

Although most analysts expect yields to improve significantly from last year, current estimates range from about 158 to 160 bushels per acre. However, the USDA has always utilized a yield very near trend for the Forum production estimate. *We expect the USDA to forecast production at a record 14,785 million bushels.*

The Forum forecast of corn supply/demand is expected to show a significant build up of ending stocks . . .

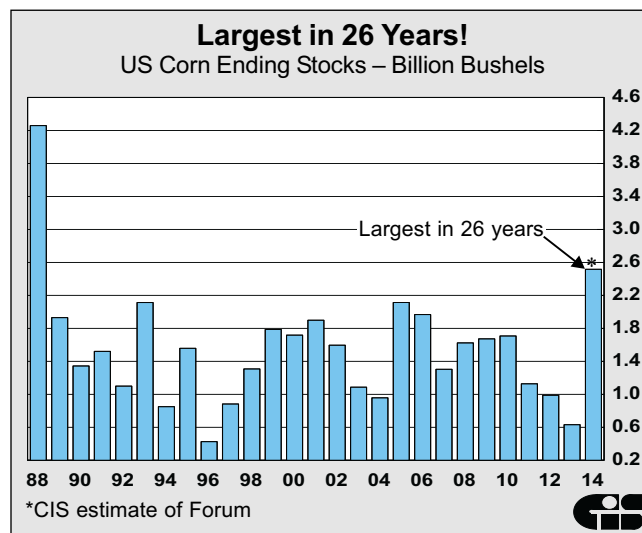
Much Larger Ending Stocks!			
Projected USDA Forum Estimate			
US Corn – Million Bushels			
	2012-13	2013-14	
	USDA ^{1/}	USDA ^{2/}	CIS ^{3/}
Beg stocks	989	647	632
Production	10780	14435	14785
Imports	100	25	25
Total supply	11869	15107	15442
Feed/res	4450	5250	5000
Food/seed	1387	1415	1425
Ethanol	4500	4675	4900
Exports	900	1700	1600
Total usage	11237	13040	12925
End stocks	632	2067	2517

1/ 2/8/13 USDA estimate
2/ USDA baseline projection
3/ What we expect the USDA Forum to forecast

Because the USDA is expected to forecast record production, we anticipate their usage estimates to increase substantially from the current season. However, our usage forecast for the Forum report is slightly below the baseline projection . . .

- Feed/residual usage is expected to increase a sizeable 550 million from this season as livestock and poultry producers return to profitability through lower corn prices. However, enough damage has occurred to the industry this season, that we doubt the USDA will raise the estimate as high as the baseline projection.
- We expect the ethanol industry to also return to profitability with lower corn prices and exceed this season's estimate by 400 million bushels. However, this is well above November's baseline projection.
- We expect the USDA to increase exports substantially from the current season, but remain somewhat below the baseline projection due to record foreign production and competition for export markets.

Our ending stocks estimate of 2517 million bushels would be the largest since 1988 . . .



We expect the USDA to show ending stocks of corn for 2014 near 2517 million bushels. This would be the largest ending stocks in 26 years when the Commodity Credit Corporation (CCC) managed surpluses and owned more than half of the carryover. *Ending stocks of this magnitude would point to a return of more than adequate supply for the 2013-14 season.*

Ending stocks near our estimate for the Agricultural Forum to be held February 21-22 may come as a shock to the trade. However, March planting intentions, planting progress into June, and summer weather conditions will be deciding factors for new crop prices during spring and summer.

Old crop corn remains extremely tight. However, price rationing is being accomplished through an inverted futures market and historically strong basis (cash price above futures). If December futures remain near \$5.50 during the month of February, crop insurance proceeds should be high enough to encourage planted acreage near 98 million, the largest in modern history. If planting weather is favorable into early June, we expect December corn futures to trade below \$5.00 per bushel. If summer weather is favorable and production estimates are near the Forum estimate, December futures hold potential to trade near \$4.00 per bushel into late summer.