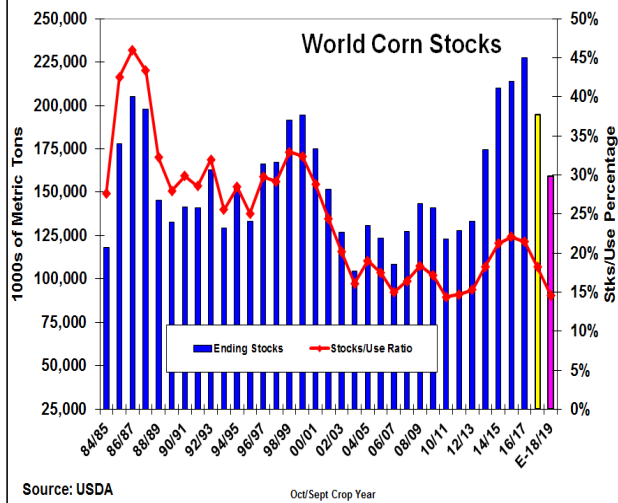


Smaller Brazilian crop supports corn while protein demand supports soy

U.S. Corn Supply/Demand

(Millions)	2017/18		2017/18		2017/18		2017/18		2018/19	
	USDA Feb	USDA Mar	USDA April	USDA May	USDA Ag Forum	USDA May	USDA May	USDA May	USDA May	
Planting Acres	90.17	90.17	90.17	90.17	90.17	90.00	88.03			
Harvested Acres	82.70	82.70	82.70	82.70	82.70	82.70	80.70			
Yield in Bu.	176.6	176.6	176.6	176.6	176.6	174.0	174.0			
Initial Stocks	2,293	2,293	2,293	2,293	2,352	2,182	2,182			
Production	14,604	14,604	14,604	14,604	14,390	14,404	14,404			
Imports	50	50	50	50	50	50	50			
Ttl Supply	16,947	16,947	16,947	16,947	16,947	16,792	16,272			
Feed/Residual	5,550	5,550	5,500	5,500	5,500	5,475	5,375			
Food/Seed	1,470	1,470	1,465	1,465	1,495	1,490	1,490			
Ethanol	5,525	5,575	5,575	5,575	5,650	5,625	5,625			
Ttl Domestic	12,545	12,595	12,540	12,540	12,620	12,490	12,490			
Exports	2,050	2,225	2,225	2,225	1,900	2,100	2,100			
Ttl Usage	14,595	14,820	14,765	14,765	14,520	14,590	14,590			
Ending Stocks	2,352	2,127	2,182	2,182	2,272	1,682	1,682			
Stks/Use Ratio	16.1%	14.4%	14.8%	14.8%	15.6%	11.5%	11.5%			
Trade Ave. Est.				2.178		1.628	1.628			



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Market Analysis

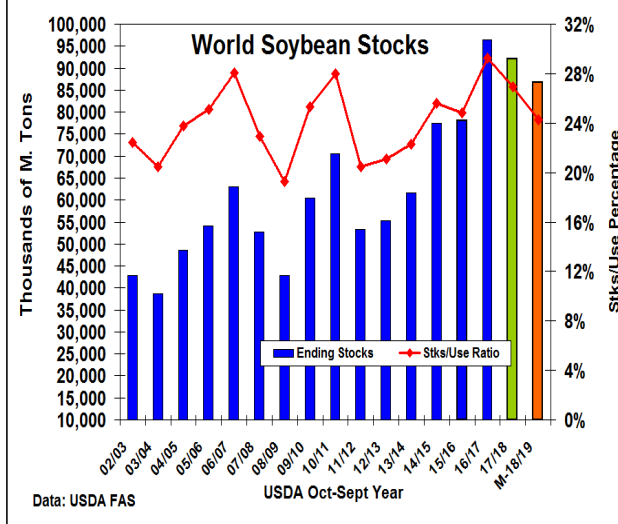
The USDA's May supply/demand updates had some surprises in their new-crop corn & soybean ending stocks when the World Board issued their 1st US & World 2018/19 S&D projections. Two things that didn't change however was the USDA's Ag Forum yields & 2018's planting intentions, which are normally used in 2018/19 balance sheets.

Smaller S. American corn estimates (Brazil -5.0 mmt & Argentina -0 mmt) didn't impact the USDA's old-crop corn exports this month since Brazil's safrinha crop competes primarily in 1st half of US crop year (Sept-Jan) so the USDA raised its new-crop exports by 200 million. No 2018 domestic US demand changes were made, but the World Board sliced 25 million from its Ag Forum ethanol and 100 million from its new-crop feed demand. Given the limited chance for reduced numbers given the current US feed costs, this prompted many quizzical trade responses. Overall, corn's 1.682 billion bu. 2018/19 ending stocks were slightly higher than-expected, but still 500 million lower than this year and the lowest carryover in 5 years. Combine this 12.5 mmt US drop with China's current aggressive stock reduction of 19 mmt prompted the USDA to cut 18/19 world stocks by 30 mmt to 159 mmt, a 6 year low in this feedgrain. This makes Brazil's safrinha crop dryness highly important over the final 6-8 weeks of its growing season.

The USDA did up old-crop bean processing by 20 million bu., but left exports unchanged in their 2017/18 soybean table. Their slight S. American output rise (Brazil +2 mmt & Argentina -1 mmt) prompted current exports to be left unchanged. The big surprise was the World Board decision to keep its 2018/19 export outlook at its Ag Forum level despite the current US/China trade problems. The USDA also upped its new-crop crush following their old-crop increase. This dropped 2019 stocks by 115 million bu to 415 million. This level & USDA's strong Chinese demand outlook cut their world stocks by 5.5 mmt to 86.7 mmt for 2018/19.

U.S. Soybean Supply/Demand

(Millions)	2017/18		2017/18		2017/18		2018/19	
	USDA Feb	USDA Mar	USDA April	USDA May	USDA Ag Forum	USDA May	USDA May	
Planted Acres	90.14	90.14	90.14	90.14	90.00	88.98		
Harvested Acres	89.52	89.52	89.52	89.52	89.10	88.20		
Yield in Bu.	49.1	49.1	49.1	49.1	48.5	48.5		
Initial Stocks	302	302	302	302	530	530		
Production	4,392	4,392	4,392	4,392	4,320	4,280		
Imports	25	25	25	25	25	25		
Ttl Supply	4,718	4,718	4,718	4,718	4,875	4,835		
Crush	1,950	1,960	1,970	1,990	1,980	1,995		
Seed	106	106	103	103	106	103		
Residual	33	33	30	30	29	32		
Ttl Domestic	2,089	2,099	2,103	2,123	2,115	2,130		
Exports	2,100	2,065	2,065	2,065	2,300	2,290		
Ttl Usage	4,189	4,164	4,168	4,188	4,415	4,420		
Ending Stocks	530	555	550	530	460	415		
Stks/Use Ratio	12.6%	13.3%	13.2%	12.7%	10.4%	9.4%		
Trade Ave. Est.				541		535		



What's Ahead After an initial soybean rally on the USDA's smaller new-crop US stock forecast, the market's focus returned to next week's DC trade talks that don't appeared settled yet. Corn also firmed on its smaller US & World stocks levels, but weaken on ideas of a good US planting week in the 60's on Monday's update. However, Brazilian weather remains important to corn. We'll look at USDA's wheat data in a separate report.

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