

## Overview

Although old crop corn supplies are tight, nobody will want to own an inventory that will fall in value nearly \$2 per bushel over the next two months. Therefore, while cash markets may remain strong into late July, support due to tight cash markets will dissipate as southern harvest begins in mid-August. If Corn Belt weather remains benign into early August, December futures should be expected to move toward the \$4 level sooner rather than later.

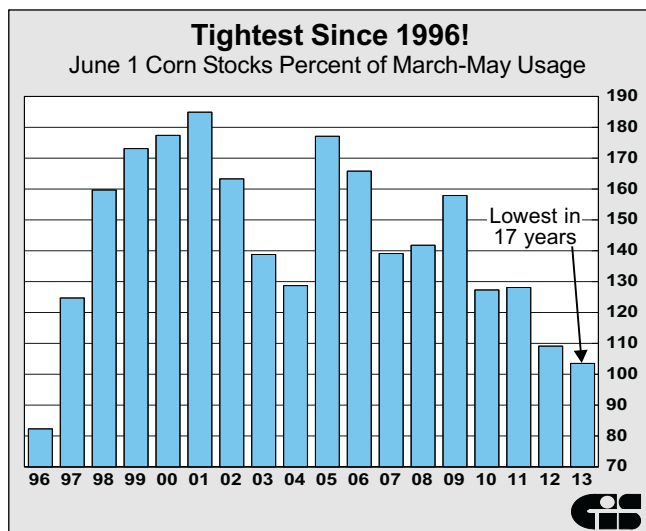
## June 1 Stocks

June 1 corn stocks were below trade expectations, but very near our estimate of 2761 million released in the June 22 issue of *Price Perceptions* . . .

| <b>Lower Stocks and Usage!</b>                       |                |                |                |              |      |
|--|----------------|----------------|----------------|--------------|------|
| US Corn – March-May Supply/Demand<br>Million Bushels |                |                |                |              |      |
|  | 2010<br>Actual | 2011<br>Actual | 2012<br>Actual | 2013<br>CIS* | Chg  |
| Mar 1 stocks   | 7694           | 6523           | 6023           | 5400         | -623 |
| Imports  | 3              | 11             | 11             | 34           | +23  |
| Total supply   | 7697           | 6534           | 6034           | 5434         | -600 |
| Food/seed/ind  | 376            | 380            | 382            | 375          | -7   |
| Ethanol  | 1189           | 1258           | 1248           | 1195         | -53  |
| Feed/res   | 1273           | 715            | 858            | 913          | +55  |
| Exports  | 549            | 511            | 398            | 187          | -211 |
| Total usage  | 3387           | 2864           | 2886           | <b>2670</b>  | -216 |
| June 1 stocks  | 4310           | 3670           | 3148           | <b>2764</b>  | -384 |

\*Actual stocks, imports and usage distribution estimated

June 1 stocks were the lowest in 16 years. Usage for the quarter was the lowest in six years. The stocks/usage ratio is the tightest in 17 years . . .

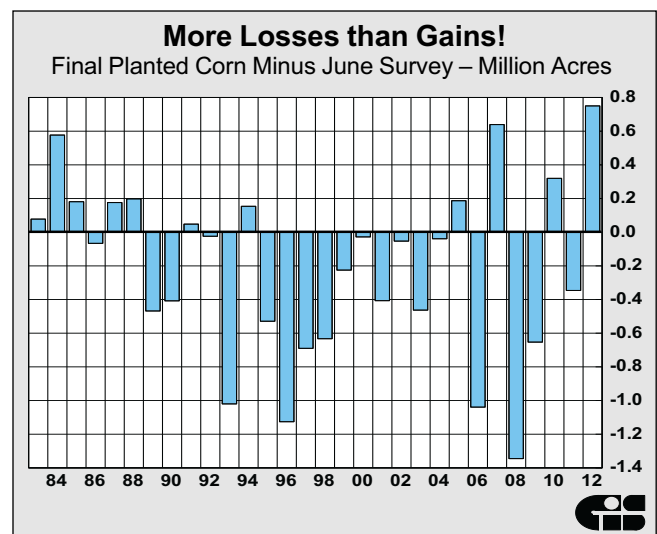


June 1 stocks as a percent of March-May usage was 103.5% compared to the historically tight season of 1996 at 82.3%. Stocks are 384 million bushels below last year. To meet the USDA endings stocks estimate of 769 million, usage during the June-August quarter must fall to 2029 million bushels (assuming 34 million imports), *the lowest level since 2004*.

The usage pace for the June-August quarter is highly erratic due to utilization of early harvested new crop during August. Last year, several hundred million bushels of new crop corn was utilized in the quarter, as harvest was earlier than normal. This year, late planting is expected to push harvest later than normal. Therefore, *available supplies must be rationed by a somewhat greater degree than last year*.

## Acreage Survey

The USDA shocked the trade by indicating acreage planted to corn would total 97.4 million, slightly *above* March intentions of 97.3 million. Most in the trade, including us, expected acreage to decline 2 to 3 million *below* intentions. The following graph illustrates the difference between the June survey and final acreage estimates . . .



Over the past 30 years, the June acreage survey was above final acreage in eleven years and below in 19 years. The largest decline was 1.345 million acres in 2008 and the greatest increase was .750 million in 2012. If this year were equal to the largest reduction of the past 30 years, planted acreage would total 96.1 million, *still the highest since 1937*.

The USDA indicated they would resurvey soybean acreage during July and release results in the August 12 crop production report. However, they did not indicate corn acreage would be surveyed. Therefore, *it will be October before a better indication of corn planting will become available*.

Continued . . .