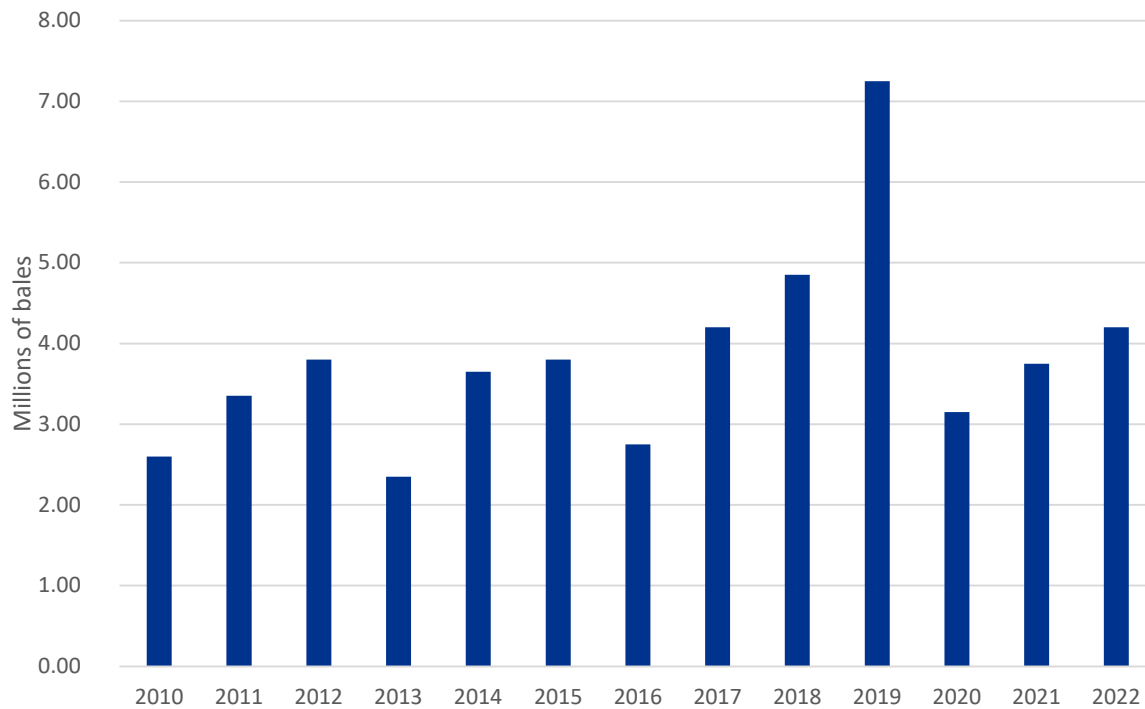
### US All Wheat Ending Stocks



Source: USDA, Hilltop Securities

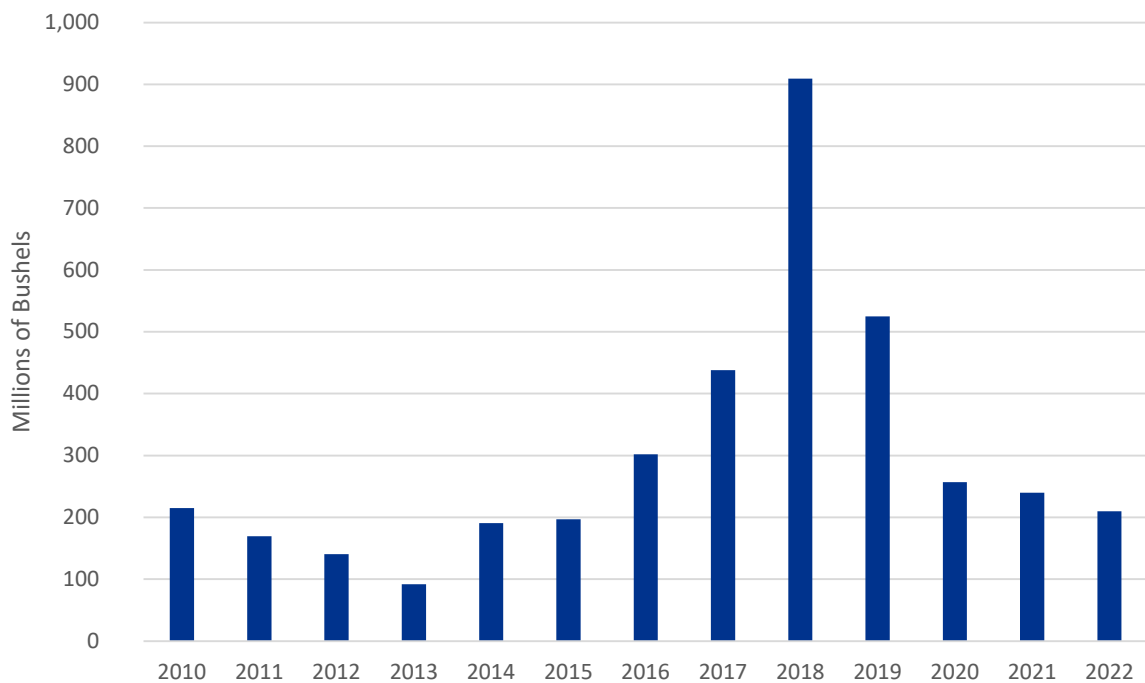
**January 12, 2023**  
**HTS Commodities**

### US Cotton Ending Stocks



Source: USDA, Hilltop Securities

### US Soybean Ending Stocks



Source: USDA, Hilltop Securities

## Disclosures

Trading on regulated commodity exchanges inherently involves risk of loss and is not suitable for everyone. The leverage created by trading on margin can work against you just as much as it can benefit you, and losses could exceed the entire investment as well as additional cash deposits. You may be required to immediately provide capital upon notice to maintain any or all open positions, and failure to do so in a timely manner could result in penalties, liquidating debit balances, unforeseen financial obligation and the loss of opportunity sought by participating in the commodity futures and options marketplace. Only risk capital should be considered for alternative investment or speculation. Before opening an account you should seek advice from related associations, regulators, certified public accountants, industry professionals and other trusted advisors. Be certain that you understand the risks and can withstand the potential losses associated with SWAPS, futures, options on futures or any other derivatives or cash commodity transactions in which you intend to participate. HTSCommodities may not represent, guarantee or warrant that you will profit from any trading activity nor that realized losses will be limited whatsoever.

The paper/commentary was prepared by HTSCommodities for informational purposes only. This paper represents historical information only and is not an indication of future performance. Nor is it a recommendation or solicitation or any specific product. This material has not been prepared in accordance with the guidelines or requirements to promote investment research, it is not a research report and is not intended as such. SOURCES: Bloomberg, U.S. Department of Agriculture, Commodity Futures Trading Commission, National Oceanic and Atmospheric Administration. Sources available upon request.

Principals, managers and some associates are registered with the National Futures Association (NFA) and all members participate as part of an independent Introducing broker in good standing. Members operate under the governance and guidelines of the Commodity Futures Trading Commission (CFTC) and are authorized to represent multiple futures clearing merchants or FCMs for the benefit of clients' selection and or suitability.

Hilltop Securities Inc. is a registered broker-dealer, registered investment adviser and municipal advisor firm that does not provide tax or legal advice. HTS is a wholly owned subsidiary of Hilltop Holdings, Inc. (NYSE: HTH) located at 717 N. Harwood St., Suite 3400, Dallas, Texas 75201, (214) 859-1800, 833-4HILLTOP.

© 2022 Hilltop Securities Inc. | All rights reserved | MEMBER: NYSE/FINRA/SIPC/NFA