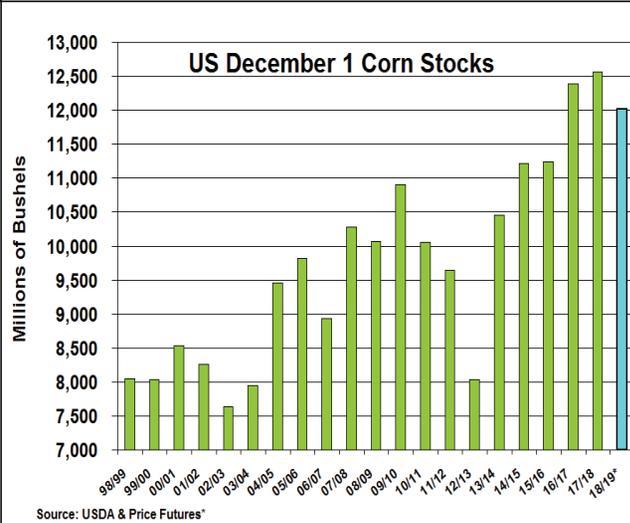
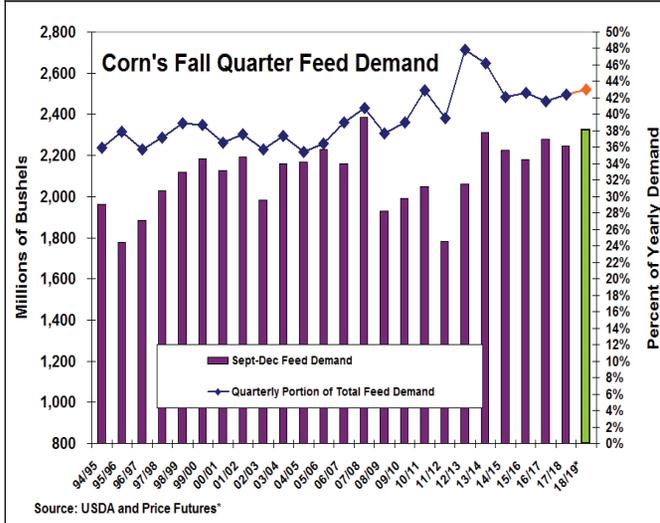
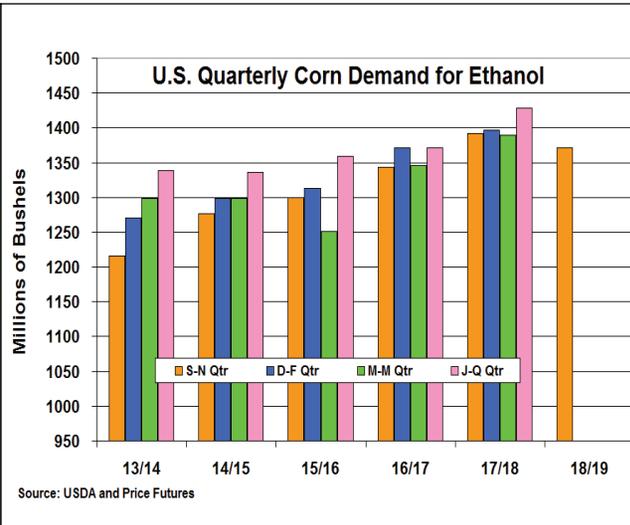
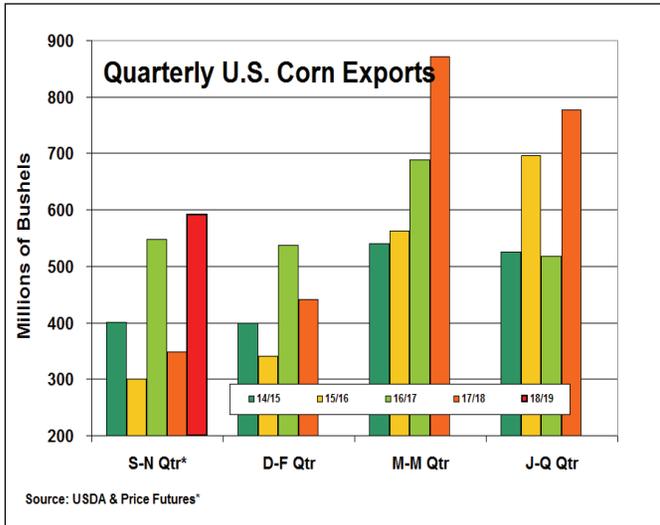


Strong export & feed usage prompting lower stock levels

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Market Analysis

Strong overseas demand & sizable livestock numbers during the 1st quarter of 2018/19's crop season has likely produced a record corn usage. The combination of weak crude oil prices and plentiful feed grain supplies have hurt the ethanol industry's operating margins, reducing this past fall's fuel output & corn use during November. However, corn's demand was up 7% to record 4.64 billion bu.

This year's 1st quarter US corn exports have likely risen to 591 million bu., a 70% increase over 2017. Brazil's safrina (2nd crop) corn output failure for 2nd time in three years and Argentina's La Nina drought were behind last fall's 242 million bu. higher exports vs. 2017. S America's weather has turned erratic again this December. Argentina has been experiencing heavy flooding rains while Brazil's Dec rainfall was off sharply in Parana and below normal in Mato Grasso. The final impact on S. America's corn output, however, will be the crop weather during the Brazil's safrina growing season across its northern areas.

November's USDA Grain Crushing report was postponed because of the current Federal government shutdown. Thru October, corn use in the US ethanol industry had declined by 8 million bu. This suggests corn's ethanol use was likely down 20 million bu during the 1st quarter of this crop year. This fall's inexpensive ethanol prices prompted the largest monthly export shipment during October of 175.5 million gallons of overseas demand.

The combination of 4% more US feedlot cattle inventories & 2-3% more marketing hogs during last fall's feeding period suggest plenty of livestock mouths. Poultry numbers were also slightly up, but 2018's late harvest may mean more bushels still in the field (Dec 1) than normal. Strong exports could mean more in transit. Overall, last fall's feed demand may be up 77 million to 2.325 billion bu. which could mean a Dec 1 stocks of 12.012 billion bu., down 555 million from 2017.

What's Ahead Given the recent tendency for corn's final crop size to decline (5 out last 8 years), the combination of a smaller crop & a record 1st quarter demand could drop corn's ending stocks by 148 million to 1.673 billion this month. **However, some additional South American crop issues are likely needed to open March corn's potential above \$4.00. Increasing sales to 50% in \$3.90-\$3.95 range seems prudent.**

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