June 2011 USDA WASDE Report – Corn & Grain Sorghum

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Summary of June 2011 USDA WASDE Report for Feedgrains

Reduced prospects for 2011 U.S. corn planted and harvested acreage and corn production have diminished the likelihood that ending stocks of U.S. corn in the 2011/12 marketing year will be plentiful enough to avoid significant price rationing. As a result of the U.S. corn supply-demand estimates provided in the USDA's June 9th WASDE report, the U.S. corn market will continue to be extremely sensitive to any weather threats to 2011 U.S. corn and grain sorghum production, as well possible foreign coarse grain production threats. With the risk that a) U.S. corn stocks-to-use in MY 2011/12 could approach or surpass record low levels, and b) with unpredictable economic and financial market factors influencing investor participation in ag commodity markets, it is increasingly likely that summer 2011 corn prices in the could be as volatile as during any time since MY 1973/74.

Due to planting delays in the northern and eastern U.S. Corn Belt and the prospects of even more more significant flooding of low lying cropland along the Missouri and Mississippi rivers, the USDA lowered its projection of 2011 U.S. corn planted area to 90.7 million acres (down 1.5 million). Projected 2011 U.S. harvested corn area was lowered 1.9 million acres to 83.2 million. With projected yields of 158.7 bu/ac, 2011 U.S. corn production was lowered to 13.200 billion bushels (down 305 million bushels from earlier projections). After reducing projected U.S. feed and residual usage in MY 2011/12 by 100 million bushels to 5.0 billion, projected U.S. corn ending stocks for MY 2011/12 were reduced to 695 million bushels, with ending stocks-to-use of 5.2%. The 5.2% ending stocks-to-use projection would be the second tightest in history, approaching 5.0% in MY 1995/96, and just marginally lower than 5.4% in the current old crop marketing year (MY 2010/11). With the likelihood of two consecutive years of near record tight U.S. corn ending stocks, the corn market will be EXTREMELY sensitive to any major threats to the size of the 2011 U.S. corn crop in coming months. Any further reduction in 2011 U.S. corn production prospects are likely to spark corn futures price rallies and possible economic problems for the major U.S. corn usage industries, including livestock feeding, ethanol production, wet mill corn processing, and corn exports.

Both U.S. corn and grain sorghum average cash price prospects for the coming 2011/12 marketing year were raised, i.e., to the $6.00-$7.00 range for corn and the $5.60-$6.60 range for grain sorghum. The midpoints of both of these forecast price ranges would be record highs.

While U.S. corn and grain sorghum price prospects have markedly strengthened, prospects for World coarse grain supply-demand balances have also tightened markedly in the last month. Coarse grains include corn, grain sorghum, barley, oats and other feedgrain-type crops. To-date, price rationing has not significantly slowed the record pace of World coarse grain usage that has consistently grown since at least the 2004/05 marketing year. However, this would likely change with any further threat to World coarse grain supplies and accompanying moves higher in coarse grain prices.

I. U.S. Corn & Grain Sorghum Market Situation and Outlook

<u>Corn & Grain Sorghum Markets</u> ⇨ Continued strong support for feedgrain prices, with acreage, yield and production uncertainty dominating markets through summer-fall 2011.

U.S. Corn Supply-Demand & Price Projections for MY 2010/11 & MY 2011/12

<u>Changes in Old Crop MY 2010/11 U.S. Supply-Demand & Prices</u>: There were no changes in MY 2010/11 supply-demand balances except for a small increase in prices (Table 1). <u>U.S. corn ending stocks</u> are estimated at 730 mb for MY 2010/11, down from 1.708 billion bushels (bb) in MY 2009/10. The <u>% ending stocks-to-use</u> is 5.4% for MY 2010/11, down from 13.1% in MY 2009/10, and above the record low of 5.0% in MY 1995/96. <u>Average U.S. corn prices</u> for MY 2010/11 were adjusted higher to \$5.20-\$5.50 per bushel, up from \$5.20-\$5.60 in the May WASDE, and above the average price of \$3.55 in MY 2009/10.

