

Corn Situation and Outlook

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Corn Futures: Weekly Chart



Commodity Markets in the News

- Record high commodity prices leading to...
 - ... credit crunch for grain elevators and reduced forward pricing against deferred contracts
 - ... proposed tighter limits on speculative trading
 - ... possible early out for some CRP land
 - ... possible partial waiver of RFS biofuel mandates
 - ... export taxes in several countries (see, e.g., Argentina)

What's behind all this?

- It depends – mostly on who you ask
- Plenty of suspects
 - Wheat crop failures in 2006 and 2007
 - Economic growth in India and China
 - High crude oil prices
 - Bioenergy production in developed countries
 - Commodity market speculation

Corn Highlights

- Corn prices began moving sharply higher in Fall 2006
- In 2008, prices moved well past previous record set in July 1996
- Futures prices reflect expectations of high prices as far out as contracts are traded

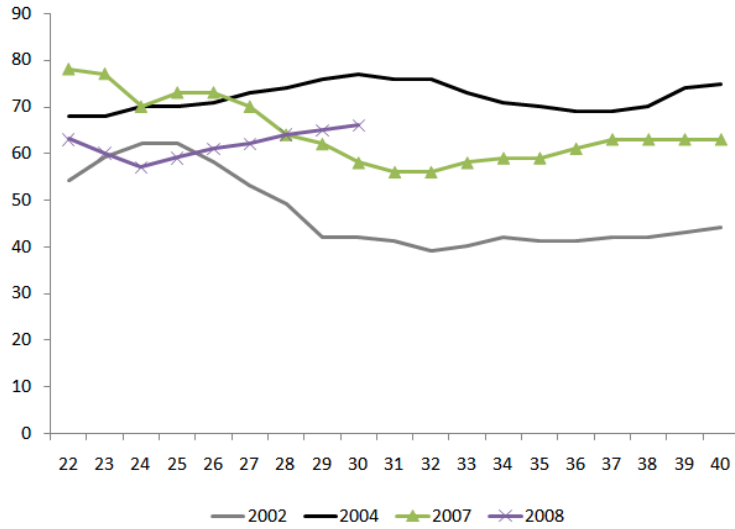
CBOT Corn: July 21, 2008

Month	Time	Last	Chg
Sep '08	13:37:42	582'0	4'6
Dec '08	13:37:42	601'2	4'6
Mar '09	13:37:42	620'6	4'6
May '09	13:37:42	633'0	5'0
Jul '09	13:37:42	643'2	5'2
Sep '09	13:37:44	635'2	3'2
Dec '09	13:37:44	623'2	3'2
Mar '10	13:37:44	632'6	3'2
May '10	13:37:44	637'6	3'6
Jul '10	13:37:44	640'6	2'6
Sep '10			
Dec '10	13:37:46	615'2	3'2
Jul '11	13:37:46	625'2	3'2
Dec '11	13:37:46	625'2	3'2

Corn Highlights

- Corn prices began moving sharply higher in Fall 2006
- In 2008, prices moved well past previous record set in July 1996
- Futures prices reflect expectations of high prices as far out as contracts are traded
- Pullback from June highs reflects improving crop condition ratings, drop in crude oil futures
 - But longer term fundamentals are exceptionally strong

