



# Special Corn Update April 30, 2013

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The Hightower Report

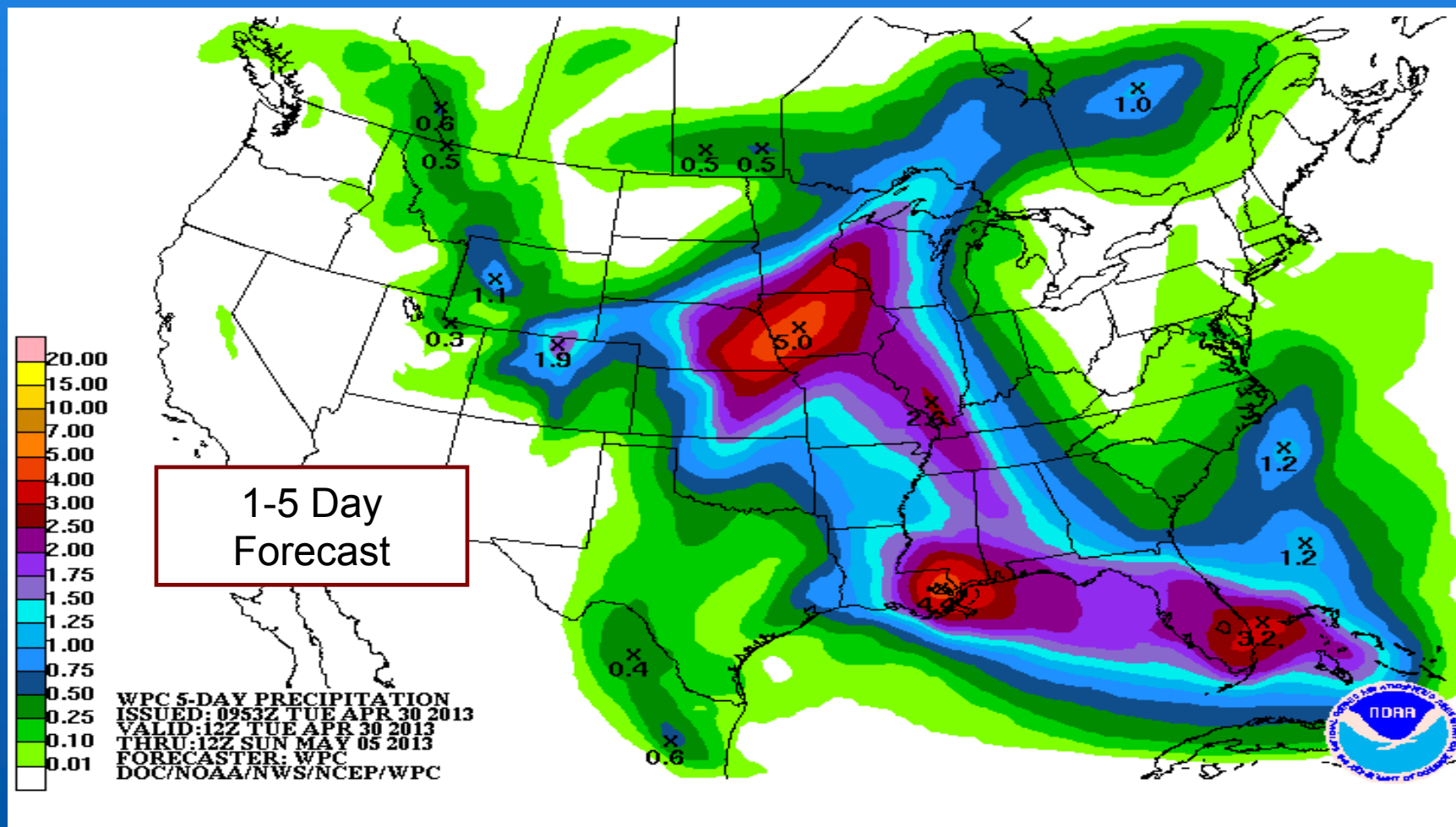


## Corn Planting Progress

- Planting progress as of April 28<sup>th</sup> was only 5% complete. This is slowest corn planting on record but the same as 1984.
- It would be a stretch to believe that 25-33% will be planted by Monday, May 12<sup>th</sup>.
- Short-term impact will likely be positive as the market absorbs the uncertainty.
- Watch for December corn to see strong support near 551, with 591 and 608 ¼ as near-term targets.



