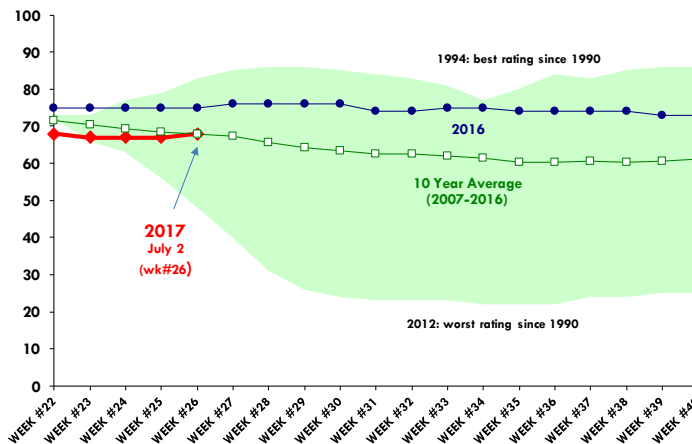


When writing this report we try to alternate between factors and events that impact markets both in the short and longer term. **The outlook for feed prices is one of those long term factors, shaping the trajectory for US livestock and poultry production for the next few years.** The next few weeks are critical for the corn crop as the crop enters the pollination period. Last year about 4% of the corn crop was silking during week #26 and it was almost at 100% by week #30. Lack of moisture during this period can lead to dramatic reductions in corn yields and market participants will pay close attention to precipitation levels. So far much of the corn crop appears to be in good shape and drought monitor charts point only to a few problematic spots (in the Dakotas). The latest corn crop condition report indicated that some 68% of the crop is in good or excellent condition, 7 points lower than during the same week a year ago but at the same point it was in 2015 and in line with the 10 year average. Precipitation across much of the Corn Belt in the last two weeks has been mixed, with areas west receiving less than the normal amount while some parts of Indiana and Ohio receiving as many as 5 inches above normal (see map on page 2).

December corn futures have twice rallied in the last few weeks on speculation that creeping drought conditions could start to impact the new crop. **USDA will issue an update of its corn harvest projections next week and it is likely that projected corn production may receive a modest bump based on higher than expected planted acres.** As we noted in our report on July 3, the USDA 'Acreage' survey report indicated farmers planted 90.9 million acres with corn this past spring, about 900,000 more than USDA was using in its balance sheet calculations. This change alone would add about 179 million bushels of corn to projected output. With no objective yield data available at this point and corn conditions in line with normal levels, one would expect USDA to maintain its trend yield projections. The chart to the right illustrates how current USDA projected yields compare to the long run trend as well as yields in the past two years. For now, USDA calculations and implied supply availability appear warrant little revision, especially in light of the most recent crop condition reports. Carryover stocks already were projected to be large and the June 1 stocks survey did little to change that part of the equation. So basically we are looking at roughly 2.3 billion bushels of corn that will be available at the start of the new marketing year plus 14.25 billion bushels of new corn (83.4 million harvested acres * 170.7 bu./acre yield). The resulting 16.6 billion bushel stockpile would be second to only last year's 16.9 billion bu. Corn supply availability, at least at this point, does not appear to be an issue and it is part of the reason why we see hog, cattle and broiler producers continuing to expand. Feed and residual use in 2016/17 rose to 5.5 billion bushels from 5.1 billion

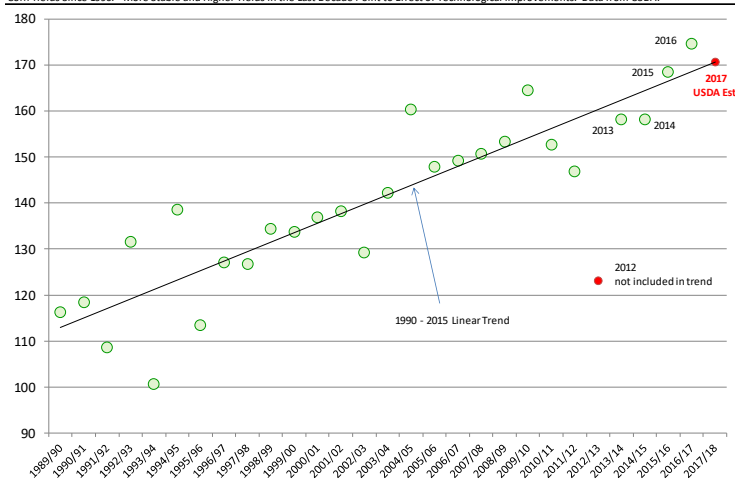
CORN CROP CONDITIONS

% RATED AS **GOOD OR EXCELLENT** SINCE 1990



TREND CORN YIELDS OF 170.7 BUSHELS PER ACRE USED IN LATEST USDA REPORT

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



bushels the previous year and it is likely we will be near those levels again for the new marketing year. Global coarse grain supplies also remain large due to a significant improvement in South American output. Global ending stocks are projected to decline to 194 million MT in 2017/18 but this level still is 50% larger than in 2011 and 2012.

