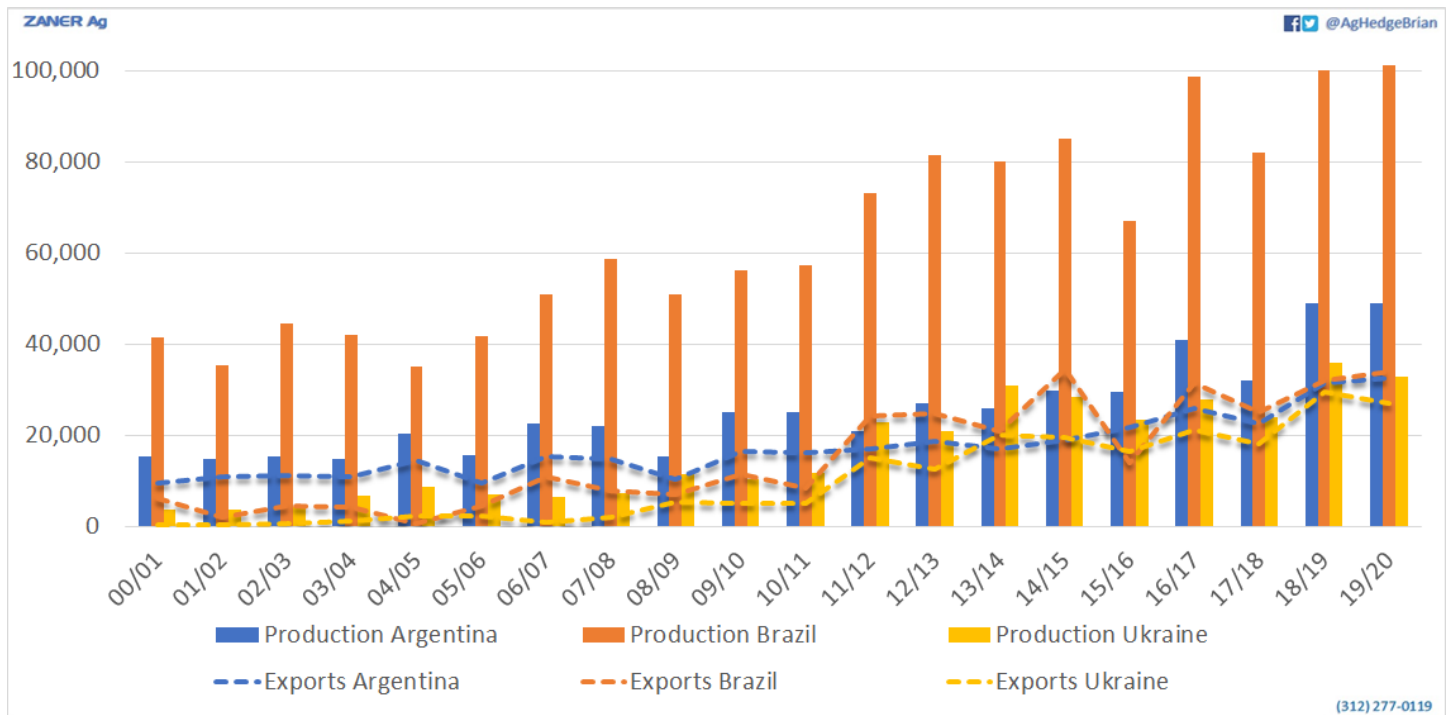


How Far Can Corn Run?

In the last few years, there have been plenty of articles – some mine – floating around that often throw out the line, "rains make grain." However, I always followed that up with an "until it doesn't." Well, this year might be that year. There is no secret about the wet weather that is hampering, if not wholly stalling planting progress across many key producing states. This has led to tons of online and in-person discussion about preventive planting and reduced yield – an attempt to say what it will be is futile at this point.

Addressing the acreage portion of it first and leaving yield unchanged, a cut to 88 million acres (4 million below the USDA) planted would drop ending stocks to near 1.8 billion bushels – 84 million planted then drops ending stocks to near 1.2 billion bushels. Everybody is talking about this side of the current story. A potentially very bullish outcome is hard to ignore, especially with conditions as they are. However, certain demand aspects are very elastic; others not as much.