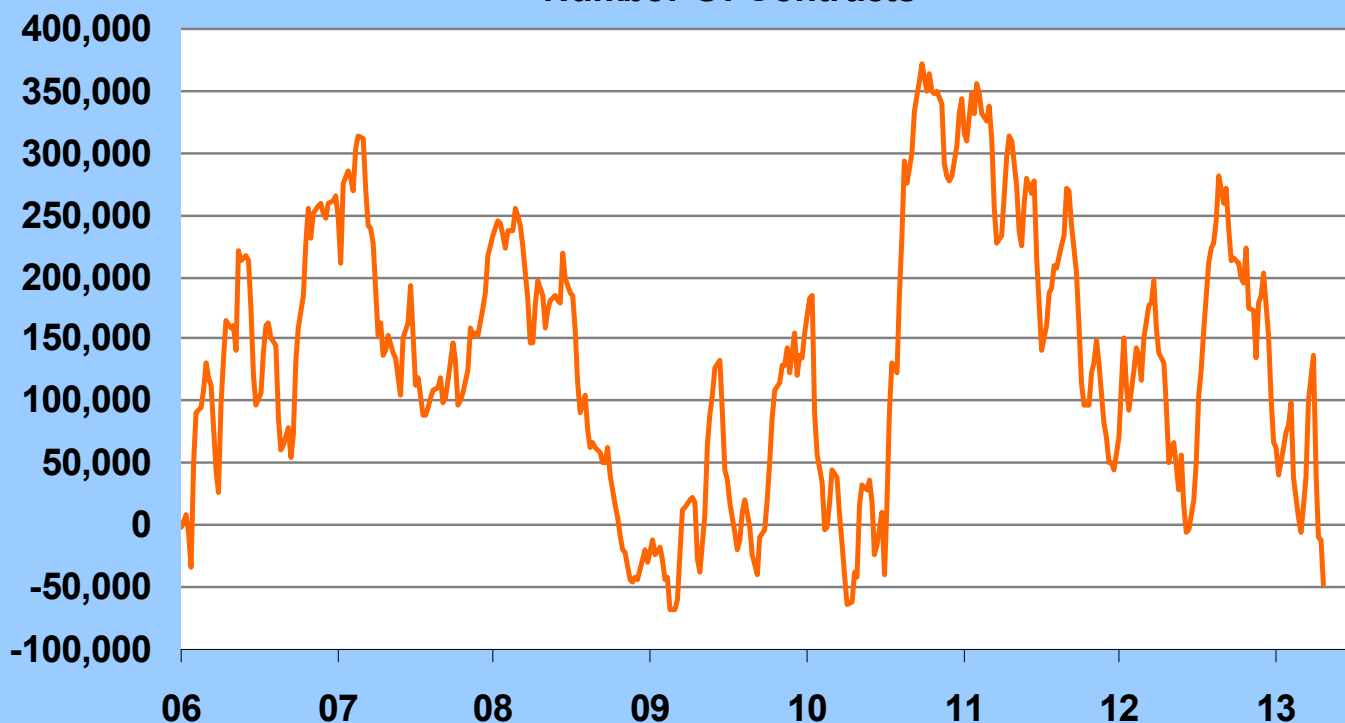
This is what has the market spooked. Iowa will see no plantings for a week or more!





# Trend-Following Funds Are Caught Net Short 48,169 Contracts

**Corn - COT - Futures and Options CIT**  
**Non-Commercial - No CIT - Net Position**  
**Number Of Contracts**



The Hightower Report | Source: CFTC

Max: 372,756 (9/28/2010) - Min: -67,485 (2/17/2009) - Most Recent: -48,169 (04/23/2013)



It appears that this year will be among the 3 or 5 latest on record.

Year	DataDate	Planting Progress	Yields		
		Percent	Trend	Actual	% Diff
1984	5/12/1984	26	103.46	106.75	3.17%
1993	5/12/1993	27	119.39	100.69	-15.66%
1995	5/12/1995	31	124.24	113.44	-8.70%
1983	5/12/1983	34	108.24	81.09	-25.08%
1991	5/12/1991	51	116.55	108.66	-6.77%
1981	5/12/1981	52	99.80	108.98	9.19%
2009	5/12/2009	52	156.35	164.74	5.37%
1996	5/12/1996	53	121.88	127.14	4.32%
2011	5/12/2011	53	162.07	147.21	-9.17%
2008	5/12/2008	54	156.99	153.90	-1.96%
1982	5/12/1982	58	103.39	113.28	9.56%
1989	5/12/1989	61	114.74	116.30	1.36%
2002	5/12/2002	62	140.55	129.37	-7.96%
1999	5/12/1999	64	129.14	133.83	3.63%
1998	5/12/1998	65	129.05	134.47	4.20%





Trend yield this year is down to 152 bu/acre. 3 years of poor yields add up.

