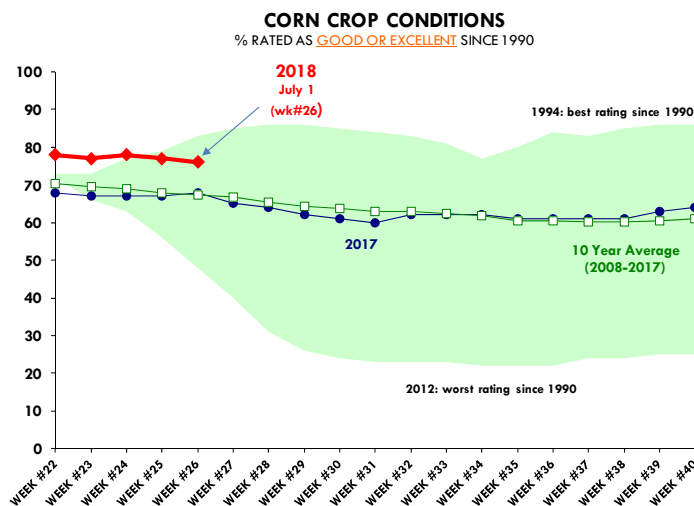


CME Holiday Schedule: Livestock futures market will close early today, July 3, at 1215 CT. Market will be closed on July 4th.

Grain futures have been on a downtrend since mid May as participants have quickly removed some of the risk premiums they built into prices at the start of the planting season. After three years of above trend yields (see chart on page 2), there was some speculation that maybe corn yields this year would come below trend. Drought conditions along the periphery of the Corn Belt further buttressed that expectation. So far those fears have not been proven true. The corn and soybean crop conditions have been above average, there are more planted acres than earlier thought and tariff wars with key buyers of US corn and soybeans may limit the export potential in the coming year. Briefly on these three points:

- For the week ending July 1 USDA reported that 76% of the US corn crop was in good/excellent condition. This was one point lower than the previous week but still eight points better than the previous year. It is not unusual for corn condition ratings to decline into July. But we are starting from a very high threshold and so far the risk to the crop appears limited. We have not changed the USDA trend yield in the balance sheet below but participants will likely start to consider possibly higher yield potential if current conditions persist. Last year's yield was near 177 and a similar yield this year would add almost 250 million bushels to this year's harvest. USDA also noted that 71% of the soybean acres surveyed were in good/excellent condition, 7 points better than the same week a year ago.

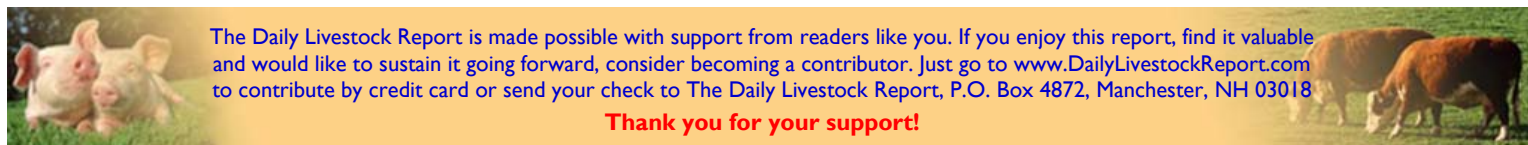
- The 'Acreage' report released by USDA last Friday showed that US farmers planted more corn, soybeans and spring wheat than earlier expected. Corn plantings were revised by 1.1 million acres from the March survey. The increase in acreage adds 182 million bushels to the corn balance sheet for this year (see attached table). Soybean planted acres were reported at 89.56 million compared to 88.98 million in the March survey, a 575 million acre increase. Spring wheat plantings were also 570,000 acres larger than the March survey. What demand numbers will USDA use in its July balance sheet? The increase in hog numbers could support higher feed demand going forward. Ethanol demand was revised higher in June and likely will be kept at those levels. As for exports, it is likely something that USDA will consider carefully and may revise lower. For now we show ending stocks higher than in the June report as a result of higher acres. Mexico is a major buyer of US corn but, so far, has not included corn in the list of products facing tariffs. Markets will also increasingly focus on crop conditions in other parts of the world, which could continue to bolster US export potential. As for soybeans, the China tariffs are real and the combination of lower exports and good production potential will likely continue to weigh on futures