Table 1. U.S. Corn Supply-Demand Balance Sheet: MY 2007/08 through MY 2011/12
(June 9, 2011 USDA WASDE Report)

Item	2007/08	2008/09	2009/10	2010/11	2011/12
Planted Area (million acres)	93.5	86.0	86.4	88.2	90.7
Harvested Area (million acres)	86.5	78.6	79.5	81.4	83.2
Yield per harvested acre (bushels/acre)	150.7	153.9	164.7	152.8	158.7
	million bushels				
Beginning Stocks	1,304	1,624	1,673	1,708	730
Production	13,038	12,092	13,092	12,447	13,200
Imports	20	14	8	25	20
Total Supply	14,362	13,729	14,774	14,180	13,950
Ethanol for fuel	3,049	3,709	4,568	5,000	5,050
Non-ethanol Food, Seed & Industrial	1,393	1,316	1,371	1,400	1,405
Exports	2,437	1,849	1,987	1,900	1,800
Feed & Residual	5,858	5,182	5,140	5,150	5,000
Total Use	12,737	12,056	13,066	13,450	13,255
Ending Stocks	1,624	1,673	1,708	730	695
% Ending Stocks-to-Total Use	12.8%	13.9%	13.1%	5.4%	5.2%
U.S. Average Farm Price (\$/bushel)	\$4.20	\$4.06	\$3.55	\$5.20-\$5.50 *Midpoint = \$5.35*	\$6.00-\$7.00 *Midpoint = \$6.50*

<u>New Crop 2011 U.S. Corn Production</u>: The USDA World Agricultural Outlook Board lowered its projection of 2011 U.S. corn production in the June 9, 2011 WASDE report (Table 1). Projected <u>2011 planted acreage</u> is projected to be 90.7 million acres (ma) – down approximately 1.48 ma from the 92.178 ma projection by the USDA National Agricultural Statistics Service (NASS) in its March 31st Prospective Plantings report. <u>Harvested corn area</u> in the U.S. in 2011 is projected to be 83.2 ma, down 1.9 ma from the May WASDE report. The USDA indicated that harvested acres were estimated based on historical levels of corn acreage abandonment in late planted areas of the eastern and Northern U.S. Corn Belt and historical derived demand relationships for corn silage. The <u>average</u>

2011 U.S. corn yield is projected to be 158.7 bu/ac., unchanged from the May WASDE. This yield estimate is based on a simple linear trend of the national average yield for 1990-2010 adjusted for slower than normal 2011 U.S. corn planting progress. U.S. corn production in 2011 is projected to be 13.200 billion bushels (bb), down from the May WASDE estimate of 13.505 bb, but still a record high compared to 12.447 bb in 2010 and 13.092 bb in 2009.

***This projection of U.S. 2011 corn production is "highly tentative"**. The impact of late and/or prevented plantings in the eastern and northern Corn Belt have not been finally determined at the time of this report. Also, major flooding events have occurred along the Ohio and Mississippi rivers in May-June, and are anticipated to be exacerbated by anticipated record high flood levels along the Missouri in June-July with consequent impacts on the lower Mississippi from the confluence of the Missouri river south to the Louisiana Gulf.*

Conservative estimates of at least 500,000 acres to as much as 1,500,000 acres or more of corn could be affected in 2011 by combined flooding in the Ohio, Missouri, and Mississippi rivers in 2011. At average projected yields of 158.7 bushels per acre, the loss of 1 million planted acres would decrease U.S. 2011 corn production by 158,700,000 bushels, while losses of 2 million acres to flooding would reduce 2011 U.S. corn production by 318,400,000 bushels.

