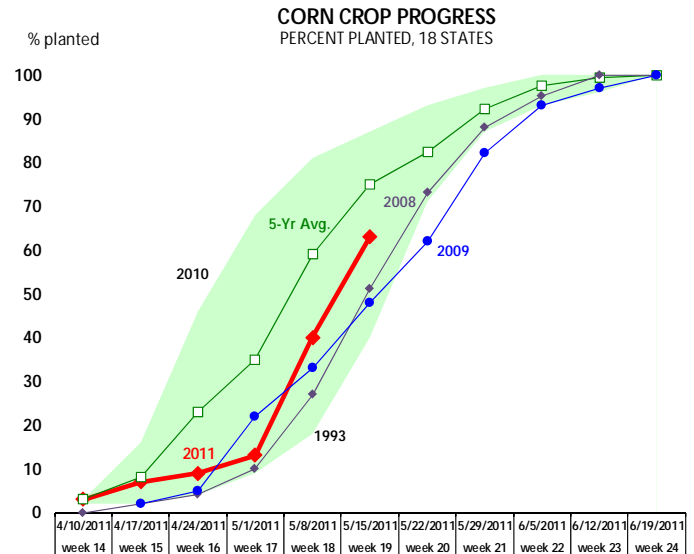


Market Comments

Corn futures continued to gain ground on Tuesday as market participants fear the potential negative impact of slow plantings in the Eastern Corn Belt and the possibility that a sizable number of acres along the Mississippi River will be lost to flooding this year. The numbers bandied about are rather fluid and we have seen estimates from 500,000 to 1.5 million acres that could be lost to flooding. The USDA 'Prospective Plantings' report showed that farmers in Mississippi were planning to put 860,000 acres in corn this year. Much of this crop is in the Delta and was planted in early April. If it gets flooded, there is little chance farmers will be able to replant this year. On page 2, we have included a map that shows areas in the US where rivers are above flood stage. This includes a wide swath of acres from Indiana all the way down to the Gulf Coast, highlighting the risk to a significant portion of the US corn crop.

Coming into this year, we noted that tight corn supplies would likely leave little margin for error. At this time, risks remain plentiful and this will tend to maintain the premiums in the futures market. The first risk is that of lost acres. Planting intentions indicated US farmers were going to plant 92.2 million acres with corn. If the actual plantings come in at about 91 million acres due to flooding, this could remove about 175 million bushels of production this fall. The second risk is that of delayed plantings. USDA's first estimate of the 2011-12 corn crop pegged corn yields at 158.7 bu./acre. Research has shown that corn planted after May 15 has a higher likelihood to produce below trend yields. Every year is a little different and much will depend on weather patterns in July and early August. In 2009, corn crop progress was below current levels but farmers received excellent yields due to an unusually cool summer.

The May 15 USDA report had overall US corn crop progress at 63%, compared to 87% a year ago and 75% for the five year average. While producers have made great progress in closing the gap in plantings, the situation is uneven. Above we show the planting progress for three states, Ohio, North Dakota and Indiana, which are lagging other states by a significant margin. These three states account for 12 million acres (based on intentions) and could significantly skew the overall yield performance. Some of the lost yields in the ECB could be offset by good progress in Iowa and other large producing states but the risk remains that producers in the above states will plant the corn and suffer significant yield losses or switch out of corn altogether and plant soybeans instead. Finally, it is important to keep an eye on corn demand. Part of the reason corn prices were buoyed this week was due to reports that corn exports are picking up. The thinking to this point has been that foreign buyers would stay out of the US until the new crop was harvested. Flooding and yield risks could cause foreign buyers to accelerate purchases, pressuring old crop supplies.



