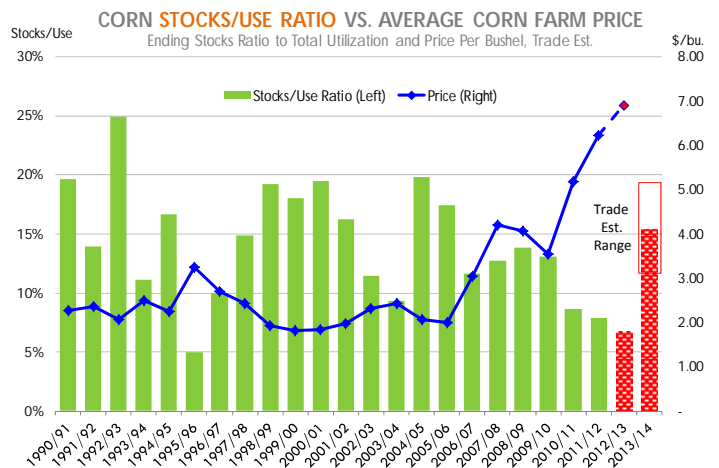
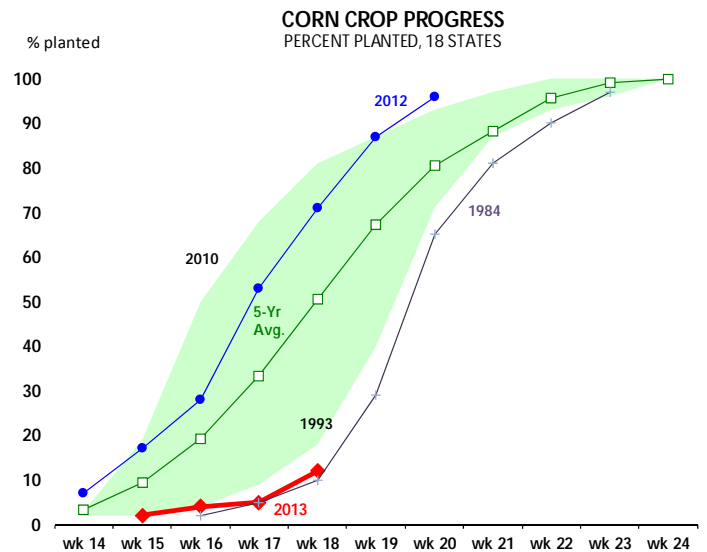


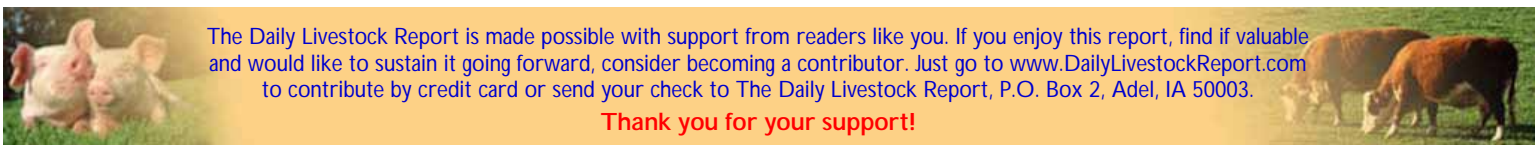
Grain futures declined sharply on Monday even as the weekly USDA 'Crop Progress' report showed that just 12% of the corn crop had been planted as of May 5. The crop progress report tracks plantings in 18 states, covering about 92% of the national corn production. For much of last week corn futures were higher on speculation that cold and wet weather could further delay plantings in the next 6-10 days. On Monday, however, traders appeared to unwind bullish bets as weather forecasts called for drier and warmer weather, which could allow producers to get the crop in the ground before the window closes. December corn futures declined 15 cents to close at \$5.3825/bushel.

The slow pace of plantings may reduce the number of planted acres but it does not necessarily imply lower yields, and yields will be key going forward. As Dale Durchholz of Agrivisor points out, slow plantings so far this year hold a lot of parallels to 1984 (see chart). That year cold soils and snow limited corn plantings for much of April and early May, with corn plantings through May 13, 1984 at just 29%. Many expect US corn plantings to be at around 25-28% by May 14, 2013 also. And yet, despite the delays, corn yields in 1984 ended up 2% above trend even as planted acres were about 1.6% smaller than planting intentions. This year farmers indicated that they were intending to plant over 97 million acres and a 2 million acre reduction may not impact final output much if yields end up anywhere close to the 164 bu. trend.

USDA will provide its first forecast of 2013-14 corn production and use on Friday, May 10 and some of the analyst estimates for ending stocks indicate why the market remains bearish about corn prices in the coming year. A Reuters poll of analysts indicated that they expect old corn crop ending stocks to come in at 749 million bushels, compared to 757 million bushels USDA published last month. The expectation is for USDA to only make minor adjustments to current corn demand estimates even though ethanol production has picked up recently while the pace of exports remains extremely slow. Livestock and poultry use will likely remain unchanged as production trends in the last four weeks show little change from the April report. The analysts polled indicated that on average they expect **2013/14 corn ending stocks to be 1.993 billion bushels, 1.2 billion bushels larger than the previous year.** While there was significant range in the views of analysts about next year's crop, the majority expect a big improvement in corn supplies. Of the 21 analysts polled by Reuters, 12 of them expect ending stocks to exceed 2 billion bushels. And while the average of analyst estimates shows a notable improvement from a year ago, it likely accounts for both a reduction in intended acres (about 1.5 million or so) and below trend yields (156 bu/acre). It remains to be seen if USDA



will also opt to lower estimates for planted acres or yields. In some years USDA has shown a willingness to do that based on field reports but there is still a lot of uncertainty. However, in other years USDA has opted to go with trend model yields until conditions on the ground warrant model adjustments. For the next three weeks, weather will remain the wild card. Also important will be the first USDA estimates of world corn supplies for next year. Big crop increases in North America and more corn from other parts of the world could set the state for significant price competition in 2013/14



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