

Tighter Balance!

US Corn Supply/Demand – Million Bushels

	13-14		14-15		15-16	
	Actual	USDA ^{1/}	CIS Est	USDA ^{1/}	CIS Est	USDA ^{1/}
Beg stocks	821	1232	1232	1876	1772	
Production	13829	14216	14216	13630	13406	
Imports	36	25	25	25	25	
Total supply	14686	15472	15472	15531	15203	
Feed/res	5034	5250	5325 ^{2/}	5300	5300	
Food/seed	1369	1347	1375	1360	1370	
Ethanol	5134	5175	5190 ^{3/}	5200	5210 ^{5/}	
Exports	1917	1825	1810 ^{4/}	1900	1850 ^{4/}	
Total usage	13454	13597	13700	13760	13730	
End stocks	1232	1876	1772	1771	1473	

1/ USDA 6/10/15 estimate

2/ Above the USDA based on June 1 stocks

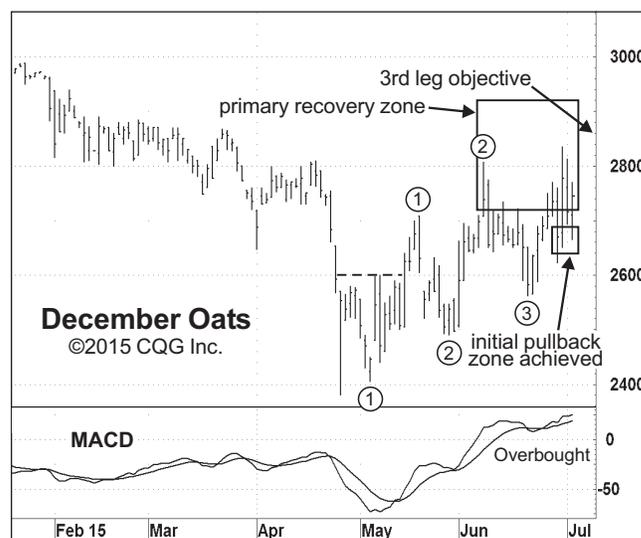
3/ Based on recent production data

4/ Based on uncompetitive US prices

5/ Based on expanding gasoline consumption

Our new supply/demand estimates are significantly tighter than previous projections, based on this week's stocks and acreage reports in addition to indications of reduced yield. However, December futures have advanced sharply, already discounting a major portion of bullish report interpretation. *Any further gains should be attributed to even worse crop development than known this week.*

As indicated in the 6/20/15 issue of *Price Perceptions*, a great deal of known bearish news had been discounted in futures and traditionally the marketplace builds in a "weather premium" before mid-July. The market built in a sharp weather premium this week. **Unless new significant damage occurs to the crop in weeks ahead, our economic value studies indicate the weather premium should not exceed the \$4.50 level for December futures by any significant margin.** However, if flooding and excessive rains continue into mid-July a different scenario would be called for.



This week, the market moved deeper into the primary recovery zone illustrated in prior issues from 2.72 to 2.92. The zone remains operative. A small bottom was completed in mid-May. The first leg up (1) gained 30 cents. The second leg (2) gained 40 cents. When the second leg is longer, the third leg is usually equal to the first. Therefore, if the third leg (3) is equal to the first, an objective of 2.86 is indicated. This week, the initial pullback zone shown previously from 2.64 to 2.69 was achieved. The MACD remains in a positive mode. However, it is deep in overbought territory and the next sell signal should mark an end to the advance.

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