

Overview

Record supplies without an equal increase in demand has been the primary theme of the corn market since harvest. July futures have fallen 83 cents from December's high and tested harvest lows. **Now, we are entering the time of year for the marketplace to build in a "weather premium" for new crop in case weather trends change into the critical pollination period.** Funds are heavily short futures and few professional traders will want to hold large short positions going into pollination. Therefore, we would not be surprised to see a recovery and/or consolidation over the next few weeks.

Ethanol Situation

The EPA finally released their "proposed" Renewable Fuel Standard (RFS) on May 29 for the years of 2014, 2015 and 2016. The following table outlines the new proposed mandates for 2015 and 2016 . . .

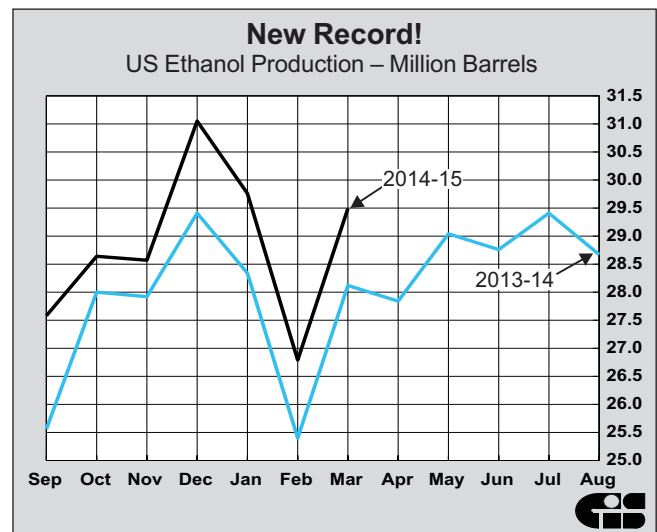
EPA Fuel Mandates				
Renewable Fuel Standard – Billion Gallons				
	2013	2014	2015	2016
	Actual ^{1/}	Actual ^{2/}	Proposed ^{3/}	Proposed ^{3/}
Ethanol	13.80	13.25	13.40	14.00
Other	2.75	2.68	2.90	3.40
Total	16.55	15.93	16.30	17.40
2007 law ^{4/}	13.80	14.40	15.00	15.00

1/ Last year when an actual mandate was finalized
 2/ Based on actual volumes produced
 3/ EPA proposal released May 29 – to be finalized in November 2015
 4/ Volume of ethanol set by the 2007 RFS law

The last time the EPA issued actual mandates was in 2013. In that year, the mandate for ethanol was 13.80 billion gallons. Many in the ethanol industry wanted the EPA to mandate even higher levels for 2015 and 2016. However, the EPA proposed a mandate for 2015 of 13.40 billion gallons, below the 13.80 billion for the year of 2013. *Since that year, ethanol production capacity has increased about 4%.*

Because gasoline consumption has failed to increase as expected in prior years, the EPA based the ethanol mandate for 2015 and 2016 on the "blend wall" of 10% of expected consumption (10% is the maximum amount of ethanol approved for use in all vehicles). The EPA indicated that higher blends such as E-15 and E-85 do not constitute enough volume to justify a higher mandate. *Some analysts indicate if ethanol usage is to be greater than the mandate, it will need to come from exports.*

However, gasoline prices are nearly \$1.00 per gallon below last year and the public is driving more miles than expected. First quarter data indicated gasoline usage increased 3% over the same period last year. Major oil companies are forecasting a 1.5% increase in gasoline consumption for 2015. Some ethanol concerns are forecasting the use of 14 billion gallons this year, well above the EPA mandate of 13.40 billion. Official monthly supply/demand data was released this week for the month of March. Although the data is two months behind, it does confirm ethanol production this season is on pace to reach a new record . . .



Ethanol production has exceeded last year's record pace each month this season. September-March production totaled 201.9 million barrels compared to 192.7 last year, up 4.7%. Usage during the same period totaled 187.0 million barrels compared to 181.9 last year, or up 2.8%. *Based on the pace of production and usage, we are increasing our corn usage for ethanol by 35 million bushels.*

Continued . . .