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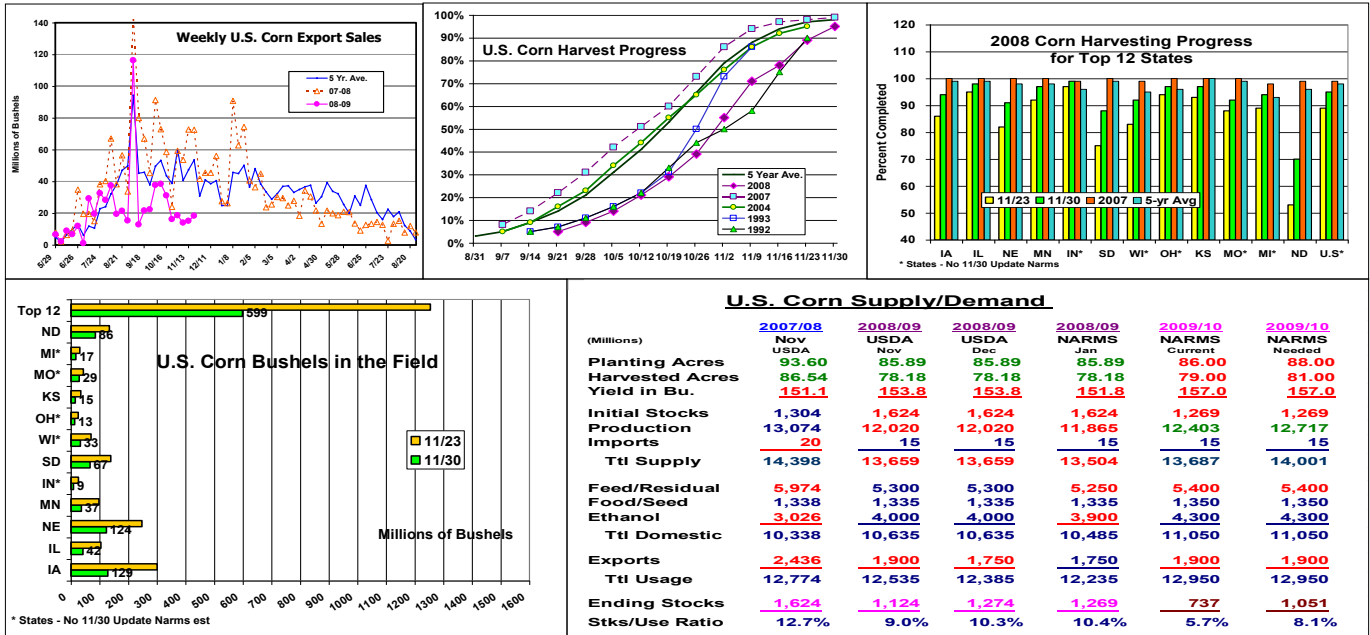
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# Weak Demand Vs. Crop Size are Corn's Current Dilemma



In the current financial environment of volatile equity markets, a rising U.S. dollar value and a weak crude oil, the world's corn buyers, both overseas and domestically, have been keeping their hands in their pockets waiting to see if or when these so-called "outside markets" might stabilize.

Because of these emotional times, 2008/09 U.S. corn sales are off to their slowest start in four years (2004/05). This year's export inspections through the first 3 months of the crop year haven't been this modest since the 2002. Comparisons are being made to last year's record sales level (only 53% through the first 12 weeks) while the USDA has already reduced the coming year's overseas demand by 536 million bu. However, the current 721.8 million sales level is about 120 million bu. behind the USDA's current 1.9 billion bu. export projection, when using the 5-year average sales pace. This suggests the USDA could reduce this demand level by 100-150 million on its next supply/demand update on December 11. Concerns about reduced feed demand because of reduced cattle-on-feed numbers & recent lower broiler placements are also circulating, but the USDA has already cut this usage level 11%. The recent 25- to 60-cent premium of ethanol to unleaded gasoline has also prompted worries about reduced blending demand for ethanol. But, the USDA normally waits to see the first quarterly stocks report before adjusting feed or ethanol demand, which isn't released until the next crop output update on January 12, 2009.

The USDA didn't update its national corn harvest pace this week, but this year's delayed seedings and slow dry-down appears to have kept this year's harvest the slowest since 1992 at 95% when utilizing the 7 states that did report and estimating 5 other major Midwest states based upon last week's weather. In the northwest, N. Dakota reported completion at 70% & S. Dakota at 88% while Nebraska & Iowa had 9% and 6% of their crops in the field. Overall, this projects about 600 million bushels still remain in the field across the Midwest at this date, with Iowa (129 million bu.), Nebraska (124 million), N. Dakota (86 million) & S. Dakota (67 million) accounting for two-thirds of the total. Given abandonment & field loss if this week's winter weather continues into mid-month, the possibility of 150 million bu. lower final crop size (2 bu. lower U.S. yield) in January's final crop size does exist. This smaller crop, however, may be met by smaller feed (50 million) & ethanol (100 million) demand depending upon the December 1 stocks, but current talk of 2008/09 U.S. stocks expanding to 1.4-1.5 billion bu. seems premature.

Despite these possible factors keeping 2008/09 stocks' growth modest & still projecting a possible 2009 need for 2 million more corn acres, the next 6 weeks of price action will still be heavily influenced by the dollar, crude oil & stocks, suggesting March corn could be in a \$3.30-\$4.00 trading range until the January final crop report is out.

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