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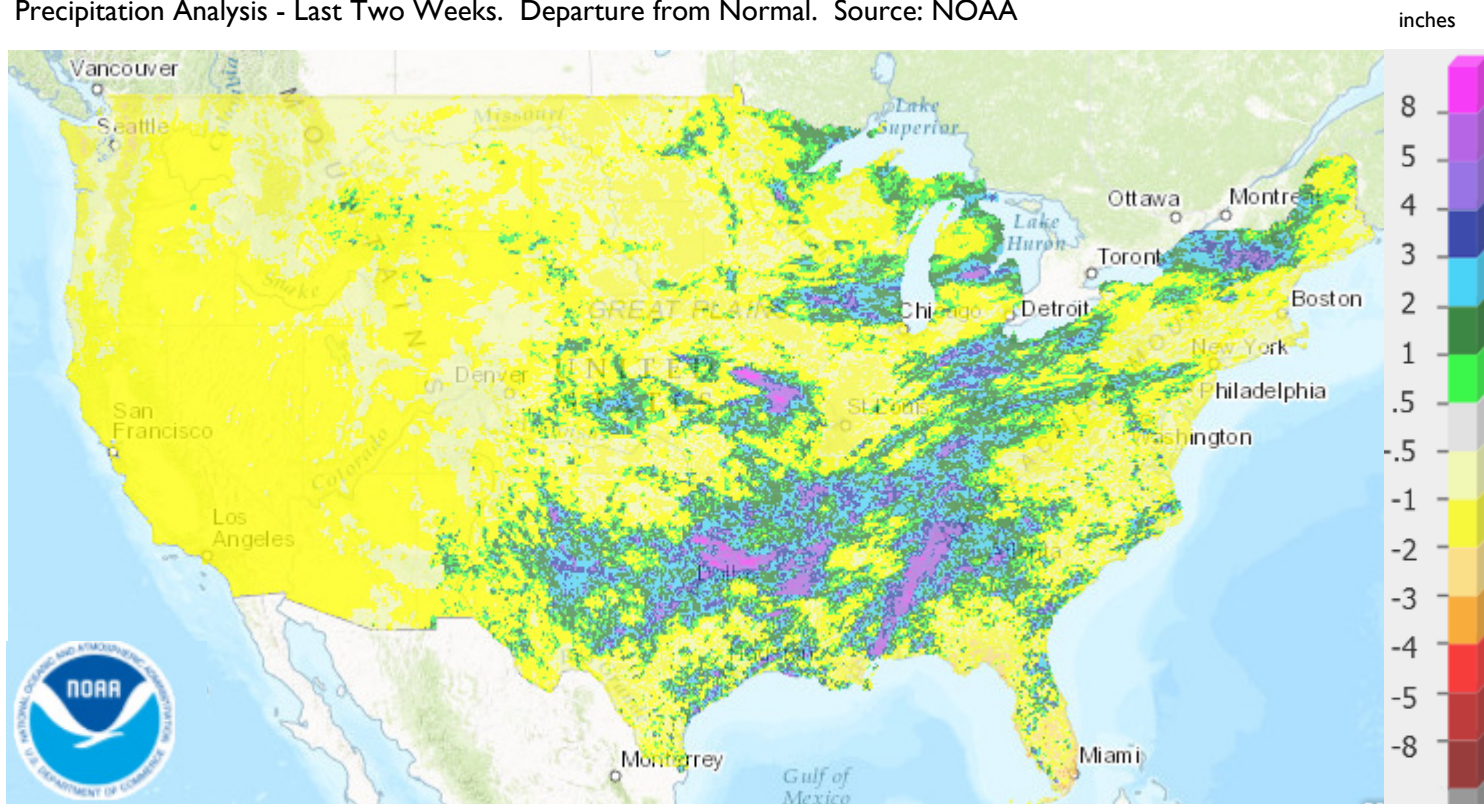
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Precipitation Analysis - Last Two Weeks. Departure from Normal. Source: NOAA



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