

**CME Independence Day Schedule for Livestock:** Regular hours on Friday, market is closed on Monday, July 5 in observance of Independence Day. Trading resumes with regular hours on Tuesday, July 6.

**USDA has managed to shock grain traders with its June 'Acreage' reports the last couple of years and it did so again yesterday.** We will focus mostly on corn today but the surprises were just as big for soybeans, and revisions to winter wheat and sorghum were also unexpected. Coming into the report, analysts thought decade high corn prices would cause farmers to plant more corn acres than what they told USDA surveyors back in March. On average, analysts expected corn plantings to increase by 2.64 million acres vs. March intentions, or 2.9%. The USDA survey did show an increase in planted corn acreage, but **the increase of 1.55 million acres vs. March intentions was on the low end of expectations.** Compared to last year corn planted acres are expected to be up 1.87 million or the equivalent of 336 million bushels. If we were to plug this number in the USDA balance sheet that was published earlier this month, making no other changes, we would see ending stocks increase to 1.6 billion bushels and the stocks to use ration go from 7.4% during 2020/21 to 11%.

If the latest acreage report results in an additional 336 million bushels of corn vs. what was projected in March, **why were futures limit up yesterday and then another 20 cents in overnight trading?** Part of this has to do with the difference vs. expectations. With just 1 billion bushels expected carryover from the current marketing year, market participants were hoping for a bigger bump in order to alleviate some of the drought risk. The smaller than expected plantings mean that the new crop has a smaller margin for error. And the risks are significant. In its latest update, USDA pegged expected yields for the upcoming crop at 179.5 bushels per acre. This is based on long run trend yields and do not account for the potential drought impact. On page 2, we have included the most current drought monitor map as well as a chart produced by USDA that shows **what percentage of the corn crop in certain states is located in drought conditions.** One thing that stands out in that chart is that states with the biggest drought risk, such as the Dakotas and Minnesota, are also states that added the most corn acres. Last year USDA started the marketing year with a trend yield of 178.5 bushels per acre but the final yield was 172 bu. If this year we have a similar 6.5 bu. downward adjustment in yields, it could shave over half a million bushels from expected production. Suddenly that would put ending stocks back to where they were at the end of this marketing year and the stocks/use ratio below what they were this year. Drought conditions this year are far worse and thus the downside risk appears to be greater. Furthermore, world supplies are in worse shape due to the smaller than expected crop in Brazil. In its latest WASDE report, USDA pegged the

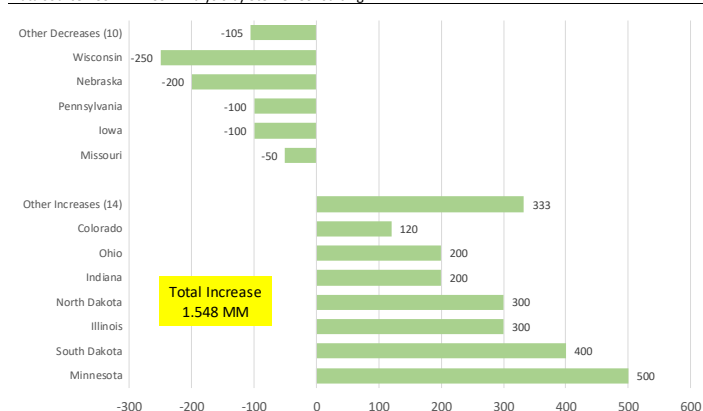
**Summary of Planted Acres for Major Crops. Last Two Years and Mar/Apr Estimates for 2021-22**