Total New Crop Corn Supplies for MY 2011/12: With projected beginning stocks of 730 mb, production of 13.200 bb, and imports of 20 mb, total U.S. corn supplies for MY 2011/12 are projected to be 13.950 bb, down 305 mb from the earlier projection of 14.255 bb in the May WASDE. Total corn supplies of 13.950 bb in MY 2011/12 would also be down 230 mb from 14.180 bb in MY 2010/11, and down 824 mb from 14.774 bb in MY 2009/11.

This reduction in supplies combined with ongoing demand for U.S. corn usage is projected to force U.S. corn ending stocks lower in MY 2011/12.

U.S. Corn Usaged for MY 2011/12: Ethanol use of U.S. corn for MY 2011/12 is projected to be 5.05 bb, up from 5.0 bb in MY 2010/11 and from 4.568 bb in MY 2009/10. The annual rate of increase in U.S. ethanol production has slowed, and may be affected by changes in U.S. ethanol policy in regards to blenders' credits and import tariffs during MY 2011/12. U.S. ethanol exports have increased recently, with the U.S. stepping into export market niches previously taken by Brazil. Non-ethanol food, seed and industrial corn use is projected to be 1.405 bb in MY 2011/12, up from 1.400 bb and 1.371 bb in MY 2010/11 and MY 2009/10, respectively.

Corn exports are projected to be 1.800 bb in MY 2011/12, down from 1.900 bb and 1.987 bb in MY 2010/11 and MY 2009/10, respectively. Decreased U.S. corn exports are evidence that high U.S. and World corn prices are having a "rationing" impact on U.S. corn export trade.

Even with U.S. corn production problems in 2011, prospects in MY 2011/12 are for increased foreign coarse grain / corn production (occurring partly in response to these same high coarse grain prices). However, consistent increases in World coarse grain/corn usage are outpacing these World production increases, keeping World export trade of coarse grains "running strong" and leading to projections of tighter World coarse grain and corn ending stocks. World supply-demand balances of coarse grains and corn will be discussed in the last section of this article.

Feed and residual use of U.S. corn is projected to be 5.000 bb in MY 2011/12, down 100 mb from the May WASDE, and from 5.150 bb in MY 2010/11 and from 5.140 bb in MY 2009/10.

The continued availability of distillers grains from grain-starch based ethanol production for livestock feeding is competing with and affecting the use of corn for domestic livestock feeding. Prospects for livestock enterprise *profitability and feed usage remain positive for MY 2011/12, but could be negatively impacted by the increasingly likely occurrence in 2011 of a short crop / extremely high corn price scenario. USDA projections of prices for steers, broilers, and turkeys are projected to remain strong through the remainder of 2011 and into 2012. Prices for barrows and gilts are projected to decline seasonally in fall 2011, but then to be moderately strong in 2012.*

Corn Ending Stocks in MY 2011/12: Ending stocks of U.S. corn are projected at 695 mb in MY 2011/12, down from 900 mb in the May WASDE. A total of 695 mb ending stocks is MY 2001/12 is less than 730 bb in MY 2010/11 and less than 1.708 bb in MY 2009/10. This represents 5.2% ending stocks-to-use, down from the projection of 6.7% from MY 2011/12 in the May WASDE. It is also lower than the estimate of 5.4% in MY 2010/11, and markedly lower than 13.1% S/U in MY 2009/10, 13.9% in MY 2008/09, and 12.8% in MY 2007/08. The record low U.S. corn % stocks-to-use figure since the early 1970s was 5.0% in MY 1995/96.

Given 2011 U.S. corn production uncertainties about acreage and yields, this projection for MY 2011/12 of 695 mb ending stocks and 5.2% ending stocks-to-use is "highly tentative". However, it is doubtful that the amount of U.S. corn ending stocks can decline much lower without significant and severe price rationing of corn usage occurring.