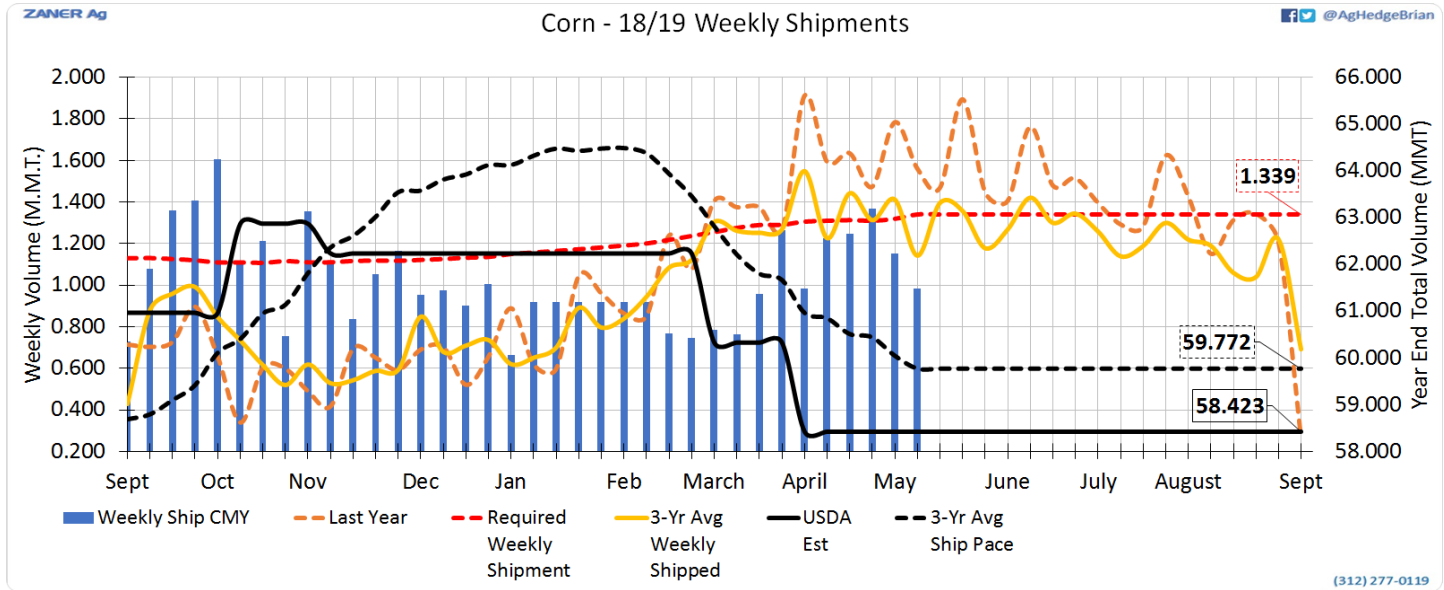


Exports are where I would expect demand to falter first – it already is at these prices. Harvest is nearing completion in South America and springtime in Ukraine. While these players are nothing compared to the 366 MMT the US produces, but they will be enough to dampen US exports that are already struggling to keep pace.