Corn Supply & Use w/June Acreage Update

Source: USDA & Steiner Consulting

	2017/18 USDA Estimate	2018-19 Projection		Possible July Estimates
		USDA May Est	USDA June Est	
million acres				
Planted	90.2	88.0	88.0	89.1
Harvested	82.7	80.7	80.7	81.7
bushels				
Yield	176.6	174.0	174.0	174.0
million bushels				
Beginning stocks	2,293	2,182	2,102	2,102
Production	14,604	14,040	14,040	14,222
Imports	45	50	50	50
Supply, total	16,942	16,272	16,192	16,374
Feed and residual	5,500	5,375	5,350	5,400
Ethanol for fuel	5,575	5,625	5,675	5,675
Food, seed, other	1,465	1,490	1,490	1,490
Domestic use, total	12,540	12,490	12,515	12,565
Exports	2,300	2,100	2,100	2,100
Use, total	14,840	14,590	14,615	14,665
Ending stocks	2,102	1,682	1,577	1,709
Stocks/Use	14.2%	11.5%	10.8%	11.7%



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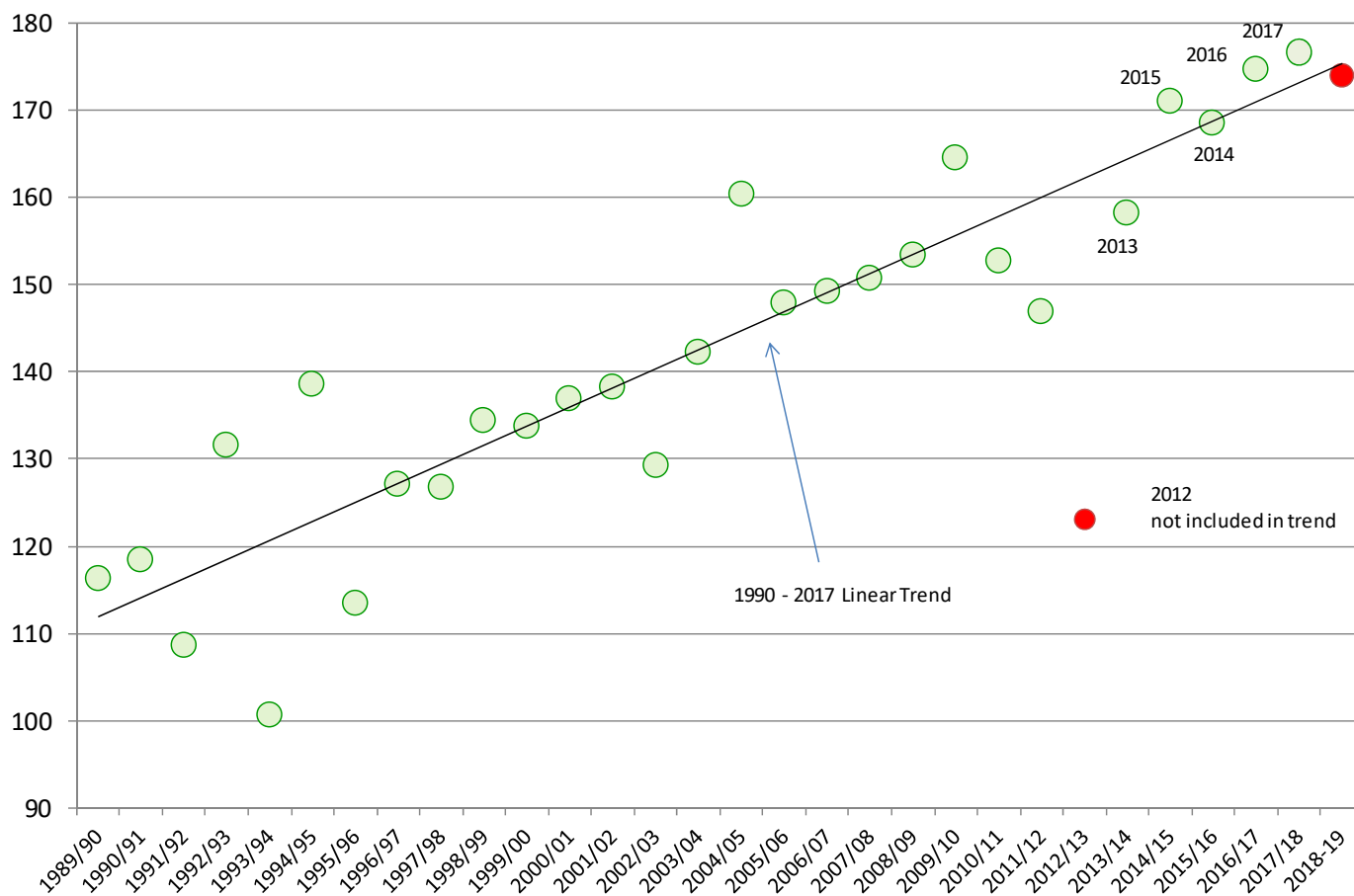
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TREND CORN YIELDS AND 2018-19 USDA MODEL YIELDS

Corn Yields Since 1990. More Stable and Higher Yields in the Last Decade Point to Effect of Technological Improvements. Data from USDA.



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