Key Question: What would be impact on U.S. corn supply-demand balances in MY 2011/12 of 1-2 million acre reduction in 2011 U.S. corn acres? It is very possible that the U.S. will have at least 1 million less harvested corn acres in MY 2011/12 than the June 2011 WASDE projection (i.e., 82.2 million acres or less instead of 83.2 ma). At the same 158.7 bu/ac harvested yield per acre in the June WASDE, this would further reduce 2011 U.S. corn production by 158.7 mb, down to 13.041 bb (i.e., 13.200 bb less 0.159 mb).

If projected MY 2011/12 U.S. corn usage is unchanged at 13.255 bb, then all else being equal (i.e., beginning stocks & imports), MY 2011/12 ending stocks would be reduced to 536 mb, with % ending stocks-to-use declining to 4.0% – a record low compared to 5.0% in MY 1995/96. It is more likely that corn usage would be rationed in some manner to maintain a % stocks-to-use of approximately 5.0%.

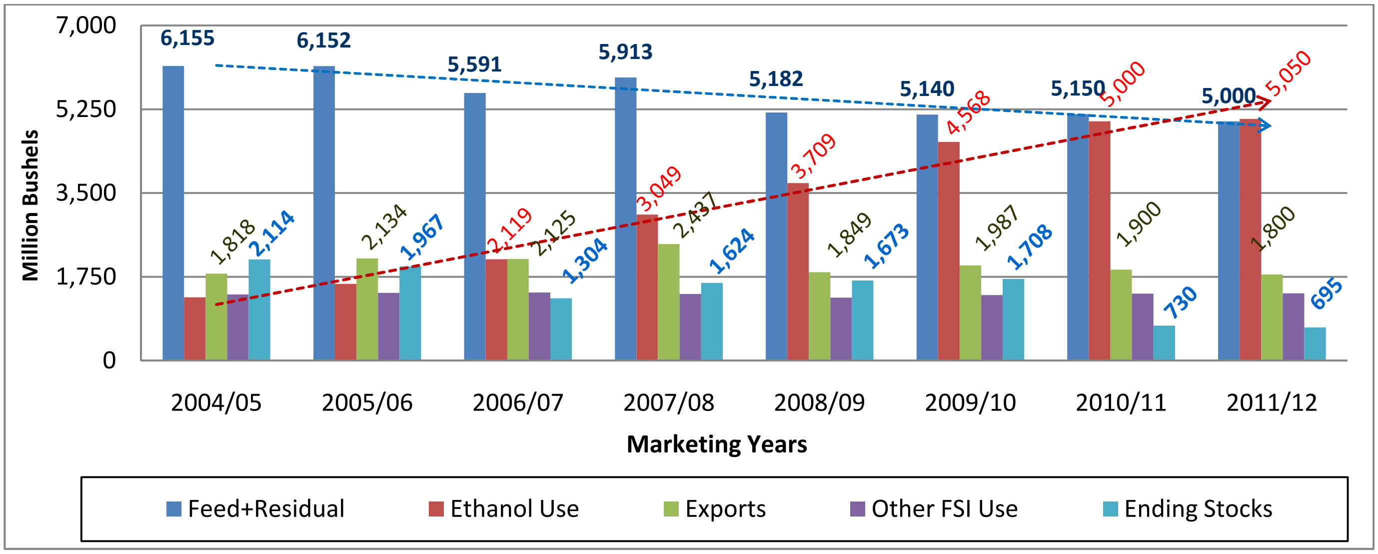
For instance, at 650 mb ending stocks and 5.0% ending stocks-to-use, U.S. total corn usage would be 13.000 bb in MY 2011/12 (i.e., 255 mb less than the current projection). Alternatively, at 625 mb and 5.0% S/U, U.S. total corn usage would be 12.500 bb in MY 2011/12 (i.e., 755 mb less than the current projection).

Projected U.S. Corn Prices in MY 2011/12: United States season average corn prices for MY 2011/12 are projected to be in the range of $6.00-$7.00 per bushel with a midpoint of $6.50, which is up from the $5.50-$6.50 range in the May WASDE. This compares to an estimated MY 2010/11 price range of $5.20-$5.50 ($5.35 midpoint), $3.55 /bu in MY 2009/10, $4.06 /bu in MY 2008/09, and $4.20 /bu in MY 2007/08.