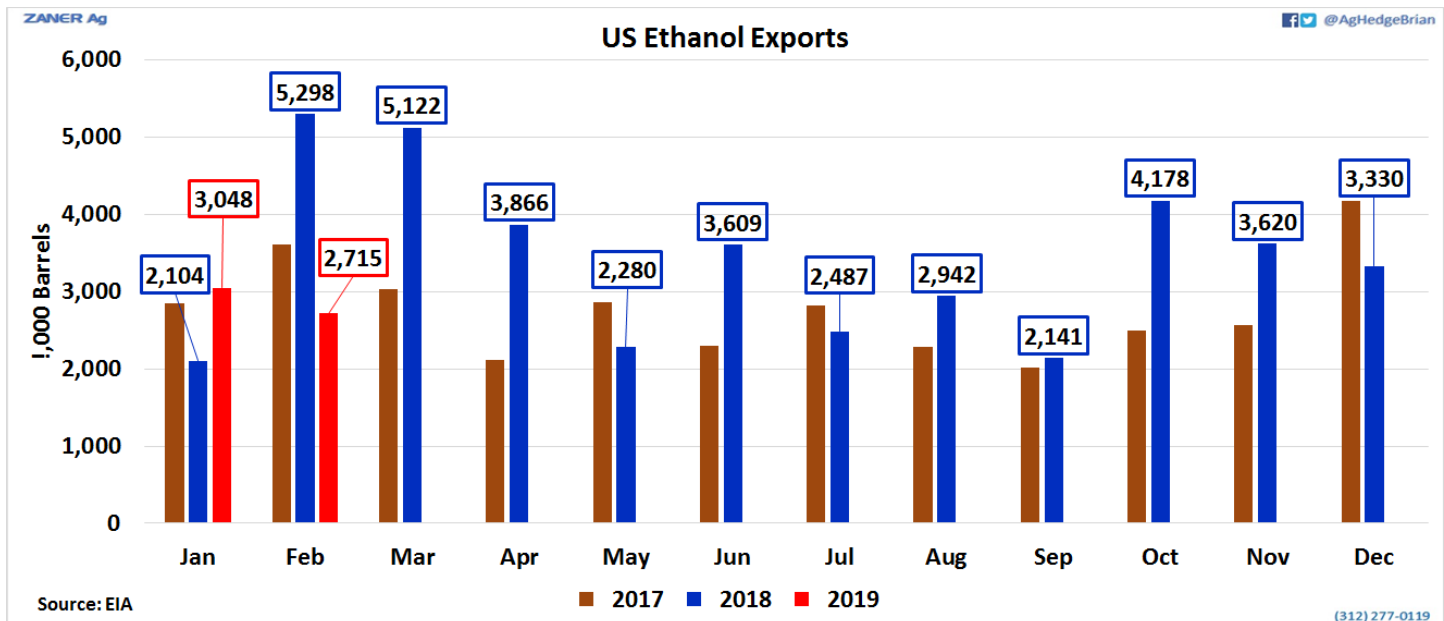
Check out the new [ZANER Ag Hedge Newsletter](#) + You will get the free Zaner morning commentary with additional mid-day and post-market commentary. In-depth, but a focus on what is important, not just flashy. Check it out & Sign Up!

<http://www.zaner.com/landing/ag-hedge-newsletter-plus.asp>

Monday's exports sales of 553,300 MT and shipments of only 983,900 MT once again fell short of the weekly target/requirement by 355,000 MT. For this time of year, the US is typically shipping over 1.3 MMT of corn each week. For the week ending May 9th (most recently reported) has a 3-year average shipment of 1.141 MMT and next week (ending May 16th) has a 3-year average of 1.395 MMT. If this "slowing" would continue – the USDA's 2.300-billion-bushel export forecast could shrink further.