Data source: USDA-NASS reports. Analysis by Steiner Consulting

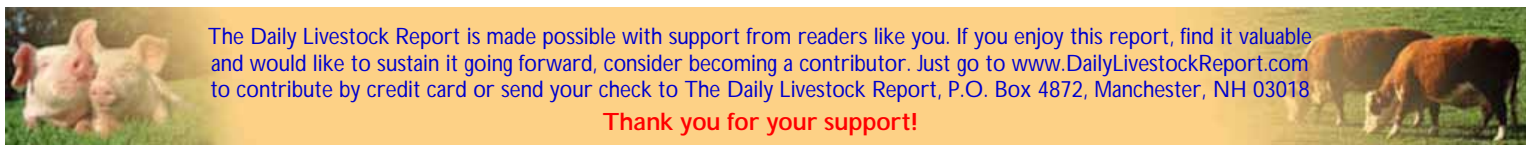
	USDA Actual		March Intentions		June Acreage		
	2019-20	2020-21	2021-22	vs. Yr. Ago	2021-22	vs. March	vs. Yr. Ago
--- million acres ---							
Corn	89.75	90.82	91.14	0.32	92.69	1.55	1.87
Soybeans	76.1	83.08	87.6	4.52	87.56	-0.04	4.48
All Wheat	45.49	44.35	46.36	2.01	46.74	0.38	2.39
Winter	32.54	30.42	33.08	2.66	33.68	0.60	3.26
Spring	12.67	12.25	11.74	-0.51	11.58	-0.16	-0.67
Durum	1.34	1.68	1.54	-0.14	1.48	-0.06	-0.20
Oats	2.83	2.98	2.49	-0.49	2.35	-0.14	-0.63
Barley	2.77	2.62	2.59	-0.03	2.60	0.01	-0.02
Sorghum	5.27	5.88	6.81	0.93	6.49	-0.32	0.61
Cotton	13.74	12.09	12.04	-0.05	11.72	-0.32	-0.37
Rice	2.55	3.04	2.71	-0.33	2.66	-0.05	-0.38
<b>Total</b>	<b>238.48</b>	<b>244.87</b>	<b>251.73</b>	<b>6.86</b>	<b>252.82</b>	<b>1.09</b>	<b>7.95</b>

**Change in June Corn Planted Acres vs. March Planting Intentions. By State**

Data source: USDA-NASS. Analysis by Steiner Consulting



total Brazilian corn crop for the 2020-21 marketing year at 98.5 million MT compared to 110 million MT that was forecast back in December. It appears that that even that 98.5 million MT forecast may be too high following drought conditions in March and April and now freeze conditions in parts of Brazil. World corn supplies this fall will be far smaller than earlier expected and prospects of another short crop have the market extremely nervous. This remains a very challenging environment for livestock producers and part of the reason why we are not seeing much of an impetus for growth despite higher retail meat prices.