These USDA marketing year average corn price projections are strongly affected by cash prices in the months during and immediately after harvest. Current new crop 2011 for cash price bids in northwest Kansas are in the range of $6.40-$6.50 per bushel – near the midpoint of the USDA projection for MY 2011/12. Any further reductions in projected 2011 U.S. corn production and tightening of MY 2011/12 ending stocks could lead to even high projected U.S. corn prices in MY 2011/12.

Corn Use and Ending Stocks Trends During MY 2004/05 through MY 2011/12: Since MY 2004/05, U.S. feed and residual use of corn has generally declined (Figure 1). The 5.00 bb projection for MY 2011/12 continues this general trend. Corn use for ethanol has increased steadily but at a decreasing rate over the same period - from 1.323 bb to 5.05 bb (if the June WASDE projection holds true). Exports of U.S. corn have averaged 2.036 bb for MY 2004/05 – MY 2010/11 period, above to the 1.800 bb projection for MY 2011/12. Corn ending stocks increased from 1.304 bb in MY 2006/07 to a high of 1.708 bb in MY 2009/10. However, MY 2009/10 U.S. corn ending stocks are estimated to decline markedly to 730 bb in MY 2010/11, with an early projection of 695 mb in MY 2011/12.

Figure 1. Trends in U.S. Corn Use and Ending Stocks: MY 2004/05 through MY 2011/12
(June 9, 2011 USDA WASDE Report)



U.S. Grain Sorghum S-D & Price Projections for MY 2010/11 & MY 2011/12

No Changes in MY 2010/11 U.S. Supply-Demand & Prices: There were no changes in MY 2010/11 supply-demand balances except for a small increase in prices (Table 2). U.S. grain sorghum ending stocks are estimated at 32 mb for MY 2010/11, down from 41 mb in MY 2009/10. The % ending stocks-to-use is 9.0% for MY 2010/11, down from 10.4% in MY 2009/10, 11.7% in MY 2008/09, and 11.1% in MY 2007/08. Average U.S. Grain Sorghum prices for MY 2010/11 of $5.20-$5.50 per bushel, were unchanged from the May WASDE, and above the average price of $3.22 in MY 2009/10, $3.20 in MY 2008/09, and above the previous record high of $4.08 in MY 2007/08.

2011 U.S. Grain Sorghum Production: No changes were made in the USDA's June WASDE report projection of 2011 U.S. grain sorghum acreage, yield or production from the May WASDE (Table 2). Based on projected 2011 planted acreage and harvested acreage of 5.6 ma and 4.9 ma, respectively, and projected 2011 U.S. grain sorghum yields of 65.3 bu/ac, U.S. grain sorghum production in 2011 was estimated to be 320 mb.

Just as for corn, this projection of 2011 U.S. grain sorghum production is highly tentative, as dry conditions in major grain sorghum production areas (Kansas and Texas) could very possibly lead to at least marginal changes in acreage, yields and production. The yield estimate of 65.3 bu/ac is less than 71.8 bu/ac in 2010 and 69.4 bu/ac in 2009 – reflecting dry early season conditions in the central and southern Great Plains region.

Grain Sorghum Supplies & Use in MY 2011/12: With projected beginning stocks of 32 mb and production of 320 mb, total U.S. grain sorghum supplies for MY 2011/12 are projected to be 352 mb, down from 345 mb in MY 2010/11, and down from 383 mb in MY 2009/11. Regarding grain sorghum usage, food, seed and industrial corn use (including ethanol) is projected to be 95 mb in MY 2011/12, unchanged from MY 2010/11, but up from 90 mb in MY 2009/10. Exports are projected to be 135 mb, up 5 mb from the May WASDE, but down from 140 mb in MY 2010/11, and down from 166 mb in

MY 2009/10. Feed and residual use of U.S. grain sorghum is projected to be 90 mb in MY 2011/12, down from 120 mb in MY 2010/11 and 140 mb in MY 2009/11. Total use of U.S. grain sorghum is projected to be 320 mb in MY 2011/12, up 5 mb from the May WASDE, but down from 355 mb in MY 2010/11 and 396 mb in MY 2009/11.

