

## Crop Condition and Yield

Early crop ratings appear to have little correlation to final yield . . .

Little Correlation!		
US Corn Crop Rating Nearest May 31 vs Final Yield % of Trend		
Year <sup>1/</sup>	Percent Good/Excellent <sup>2/</sup>	Final Yield % of Trend <sup>3/</sup>
2008	60	103.0
2013	63	99.8
2005	64	102.7
2011	67	95.1
2009	70	108.9
2006	71	102.3
2012	72	78.6
<b>2015</b>	<b>74</b>	<b>102.9<sup>4/</sup></b>
2014	76	106.7
2010	76	99.8
2007	78	102.1

1/ Past ten years ranked by % good/excellent  
 2/ Crop rating nearest May 31  
 3/ Final yield % of 20 year trend  
 4/ Based on 5/12/15 USDA yield estimate of 166.8 bushels per acre

It is obvious early crop ratings have little correlation to final yield. The lowest rating of the series was in 2008 at 60% and final yield was 103.0% of trend. The second highest rating was in 2010 at 76% and final yield was only 99.8% of trend. The worst outcome of the series was 2012 with an early crop rating of 72% and final yield was a disastrous 78.6% of trend. The best outcome was in 2014 with a crop rating of 76% and final yield was a surprising 106.7% of trend. It is important to note this year falls between the worst and the best yield results in the series. *It appears the USDA was correct when they indicated corn yields are primarily determined by summer weather, not early planting or early crop ratings.*

## US Supply/Demand

The USDA will release the next supply/demand forecast on June 10. Our analysis compares to the May 12 USDA forecast as follows . . .

No Stocks Buildup!					
US Corn Supply/Demand Million Acres and Bushels					
	13-14	14-15		15-16	
	Actual	USDA <sup>1/</sup>	CIS Est	USDA <sup>1/</sup>	CIS Est
Pltd acres	95.4	90.6	90.6	89.2	89.5 <sup>4/</sup>
% hvstd	91.7	91.7	91.7	91.6	91.6
Hvstd acres	87.5	83.1	83.1	81.7	82.0
Yield	158.1	171.0	171.0	166.8	166.8
Beg stocks	821	1232	1232	1851	1862
Production	13829	14216	14216	13630	13675
Imports	36	25	25	25	25
Total supply	14686	15472	15472	15506	15562
Feed/res	5034	5250	5200	5300	5300
Food/seed	1369	1347	1375	1360	1380
Ethanol	5134	5200	5235 <sup>2/</sup>	5200	5250 <sup>5/</sup>
Exports	1917	1825	1800 <sup>3/</sup>	1900	1850
Total usage	13454	13622	13610	13760	13780
End stocks	1232	1851	<b>1862</b>	1746	<b>1782</b>

1/ USDA 5/12/15 estimate  
 2/ Based on foregoing data  
 3/ Based on current export commitment  
 4/ Above intentions due to early planting in major states  
 5/ Assumes ethanol prices remain below gasoline

Our ending stocks estimate for both seasons is very near the USDA. However, several analysts continue to forecast ending stocks for 2016 above 2000 million bushels. Although planting was early this year, as indicated by the foregoing yield study, there is little correlation of yield to early planting and/or high early crop ratings. Therefore, unless yields are much better than the USDA estimate (second highest in history), *ending stocks for 2016 will be slightly lower than the current season.*

We have long expected July futures to trade between \$3.25 and \$3.50. Recent lows of \$3.48<sup>1/4</sup> may, or may not, prove to become the ultimate low. However, most disappointing demand news has been absorbed in the marketplace and unless demand estimates decline even more, it appears futures should stabilize near recent lows.

We have also expected December futures to eventually trade near \$3.50. Although that level has not yet been attained, summer weather will become the major determinate of whether or not futures eventually reach that level. **Currently, a great deal of bearishness has already been discounted in new crop futures and traditionally the marketplace builds in a "risk premium" before mid-July. Therefore, we expect December futures to also stabilize near recent lows in weeks ahead until more is known about summer weather trends.**

Continued . . .