Crop Progress in Ohio, North Dakota & Indiana

State	May 15, 2010 (percent)	May 8, 2011 (percent)	May 15, 2011 (percent)	2006-2010 Average (percent)	Planting Intentions mil. acres
Ohio	83	2	7	70	3.7
North Dakota	57	3	14	55	2.5
Indiana	85	4	29	66	5.9
Subtotal					12.1

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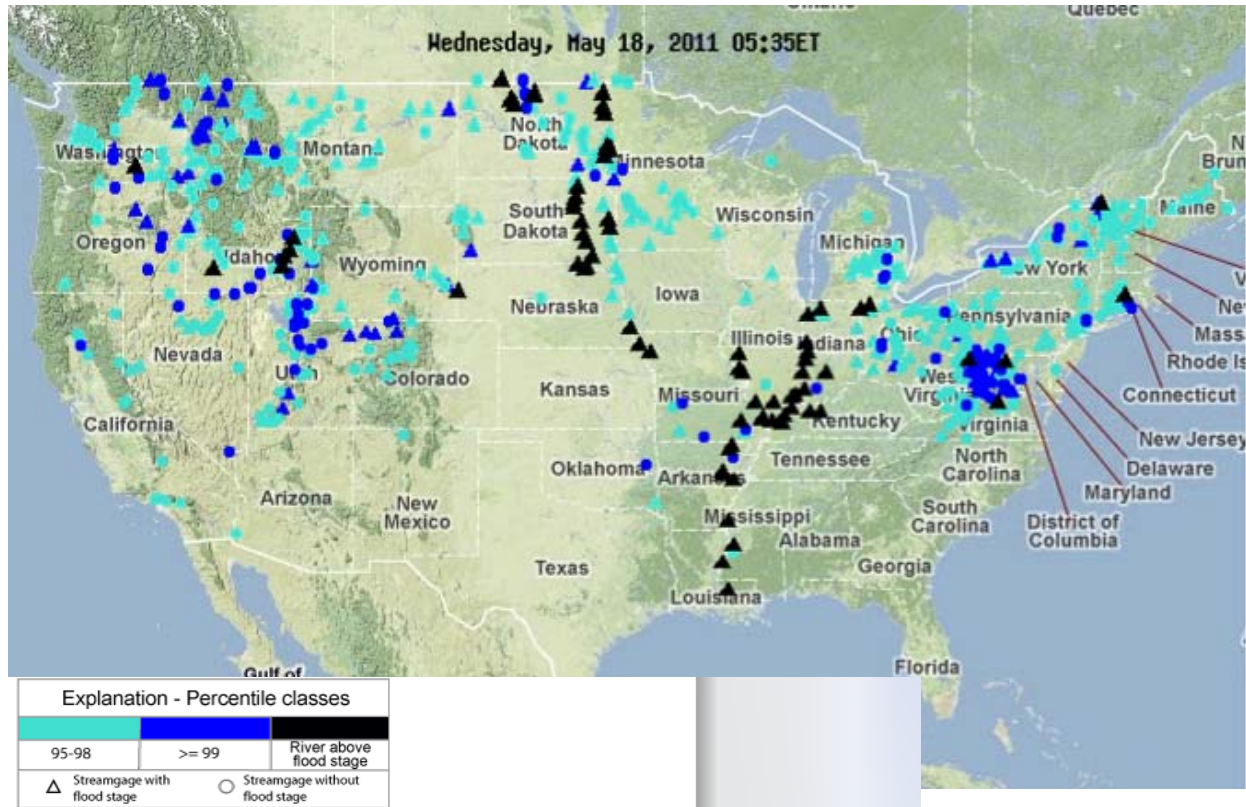
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Daily Livestock Report

Published daily by Steve Meyer and Steiner Consulting Group

Vol. 9, No. 94 / May 18, 2011

USGS Waterwatch: Map of Flood and High Flow Conditions in the US



A **percentile** is a value on a scale of one hundred that indicates the percent of a distribution that is equal to or below it.

- "**<95**" indicates that the estimated streamflow is less than the 95th percentile for all days of the year,
- "**95-98**" indicates that the estimated streamflow is between the 95th and 98th percentiles for all days of the year,
- "**>=99**" indicates that estimated streamflow is greater than the 99th percentile, and
- "**Not ranked**" indicates that a flow category has not been computed. Common reasons for a "Not ranked" category are insufficient historical data or no current streamflow estimates.

Source: http://waterwatch.usgs.gov/new/index.php?id=ww_flood