Table 2. U.S. Grain Sorghum Supply-Demand Balance Sheet: MY 2007/08 through MY 2011/12
(June 9, 2011 USDA WASDE Report)

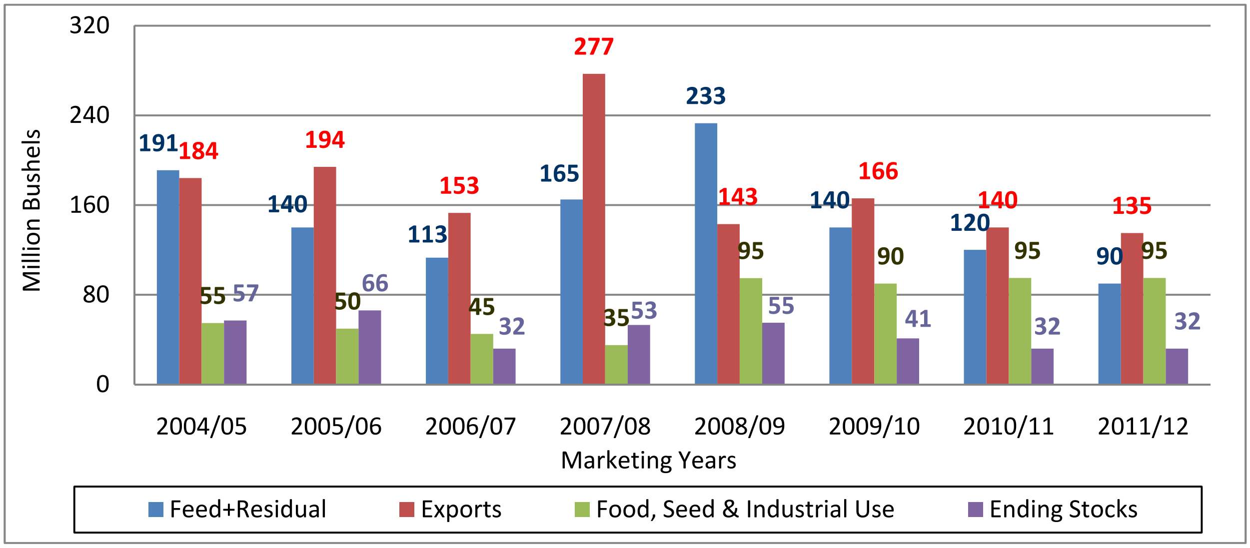
Item	2007/08	2008/09	2009/10	2010/11	2011/12
Planted Area (million acres)	7.7	8.3	6.6	5.4	5.6
Harvested Area (million acres)	6.8	7.3	5.5	4.8	4.9
Yield per harvested acre (bu./acre)	73.2	65.0	69.4	71.8	65.3
	million bushels				
Beginning Stocks	32	53	55	41	32
Production	497	472	383	345	320
Total Supply	530	525	438	387	352
Food, Seed & Industrial	35	95	90	95	95
Exports	277	143	166	140	135
Feed & Residual	165	233	140	120	90
Total Use	477	471	396	355	320
Ending Stocks	53	55	41	32	32
% Ending Stocks-to-Total Use	11.1%	11.7%	10.4%	9.0%	10.0%
U.S. Average Farm Price ($/bu.)	$4.08	$3.20	$3.22	$5.15-$5.45 *Midpoint =* *$5.30*	$5.60-$6.60 *Midpoint =* *$6.10*

Grain Sorghum Ending Stocks in MY 2011/12: Ending stocks are projected at 32 mb in MY 2011/12, down 5 mb from the May WASDE, but equal to 32 mb in MY 2010/11, and less than 41 mb in MY 2009/10, 55 mb in MY 2008/09, and 53 mb in MY 2007/08. This represents 10.0% ending stocks-to-use, compared to 9.0% in MY 2010/11, 10.4% in MY 2009/10, 11.7% in MY 2008/09, and 11.1% in MY 2007/08.