Crop Condition: Good + Excellent

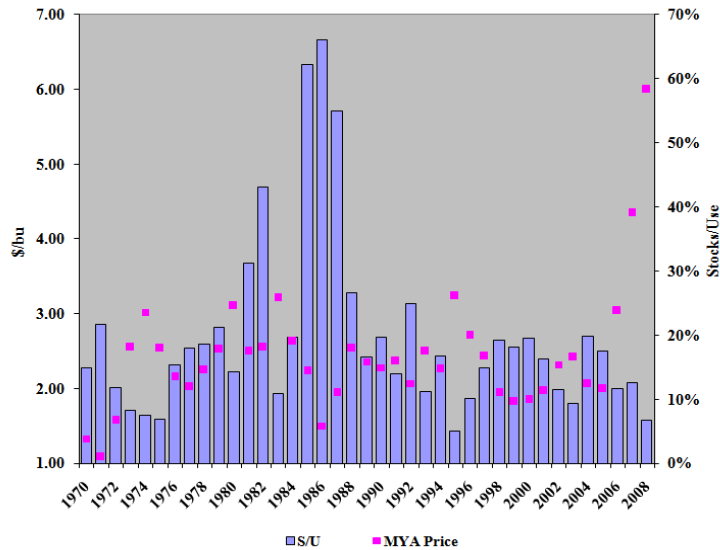


Corn Balance Sheet

	2004/05	2005/06	2006/07	2007/08	2008/09
Planted Ac.	80.9	81.8	78.3	93.6	87.3
Harv. Acres	73.6	75.1	70.6	86.5	78.9
Yield	160.4	148.0	149.1	151.1	148.4
Prod.	11.807	11.114	10.535	13.074	11.715
Feed	6.162	6.141	5.598	6.050	5.200
Ethanol	1.323	1.603	2.117	2.950	3.950
Exports	1.818	2.147	2.125	2.450	2.000
Total Use	10.662	11.270	11.210	12.795	12.495
End. Stks.	2.114	1.967	1.304	1.598	0.833
Price	2.06	2.00	3.04	4.25-4.45	5.50-6.50

Source: USDA World Agricultural Outlook Board.

Corn Stocks/Use



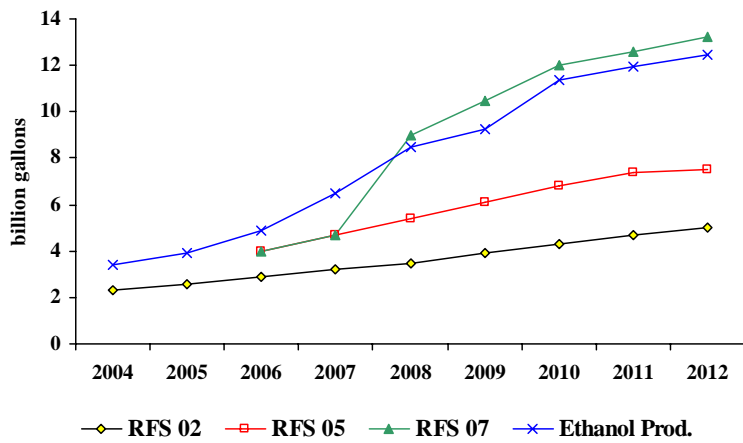
Other Issues

- Ethanol production
- Potential for increasing yield
- Potential acreage increases
 - From other crops/pasture
 - From expiring CRP contracts

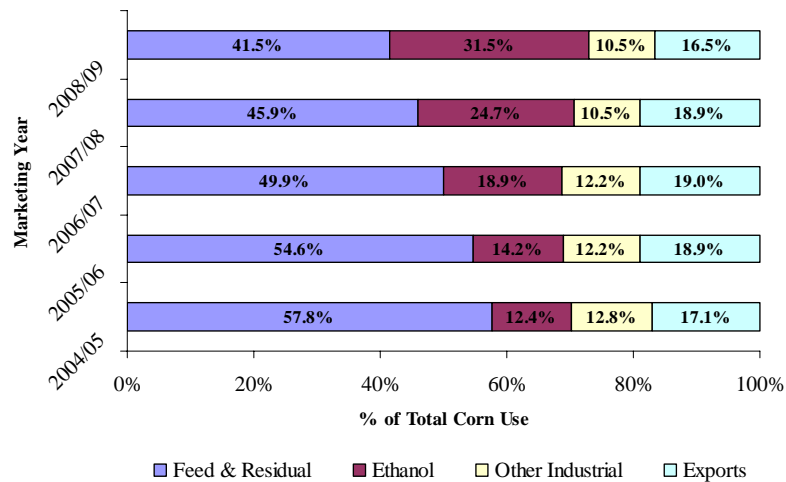
Does the RFS Matter?

- RFS mandate clearly impacts market participant expectations
 - With respect not just to the level but also to the stability of demand
 - Because of mandates, corn demand from ethanol sector should be less price responsive than other sectors
- Effect of oil prices is also critically important
 - High oil price supports corn use for ethanol despite higher corn prices