- If we assume average yield loss for slowest 5 years of planting, we could see yield down 10.6% to 135.9 bu/acre.
- If down 25% (1983), yield would be 114.
- If up 3.2% (1984), yield would be 156.6.
- Note: Late plantings in 1981, 2009, 1996 and 1982 saw higher yields. 2009 was a record high.
- Late plantings leave crop vulnerable to pollination occurring during mid-July heat.



Year	DataDate	Planting Progress	Acreage		
		Percent	Mar Intentions	Jun Acreage	% Change
1984	5/12/1984	26	81,766	79,940	-2.23%
1993	5/12/1993	27	76,486	74,259	-2.91%
1995	5/12/1995	31	75,323	72,008	-4.40%
1983	5/12/1983	34	69,569	60,129	-13.57%
1991	5/12/1991	51	76,124	75,909	-0.28%
1981	5/12/1981	52	83,977	84,677	0.83%
2009	5/12/2009	52	84,986	87,035	2.41%
1996	5/12/1996	53	79,920	80,355	0.54%
2011	5/12/2011	53	92,178	92,282	0.11%
2008	5/12/2008	54	86,014	87,327	1.53%
1982	5/12/1982	58	84,735	82,129	-3.08%
1989	5/12/1989	61	73,253	72,790	-0.63%
2002	5/12/2002	62	79,047	78,947	-0.13%
1999	5/12/1999	64	78,219	77,611	-0.78%
1998	5/12/1998	65	80,781	80,798	0.02%



## Acresage Ideas

- Big drop in plantings in 1983. If we assume 10.6% of the 13.6% drop that year was due to the PIK program, then the 5-year average of the slowest 5 years of planting is a drop of 2.55%.
- This would suggest a potential loss of 2.49 million acres this year.
- Many traders are already calling for a drop of 1-2 million acres from the prospective plantings.





# Price Movement During Planting

Year	DataDate	Planting Progress	Price Change		
		Percent	15-Apr	12-May	Change
1984	5/12/1984	26	297.75	292.50	-5.25
1993	5/12/1993	27	247.00	242.50	-4.50
1995	5/12/1995	31	259.50	266.75	7.25
1983	5/12/1983	34	299.25	288.00	-11.25
1991	5/12/1991	51	261.50	244.75	-16.75
1981	5/12/1981	52	383.50	365.50	-18.00
2009	5/12/2009	52	415.25	448.00	32.75
1996	5/12/1996	53	331.25	353.00	21.75
2011	5/12/2011	53	656.00	630.50	-25.50
2008	5/12/2008	54	625.25	637.75	12.50
1982	5/12/1982	58	297.25	284.25	-13.00
1989	5/12/1989	61	272.25	258.50	-13.75
2002	5/12/2002	62	217.75	230.50	12.75
1999	5/12/1999	64	240.50	235.50	-5.00
1998	5/12/1998	65	271.25	257.50	-13.75



While changes in yield and planted acreage appear “as expected,” price movement does not.

- In the 15 years of late planted crops, prices fell in 10 years and rallied in 5 years.
- In 5 of 6 most-late planted years, prices fell during the April 15<sup>th</sup> to May 12<sup>th</sup> time frame.
- Strongest rally was in 2009, which ended up having the highest yield on record.



If we lose 2.5 million acres and experience lower yield, then 10.1% stocks/usage.

USDA SUPPLY/DEMAND US CORN								2013/14 Projections		
					Apr	Apr	Apr	----- Yield Estimates -----		
	06-07	07-08	08-09	09-10	USDA 10-11	USDA 11-12	USDA 12-13	Low	Trend	High
Planted Area (M Acres)	78.3	93.5	86.0	86.4	88.2	91.9	97.2	94.8	94.8	94.8
Harvested Area (Acres)	70.6	86.5	78.6	79.5	81.4	84.0	87.4	86.7	86.8	86.7
Yield (Bu/Acre)	149.1	150.7	153.9	164.7	152.8	147.2	123.4	148.0	152.0	160.0
<b>Beginning Stocks (M Bu)</b>	1,967	1,304	1,624	1,673	1,708	1,128	989	757	757	757
<b>Production</b>	10,531	13,038	12,092	13,092	12,447	12,360	10,780	12,838	13,186	13,879
<b>Imports</b>	12	20	14	8	28	29	125	25	25	25
<b>Supply, Total</b>	12,510	14,362	13,729	14,774	14,182	13,516	11,894	13,620	13,968	14,661
<b>Feed &amp; Residual</b>	5,540	5,858	5,182	5,125	4,795	4,545	4,400	5,000	5,000	5,000
<b>Food, Seed &amp; Industry</b>	3,541	4,442	5,025	5,961	6,426	6,439	5,937	6,267	6,267	6,267
Ethanol for Fuel	2,119	3,049	3,709	4,591	5,019	5,011	4,550	4,900	4,900	4,900
<b>Domestic Total</b>	9,081	10,300	10,207	11,086	11,221	10,985	10,337	11,267	11,267	11,267
<b>Total Exports</b>	2,125	2,437	1,849	1,980	1,834	1,543	800	1,100	1,100	1,100
<b>Use, Total</b>	11,207	12,737	12,056	13,066	13,055	12,527	11,137	12,367	12,367	12,367
<b>Ending Stocks</b>	1,304	1,624	1,673	1,708	1,128	989	757	1,253	1,601	2,294
<b>Stocks/Use Ratio</b>	11.6%	12.8%	13.9%	13.1%	8.6%	7.9%	6.8%	10.1%	12.9%	18.5%