Grain Sorghum Prices in MY 2011/12: United States season average prices for MY 2011/12 are projected to be in the range of $5.60-$6.60 per bushel with a midpoint of $6.10. This compares to an estimated MY 2010/11 price range of $5.15-$5.45 ($5.30 midpoint), $3.22 /bu in MY 2009/10, $3.20 /bu in MY 2008/09, and a record high $4.08 /bu in MY 2007/08.

U.S. Grain Sorghum Use and Ending Stocks Trends During MY 2004/05 through MY 2011/12: Increased use of grain sorghum for ethanol production for the last four marketing years (MY 2008/09 through MY 2011/12) is reflected by higher food, seed and industrial use in Figure 2. Ending stocks for U.S. grain sorghum have remained in the range of 32 to 66 mb since MY 2004/05, with 32 mb of ending stocks (10.0% stocks-to-use) projected for MY 2011/12 being equal to the bottom of that range. Since MY 2008/09 the general decline in U.S. grain sorghum production has had a marked impact on usage by category, with feed and residual use declining sharply, while food, seed and industrial use and exports have remained somewhat steady.

Figure 2. Trends in U.S. Grain Sorghum Use & Ending Stocks During MY 2004/05 thru MY 2011/12
(June 9, 2011 USDA WASDE Report)

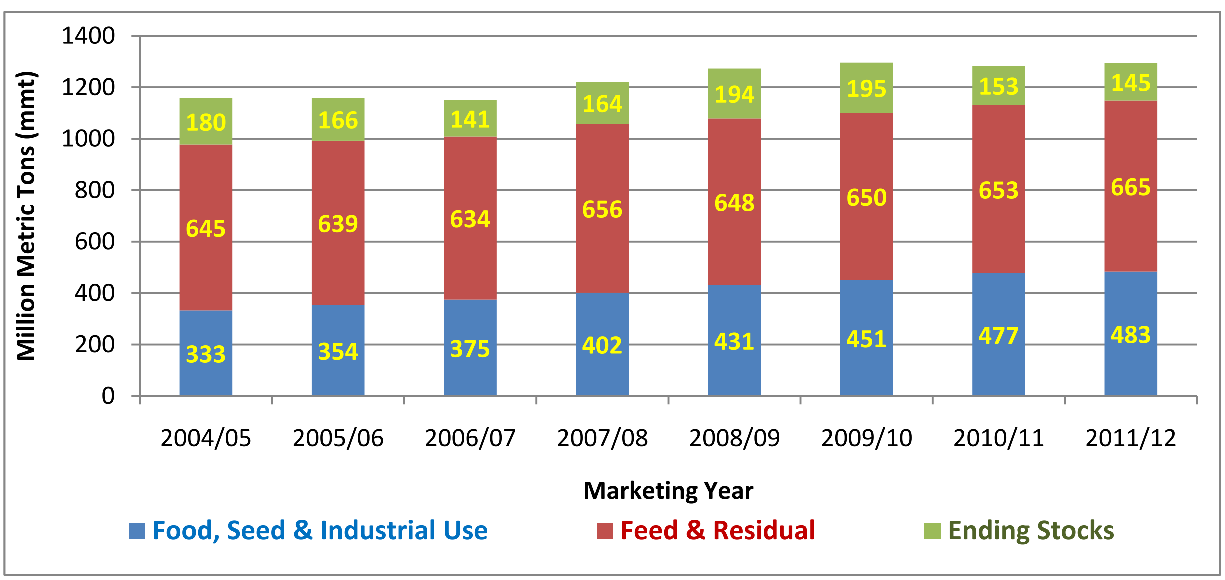


II. World Supply-Demand for Coarse Grains

World Coarse Grain Supply-Demand in MY 2011/12

Projected World coarse grain usage is greater than production in MY 2011/12, leading to a reduction in ending stocks and a continuation in the trend towards tighter % ending stocks-to-use since MY 2009/10 (Figure 3).