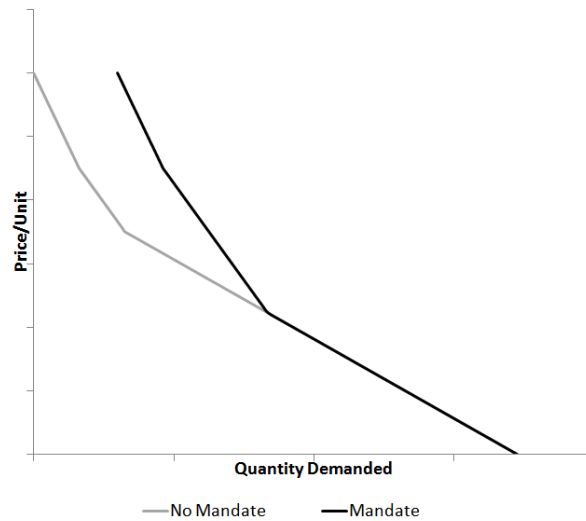
RFS Mandate History



Corn Use Components



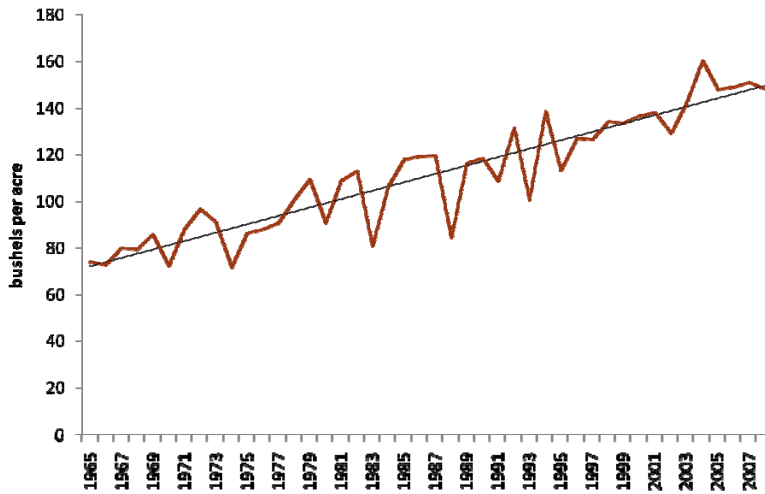
RFS Mandate and Demand



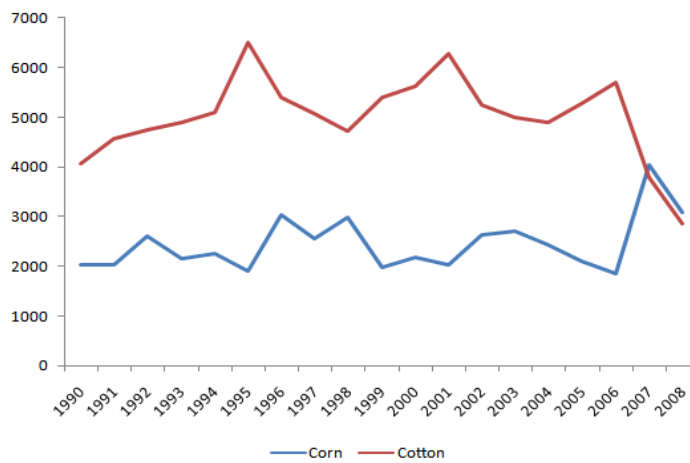
Other Issues

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US Corn Yields

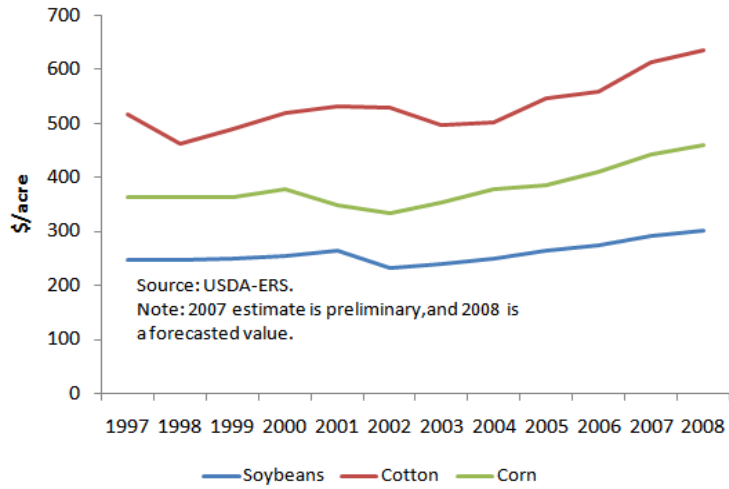


Southern Cotton/Corn Planted Acres

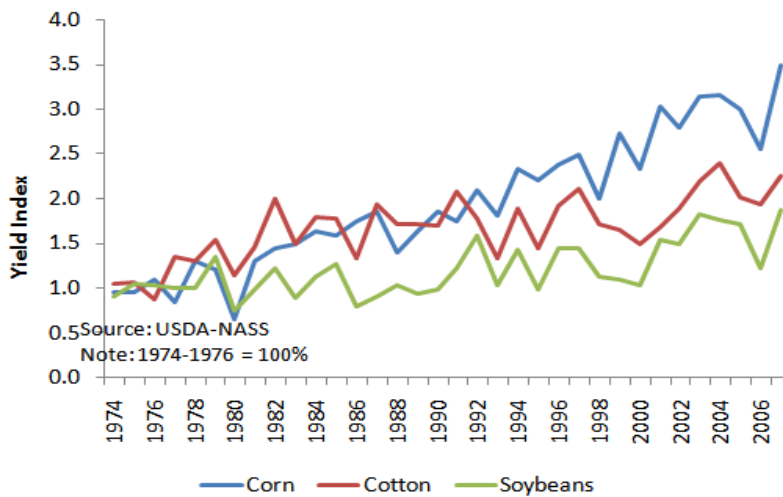


Sum of planted acres for AL, AR, GA, LA, MS, TN.

Costs of Production



MS Yield Trend: 1974-2007



Income Potential by Crop

Corn	Price										
	\$ 2.00	\$ 2.50	\$ 3.00	\$ 3.50	\$ 4.00	\$ 4.50	\$ 5.00	\$ 5.50	\$ 6.00	\$ 6.50	\$ 7.00
120	\$ 240	\$ 300	\$ 360	\$ 420	\$ 480	\$ 540	\$ 600	\$ 660	\$ 720	\$ 780	\$ 840
140	\$ 280	\$ 350	\$ 420	\$ 490	\$ 560	\$ 630	\$ 700	\$ 770	\$ 840	\$ 910	\$ 980
160	\$ 320	\$ 400	\$ 480	\$ 560	\$ 640	\$ 720	\$ 800	\$ 880	\$ 960	\$1,040	\$1,120
180	\$ 360	\$ 450	\$ 540	\$ 630	\$ 720	\$ 810	\$ 900	\$ 990	\$1,080	\$1,170	\$1,260
200	\$ 400	\$ 500	\$ 600	\$ 700	\$ 800	\$ 900	\$1,000	\$1,100	\$1,200	\$1,300	\$1,400
220	\$ 440	\$ 550	\$ 660	\$ 770	\$ 880	\$ 990	\$1,100	\$1,210	\$1,320	\$1,430	\$1,540
240	\$ 480	\$ 600	\$ 720	\$ 840	\$ 960	\$1,080	\$1,200	\$1,320	\$1,440	\$1,560	\$1,680