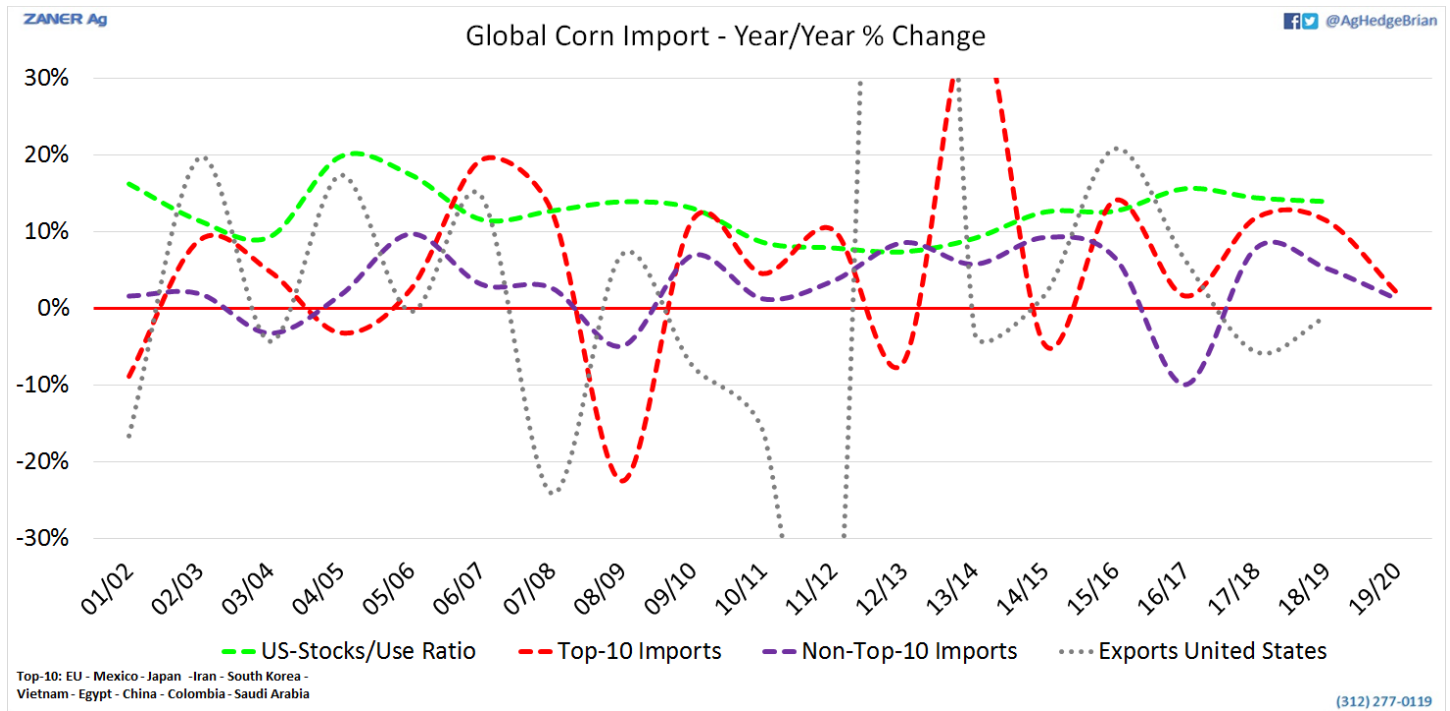


Harvest pressure is part of the cause and is some very low currencies that are competing with a very strong US Dollar Index (USD). This is something that will not be changing soon based on Fed policy and is a multi-problem issue for corn. Exports of corn were already covered, but the next most elastic demand factor for corn is ethanol. Exports for February were sharply lower from last year and was a factor in US ethanol stocks rising to an all-time record high.



At the current pace, corn is being used for ethanol – the USDA's outlook of 5.450 billion bushels could be on the optimistic side by roughly 75 million bushels for the 18/19 market year. If the ethanol situation does not improve, poor profit margins at the ethanol plant are bound to worsen.

The initial USDA 19/20 WASDE estimate of 2.275 billion bushels for export is just slightly lower than the current 18/19 and could be on the firm side for how things look today. Brazil's prior year drought supported our exports early in this marketing year – had that not happened, we could be looking at a far worse corn demand situation.



Could they fall below 2 billion bushels? Yes – as recently as the 2015/16 Market Year did we see US exports less than 2 billion bushels and the US Dollar Index is roughly the same price, but the USD vs Brazilian Real is a tick higher today, then it was back then and the Argentinian currency is far worse.

Mother Nature is giving a marketing opportunity for those who will be producing a crop this year – and it has helped 2020 prices as well. While Mother Nature can be good at stirring up a supply scare, we must not forget the weak links in demand – the reasons the market was as low as it was just this Monday. Those weak links only get weaker with higher prices.

--- Brian

Often, producers lack the time or understanding to properly plan and execute a marketing plan. My job is to wear that "hat" for you so you can focus on the task at hand.

But this is not to leave you left hanging. **ZANER Ag** takes pride in being a "teaching firm" as we want ALL of our clients to feel comfortable with and understand the reason behind each trade.

ZANER Financial Services

Brian Grossman

Market Strategist -- Agricultural Hedging

(312) 277-0119 -- Direct Line

(312) 277-0150 -- Fax Line

bgrossman@zaner.com

@AgHedgeBrian

www.zaner.com

Risk Disclaimer

Trading Commodity Futures and Options Involves Substantial Risk of Loss and May Not Be Suitable for All Investors. You Should Carefully Consider Whether Trading Is Suitable for You in Light of Your Circumstances, Knowledge and Financial Resources.

Abbreviations & Conversions:

MT	= Metric Ton
TMT	= Thousand Metric Ton
MMT	= Million Metric Ton
1 MT of Wheat/Soybean	= 36.74 bushels
1 MT of Corn	= 39.36 bushels

Jan - "F" | Feb - "G" | Mar - "H" | April - "J" | May "K" | June - "M"

July - "N" | Aug - "Q" | Sept - "U" | Oct "V" | Nov "X" | Dec - "Z"
