

Strong export & ethanol use, but big corn crop keeps stocks high

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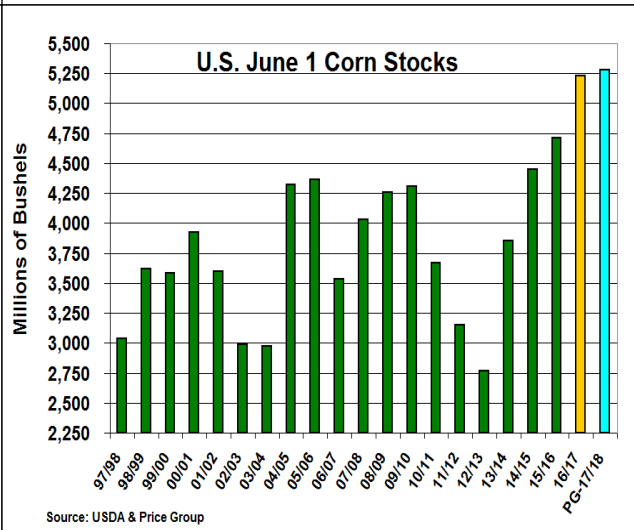
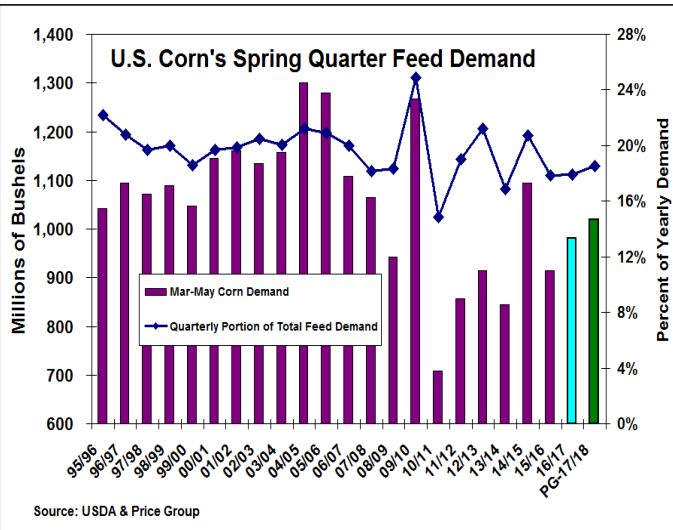
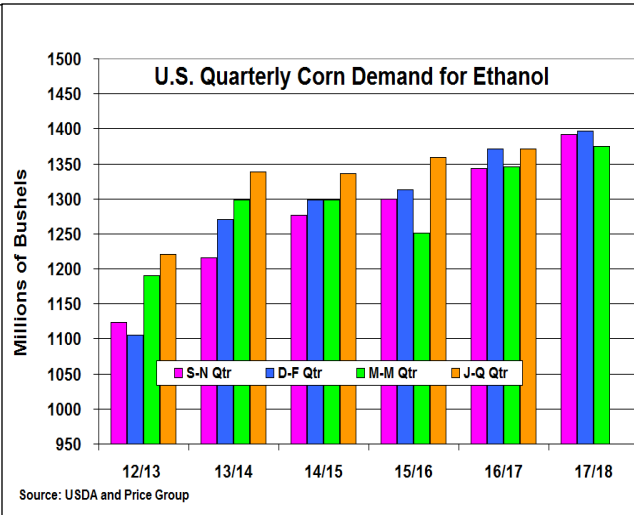
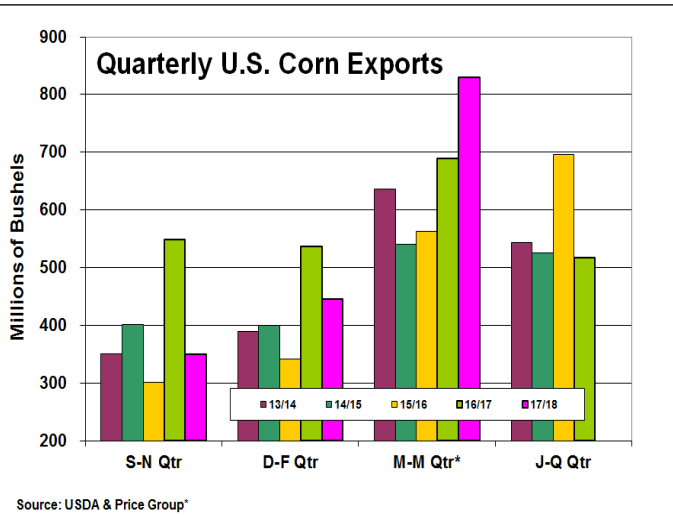
Market Analysis

The corn market's focus could be split between the upcoming USDA's quarterly stocks and 2018 acreage reports both being released on June 29, We look at the stock report here. Record weekly ethanol output has pushed this domestic demand outlook up 100 million bu. from last fall while the USDA has left its feed demand outlook unchanged. This year's US export outlook has swung dramatically higher by 450 million bu. (75 million earlier month) to 2.3 billion bu. because of S. America's drought issues since last October.

Overseas demand has pushed the past quarter's US exports to a likely record 830 million bu., but US shipments need to keep a weekly 53 million bu pace to hit the USDA objective. Strong domestic & export demand should push corn's quarterly ethanol usage to another record 1.379 billion bu.. This advances this year's bio-fuel usage to 107 of 143 million bu. previously fore

To track US feed demand, the USDA surveys elevator operations and farmers on a quarterly basis. Since corn is fed both on and off-the-farm, this important procedure is the only way to quantify the US feed usage by comparing the current and previous stock levels. Export demand and ethanol output are updated with weekly and monthly reports.

Despite sharply higher feedlot cattle numbers because of the SW drought & higher hog numbers pushing the US grain consuming animal units up 1.5 million to 100.1 million units, US first half corn feed demand was calculated 48 million bu. less than last year. A combination of feed buyer complacency and higher DDG utilization was likely behind this situation. A potential feed demand catch-up and 1-3% higher broilers and egg sets recently could advance this year's 3rd quarter feed demand by 4% to 1.02 billion bu. However, 2018's June 1 stocks of 5.283 billion bu. of corn could still be 53 million higher than last year.



What's Ahead: The corn market has been caught up in the US/Chinese tariff statements & spillover concerns about NAFTA talks with Mexico—our leading corn importer. However, US corn plantings on the upcoming June 29 acreage report (March intentions were down 2.137 million acres) & July's highly important pollination period suggest price volatility ahead. **Use a July rally to \$3.75-\$80 range to advance 2017/18 sales to 60-70%.**

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