



THE ACREAGE FIGHT IS ON

Because of tight corn supplies, many analysts say U.S. farmers need to plant an additional 5-6 million acres of corn this coming year. With soybean and cotton prices both very profitable, it's hard to imagine where 5-6 million acres of corn could come from. It does virtually assure, however, that prices should be profitable for both corn

Some will argue that 89.5 million acres will not be near enough to start increasing corn carryover supplies to a comfortable level. This year's carryout should be just below 1 billion bushels with a very tight stocks-to-usage ratio of 7.7%. With a trend-line yield of 166 this coming year and harvested acres of 82.3 million, our estimate is carryover

having a trend-line to above trend-line yield this coming year are far greater than we've had in the past three years.

Push the national average yield of 172 bu., and carryover jumps to 1.647 billion and the stocks-to-usage ratio of 12.2%. That may sound crazy – but we've been close to those production levels before. If weather helps yields kick on all eight cylinders, the national average corn yields could surprise everyone in a big way – and then we are back to surpluses. It is much easier to increase yields this coming year than it is to pull in more acres. **CSO**

U.S. CORN SUPPLY AND DEMAND 2011/12 BULLISH VS. BEARISH SCENARIOS			
	BULLISH SCENARIO	AVERAGE	BEARISH SCENARIO
ACREAGE (MIL. ACRES)			
PLANTED AREA	89.5	89.5	89.5
HARVESTED AREA	82.3	82.3	82.3
YIELD	156.0	166.0	172.0
SUPPLY (MIL. BUSHELS)			
BEG. STOCKS (SEPT. 1)	1,032	1,032	1,032
PRODUCTION	12,839	13,662	14,156
IMPORTS	10	10	10
TOTAL SUPPLY	13,880	14,703	15,197
USAGE (MIL. BUSHELS)			
FEED & RESIDUAL	5,250	5,300	5,300
FOOD/SEED/IND.	6,150	6,150	6,150
ETHANOL FOR FUEL	4,800	4,800	4,800
DOMESTIC USE	11,400	11,450	11,450
EXPORTS	2,000	2,000	2,100
TOTAL USE	13,400	13,450	13,550
STOCKS (MIL. BUSHELS)			
ENDING STOCKS (AUG. 31)	480	1,253	1,647
STOCKS/USE	3.6%	9.3%	12.2%
FARM PRICE	\$6.00-7.00	\$4.20-5.00	\$3.75-4.50

SOURCE: BROCK ASSOCIATES

and soybeans going into springtime to ensure a reasonable supply of each crop.

For the past 10 years, combined corn, soybean, wheat and cotton acres peaked in 2008 at 234.4 million acres and hit a low during this time frame of 225 million acres. The peak in corn acres in 2007 at 93.5 million acres happened when the total crop acres were 229.5. This past year, U.S. farmers planted 88.2 million acres and our estimate for this coming year is 89.5. It will be very difficult to get above 91.5 with competition from other crops.

corn yields. The seed genetic firms, I think, have been telling the truth when they promote the fact that corn yields should be going up approximately 7 bu./acre nationally/year over the next several years. So far that has not occurred. But in the areas where yields were good, the leaps have been far greater than 7 bu.

THIS YEAR WEATHER has thus far been the opposite of last year. An early harvest has allowed producers to complete fall tillage and fall fertilizer applications. The odds of

increases to 1.253 billion bushels and a more comfortable stocks-to-usage ratio of 9.3%.

One factor that not many people concentrate on this year is the areas that had good corn yields. Most people want to concentrate on the negatives and the poor

THE BOTTOM LINE

Corn prices are going to be very volatile between now and springtime as the market fights over acres to solve the current tight supply situation. Outside forces including the worldwide recession, U.S. monetary policy, crude oil prices and regulations on index funds will all be contributing factors to the volatility. The CFTC has all but promised an overhaul in the first quarter of the year limiting the position sizes of index funds, which have been a major factor driving grain prices higher. This could be a game-changing event depending on the size of positions the CFTC decides to implement. Keep your seatbelt fastened. **◀◀**

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