



## Weekly Outlook: Expectations for the 2012-13 Corn Marketing Year

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December 2012 corn futures reached a high of \$6.735 on August, 31, 2011, declined to a low of \$5.23 on March 30, 2012, and are currently trading near \$5.40. The steady decline in prices over the past few months reflects, in part, expectations for a large 2012 U.S. corn crop and some re-building of inventories during the year ahead.

Prospects for a large increase in corn acreage support expectations for more abundant stocks next year, but opinions about the magnitude of the build-up vary considerably. Since the end of the 2012-13 marketing year is 16 months away, uncertainty will abound for several more months. Expectations for the 2012-13 marketing year begin with the likely size of the 2012 crop. Producers have reported intentions to plant 95.864 million acres of corn, 3.943 million more than planted in 2011, pointing to acreage harvested for grain of about 88.8 million acres. That would be nearly 4.8 million more than harvested last year. Producers will be resurveyed in June to identify actual planted acreage and likely acreage for harvest. Anecdotal evidence suggests that some acreage intended for corn will be planted to soybeans due to the shift in price relationships following the March survey. On the other hand, an early start to corn planting and the potential that total crop acreage will exceed intentions supports ideas that corn acreage could still reach intentions. The deviation from March intentions should be small, with a projection of 88 million acres harvested for grain used here.

Yield expectations for 2012 also vary considerably, reflecting differences of opinion about the magnitude of the trend yield for 2012, the likely impact of early planting, and likely summer weather conditions. The long term trend for the U.S. average yield in 2012 is between 160 and 161 bushels. Prospects for a smaller than average portion of the 2012 crop to be planted after optimum dates for maximum yield potential add about two bushels to the average yield expectation. That impact can be thought of as more or less permanent. That is, whatever the average yield turns out to be, it might be about two bushels higher than if an average amount of the crop had been planted late. In the end, summer weather will be the largest determinant of the average yield. A yield expectation of about 162.5 bushels seems most reasonable at this time, pointing to a crop of 14.3 billion bushels.

Consumption of U.S. corn during the year ahead is also subject to a lot of uncertainty due to the unknowns surrounding a wide array of factors that include crop production in the rest of the world, U.S. biofuels policy, and domestic and world economic conditions. The starting point in making consumption

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projections is the expected level of use during the current year. As pointed out last week, however, the likely level of consumption this year is not yet settled. For ethanol, the rapidly approaching blend wall for E10 and the delays in implementing E15 suggest a plateauing of corn use in that category near the 5 billion bushels expected for this year. The USDA projects feed and residual use of corn during the current year at a modest 4.6 billion bushels. While use during the first half of the year suggests consumption could exceed the projection, declining cattle numbers, increased wheat feeding, and more new crop corn feeding point to a slowing of use during the last half of the year. Some modest expansion in livestock production other than beef, less wheat feeding next summer, a lack of increase in distillers grain production, some new crop corn feeding in August, and lower corn prices support prospects for more corn feeding next year. Feed and residual use might be near 5 billion bushels.

U.S. corn exports during the current year are projected at a relatively low level of 1.7 billion bushels, reflecting in part competition from the large world grain crop of last year. Prospects for less competition from Argentina and perhaps from the Black Sea region next year, along with larger imports by China, point to a rebound in exports to near the long term average of 1.9 billion bushels. With food, seed and industrial use (excluding ethanol) near 1.425 billion bushels, total consumption next year might be near 13.325 billion bushels. With beginning stocks of 800 million bushels and imports of 15 million, stocks at the end of the 2012-13 marketing year would be near 1.79 billion bushels. Stocks at that level would represent a stocks-to-use ratio of 13.4 percent. Under this scenario, the 2012-13 marketing year average price would be expected to be in the \$4.50 to \$5.00 range.

The USDA's May 10 WASDE report will contain a forecast of the 2012-13 supply and demand balance for corn. A larger production estimate than used here will likely be reflected in that forecast as March acreage intentions, and probably a higher yield forecast, will be used.