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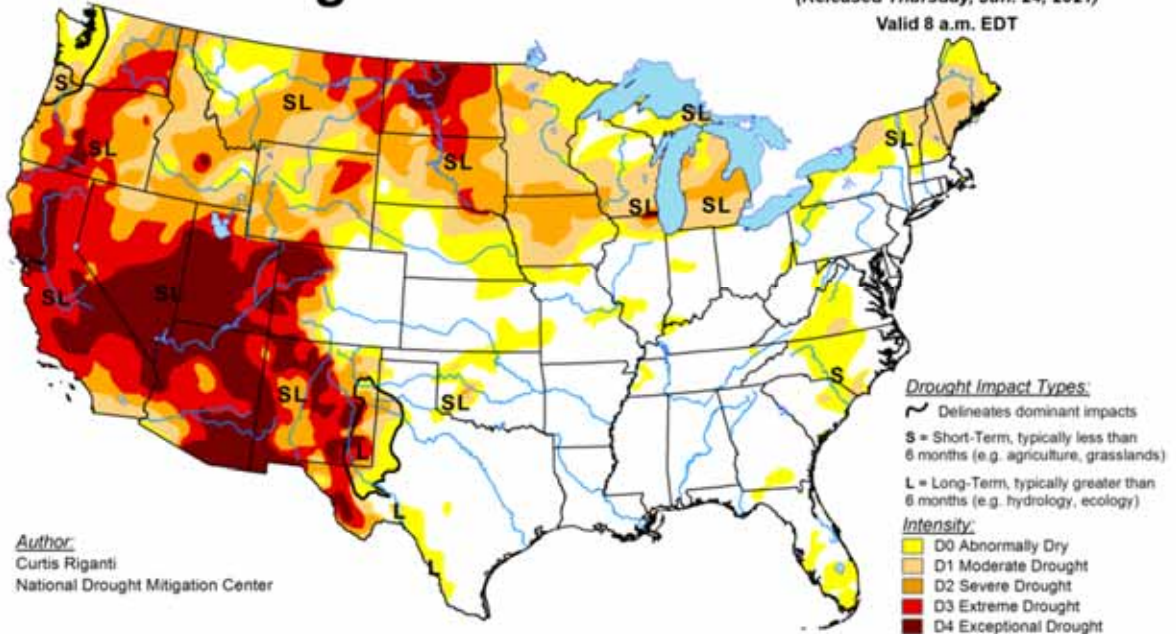
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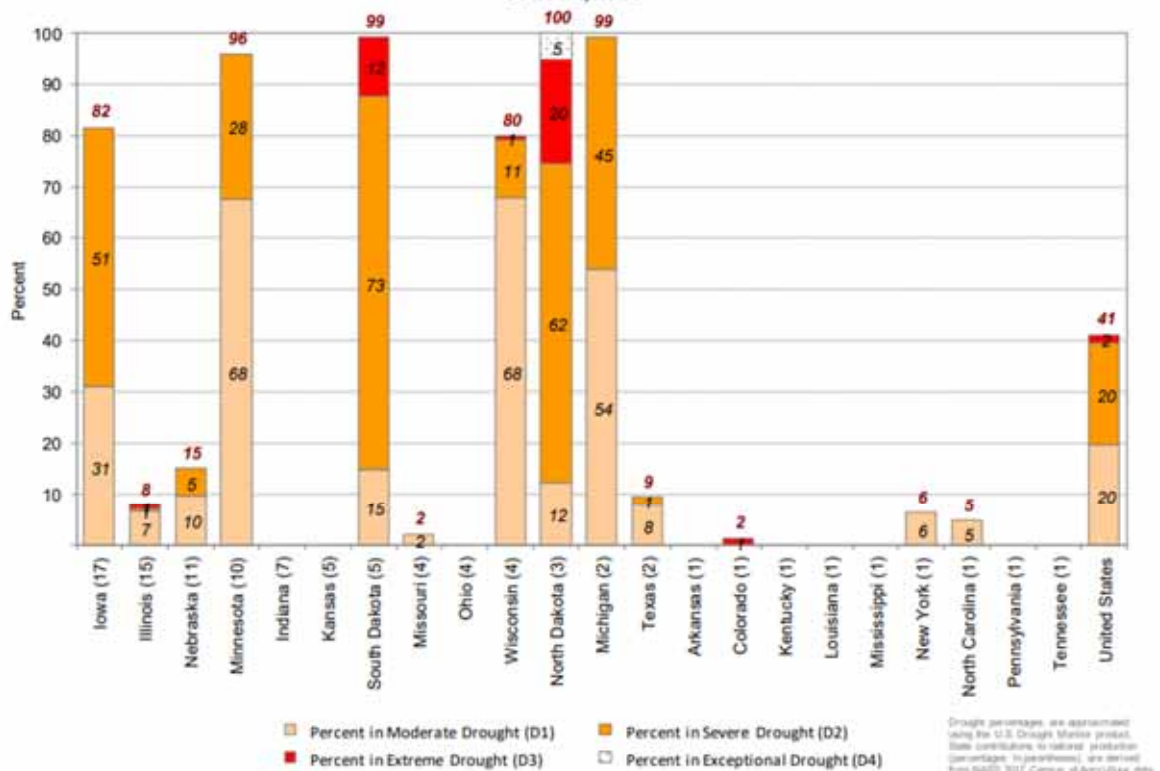
## U.S. Drought Monitor

June 22, 2021  
(Released Thursday, Jun. 24, 2021)  
Valid 8 a.m. EDT



Author:  
Curtis Riganti  
National Drought Mitigation Center

### Percent of Corn Located in Drought June 22, 2021



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