260	\$ 520	\$ 650	\$ 780	\$ 910	\$1,040	\$1,170	\$1,300	\$1,430	\$1,560	\$1,690	\$1,820

Cotton	Price										
	\$0.550	\$0.585	\$0.620	\$0.655	\$0.690	\$0.725	\$0.760	\$0.795	\$0.830	\$0.865	\$0.900
500	\$ 275	\$ 293	\$ 310	\$ 328	\$ 345	\$ 363	\$ 380	\$ 398	\$ 415	\$ 432	\$ 450
625	\$ 344	\$ 366	\$ 388	\$ 409	\$ 431	\$ 453	\$ 475	\$ 497	\$ 519	\$ 541	\$ 562
750	\$ 413	\$ 439	\$ 465	\$ 491	\$ 518	\$ 544	\$ 570	\$ 596	\$ 622	\$ 649	\$ 675
875	\$ 481	\$ 512	\$ 543	\$ 573	\$ 604	\$ 634	\$ 665	\$ 696	\$ 726	\$ 757	\$ 787
1000	\$ 550	\$ 585	\$ 620	\$ 655	\$ 690	\$ 725	\$ 760	\$ 795	\$ 830	\$ 865	\$ 900
1125	\$ 619	\$ 658	\$ 698	\$ 737	\$ 776	\$ 816	\$ 855	\$ 894	\$ 934	\$ 973	\$1,013
1250	\$ 688	\$ 731	\$ 775	\$ 819	\$ 863	\$ 906	\$ 950	\$ 994	\$1,038	\$1,081	\$1,125
1375	\$ 756	\$ 804	\$ 853	\$ 901	\$ 949	\$ 997	\$1,045	\$1,093	\$1,141	\$1,189	\$1,238

Summary

- High prices for corn
- High offtake of corn despite high prices
 - Weak dollar
 - Ethanol production
- Tight corn balance sheet for corn getting tighter in 2009
- Recent moderation in corn futures likely as good a pricing opportunity as end users are likely to get for a while