## Other Short-Term Factors:

- Farmers not selling; basis firms on lack of planting progress.
- US dollar falls hard, commodities strong.
- China buying new crop corn on weakness.
- Argentina producer selling still slow; waiting for currency shift?
- Need shift away from wet and cold forecast or more up!
- December Corn: 551 to 591 or 608.





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#### THIS ISSUE

August 24, 2012

#### Fundamental Trades:

Bullish:	Nov Soybeans Mar Corn Sep Bonds Oct Nat Gas
Bearish:	Sep Yen

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#### MAJOR ECONOMIC

#### EVENTS

##### August 27

- Midwest Manufacturing
- Texas Manufacturing
- Republican Nat'l Convention

##### August 28

- Case-Shiller Home Prices
- Consumer Confidence

##### August 29

- Pending Home Sales
- Fed Beige Book

##### August 30

- Jobless Claims

### Next Week's Economic Focus

In spite of a pattern of positive economic readings in the U.S. over the last four weeks, the markets were given a surprise bullish jolt from the FOMC meeting minutes on August 22nd. Apparently the Fed continues to think the U.S. economy lacks the velocity to escape the choppy economic environment put in place by the sub-prime crisis. However, it also appears that the U.S. Fed is the only key central bank that is poised to undertake the heavy lifting in the near term. Moves by the PBOC have so far been very conservative, and the ECB hasn't let its attention stray beyond the management of sovereign borrowing costs. The U.S. Fed remains out in front on the need for fresh easing. Perhaps this is a result of the looming fiscal cliff or, perhaps it is a result of the

Fed's expectations for softer data in the coming weeks.

In the near term, we expect to see data from outside of the US become significantly weaker, as the sharp decline in Japanese exports to China and the Euro zone and the recent evidence of slowing in the usually strong German economy are economic red flags! While the markets might be poised for a letdown off of the heightened expectations of U.S. easing "fairly soon", it

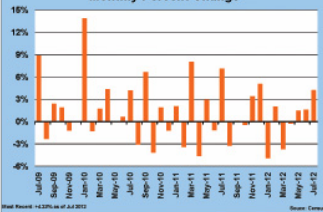
could be difficult to remove the buy the rumor mentality from the markets until after the September FOMC meeting has ended. A number of markets might have become overbought, but a buying of breaks mentality might continue over the coming weeks in corn, RBOB and natural gas. As long as the September FOMC meeting looms, the expectation of central bank action could remain the primary force in the daily trade for most commodities.

#### OUR OPINION... MARKET BY MARKET

Market		*
Stocks	Wait for break to 1386 in Sep S&P to buy.	L
Bonds	Ongoing evidence of international slowing is bullish.	L
Dollar	\$1.00 a solid value zone in the Dollar.	L
Euro	More slowing evidence to weigh on the Euro.	S
Gold	Temporarily overbought off easing expectations.	S
Silver	Potential for back and fill around \$30.00.	S
Copper	A fresh sale on a return to July highs.	S
Crude	Without hurricane threat market is expensive.	S
Gasoline	Buy breaks below \$3.03 nearby RBOB.	L
Nat Gas	Solid value around \$2.72 October.	L
Soybeans	USDA has exports at 8-yr low but 56% sold.	L
Corn	Lower yield and acreage; need to price-out usage.	L
Wheat	Moisture to help planting; wheat overvalued to corn.	S
Hogs	Big discount but cash in steep downtrend.	S
L Cattle	Tough to hold premium with \$8 corn.	S
Sugar	Extreme oversold readings and loss of momentum.	L
Coffee	Holds above June and Aug 17th lows; seasonal?	L
Cocoa	Still operating under negative influence of reversal.	S
Cotton	China to sell 1 million tonnes from reserve; weak.	S

\* For trading, commentary needs to be in a market, L = Long, S=Short

US New Orders - Durable Goods  
 Monthly Percent Change



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### Commodity Trading Guide

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