

USDA Jolted Soft Commodity Prices

13 August 2015

What Happen :

Last Night USDA (US Department of Agriculture) published a regular monthly report regarding the US Agricultural productivity. The report suggests that both production and yield of productivity for both Soybean and Corn have increased last month amidst concern of unfavorable weather across the Midwest US.

For Corn :

- USDA estimated that Corn production would total 13.7 billion bushels on yield of 168.8 bushels an acre.
- Analyst estimates of about 13.3 billion bushels on yields of 164.4 bushels an acre.
- This projected corn crop would be the third largest in the US after the record harvest of the past two years.
- USDA also boosted estimates for corn supplies in the storage at 1.7 billion bushels, higher than analysts' estimates for about 1.4 billion. This is due to shifting demand from US corn to other countries such as Brazil and Ukraine.

For Soybean :

- USDA estimated soybean production at 3.9 billion bushels on yields of 46.9 bushels an acre.
- Analyst had expected production to total 3.7 billion bushels on yields of 44.6 bushels an acre.
- USDA also boosted estimates for Soybean supplies in the storage would total 470 million bushels, higher than analysts' estimates for 305 million bushels. This is due to the same reason as Corn.

Comments :

- We see this news as a negative shock for the CPO sector at least in the short term.
- Further currency depreciation of soft commodity exporter such as Malaysian Ringgit, Indonesian Rupiah, Brazilian Real and Argentinian Peso would prolonged a downward pressure for the soft commodity prices.
- Be careful for CPO related stocks such as AALI and LSIP.

Charts 1 : Corn 1Month Future Price YTD Daily Charts



Charts 2 : Soybean 1 Month Future Price YTD Daily Charts



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