

Corn and soybean futures were locked limit up yesterday and traded higher at the start of the day today as well. Trade was caught leaning the other way, with speculation that robust profits might result in more acres planted than expected. Instead, the farmer survey showed planting intentions well below expectations. Prior to the report, the analysts surveyed indicated that, on average, they expected **farmers to plant 93.2 million corn acres this spring. This would be 2.4 million acres higher than the previous year and 1.2 million acres higher than the forecast** that USDA presented in its February Commodity Outlook. The supply demand table to the right tries to put these numbers in context. It shows the estimates for 2020-21 presented in the USDA WASDE report earlier in March as well as the USDA 2021-22 estimates offered in the February Outlook meetings. We used the same USDA assumptions for beginning stocks and demand for 2021-22, changing only the acreage number based on what analysts were expecting and then what the report showed. Adding to the bullish tone of the report yesterday was the lower than expected March 1 stocks number, which further reduces the amount of corn that will likely be in the bins when the next crop is harvested.

Given current trend yield assumptions (179.5 bu/acre), the planting survey suggested that analysts were about 200 million bushels too high in their estimates. As a result of this, the corn balance sheet for 2021-22 becomes far tighter than previously expected - and that is assuming trend yields. Market needs to now consider the implications of sub optimal conditions. For now the drought monitor shows some drought pressure in the Western Corn Belt but the situation can change dramatically between now June. Jerry Gidel, a grain analyst that we follow, in his note to clients said that part of the reason for the lower intended corn plantings were poor yields in corn/corn acres last year. Are prices high enough now to get farmers to reconsider their planting intentions? It appears that the market is trying to get producers to do just that. High feed costs have significant implications for meat production and ultimately meat prices in the US. The old adage that high priced feed becomes high priced meat is still quite relevant. For hog producers, we think current combination of corn and soybean meal prices for next fall (4.85/395) would put carcass breakevens at around \$78/cwt. February hogs are currently hovering around those levels.

Higher grain costs and robust demand continue to underpin the rally in the hog market. Futures traders got more bullish news today as USDA reported packers and exporters sold over 61,000 MT of pork to export last week. This is one of the biggest weekly export numbers on record, with China and Mexico continuing to put more orders on the books despite escalating pork prices in the US. Because of the nature of product that goes to export, the increase has resulted in significantly less trim available in the spot market. Exports to Mexico have been especially strong, helping support ham values even as Easter buying is now behind us.

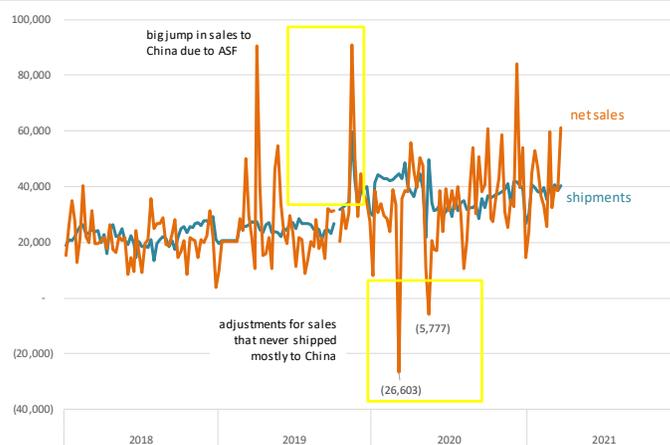
Corn Supply & Use w/Mar Planting Intentions

Source: USDA & Reuters Estimates. Analysis by Steiner Consulting

	2020-21	2021-22		
	Actual	USDA Feb. Outlook	USDA + Analyst Estimates	USDA Planting Intentions
million acres				
Planted	90.8	92.0	93.2	91.1
Harvested	82.5	84.4	85.5	83.6
bushels				
Yield	172.0	179.5	179.5	179.5
million bushels				
Beginning stocks	1,919	1,502	1,502	1,502
Production	14,182	15,150	15,349	15,009
Imports	25	25	25	25
Supply, total	16,126	16,677	16,876	16,536
Feed and residual	5,650	5,850	5,850	5,850
Ethanol for fuel	4,950	5,200	5,200	5,200
Food, seed, other	1,425	1,425	1,425	1,425
Domestic use, total	12,025	12,475	12,475	12,475
Exports	2,600	2,650	2,650	2,650
Use, total	14,625	15,125	15,125	15,125
Ending stocks	1,502	1,552	1,751	1,411
Stocks/Use	10.3%	10.3%	11.6%	9.3%

Weekly Pork Export Shipments and Net Sales. All Markets. Thru 3/25

Source: USDA-FAS. Analysis by Steiner Consulting



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