Figure 3. World Coarse Grain Usage & Ending Stocks: MY 2004/05 thru MY 2011/12
(June 9, 2011 USDA WASDE Report)



Production of World coarse grains in MY 2011/12 is projected to be 1,143.9 mmt, up 5% from 1,089.5 mmt in MY 2010/11, and up from 1,109.6 mmt in MY 2009/10. **Total supplies** are projected to be

1,297.4 mmt, up 1% from 1,284.3 mmt in MY 2010/11, but less than 1,303.6 mmt in MY 2009/10. World coarse grain **trade** is projected to be 114.3 mmt in MY 2011/12, which is down marginally from 114.6 mmt in MY 2010/11, and down 7% from 123.2 mmt in MY 2009/10. **Total use** of coarse grains is projected to be 1,152.1 mmt, up 2% from 1,130.8 mmt in MY 2010/11, and up 4% from 1,108.7 mmt in MY 2009/10.

Ending stocks are projected to be 145.3 mmt (12.6% S/U) in MY 2011/12, which would be down 5.4% from 153.5 mmt (13.6% S/U) in MY 2010/11, and down from 194.8 mmt (17.6% S/U) in MY 2009/10.

World Coarse Grain Market Specifics

Prospects for MY 2011/12 World coarse grain supply-demand are very uncertain at this point time, depending on 2011 production prospects in the U.S., Canada, South America, Asia and elsewhere.

Global coarse grain production is projected to be record high of 1,143.8 mmt in MY 2011/12, with year-over-year increases in many countries.

- **Higher** *coarse grain production is projected in Argentina (up 15% to 32.9 mmt), Canada (up 6.2% to 23.4 mmt), China (up 2.8% to 184.3 mmt), the European Union (up 2.4% to 143.0 mmt), Mexico (up 11.6% to 32.2 mmt), North Africa/Middle East (up 1.5% to 29.0 mmt), Russia (up 76% to 28.9 mmt), Southeast Asia (up 7.9% to 25.0 mmt), the Ukraine (up 16% to 24.9 mmt), and the United States (up 5.5% to 348.5 mmt).*
- **Nearly unchanged** *coarse grain production from the previous year is projected for Brazil (57.3 mmt) and Australia (13.3 mmt).*

Global coarse grain import projections of 111.3 mmt in MY 2011/12 shows signs of price rationing and recovery in production prospects, as a number of major coarse grain importing countries are expected to decrease purchases.

- **Decreased** *in coarse grain imports for MY 2011/12 are projected for China (down 30.8% to 2.1 mmt), the European Union (down 34% to 5.3 mmt), Saudi Arabia (down 11.1% to 7.2 mmt), and South Korea (down 3.7% to 7.8 mmt).*
  - China corn imports in MY 2011/12 could vary greatly depending on weather patterns and their impact on coarse grain production prospects.
- **Nearly Unchanged** *coarse grain imports are projected for Japan (unchanged at 19.1 mmt), and Southeast Asia (down 1.4% to 7.2 mmt),*
  - Japan imports have been affected by the carryover effects of earthquake / tsunami damage to coastal livestock feeding industries and ports
- **Increased** *coarse grain imports are projected for Mexico (up 10.8% to 11.4 mmt) and North Africa / Middle East (up 2.2% to 21.4 mmt).*

Global coarse grain export projections of 114.3 mmt in MY 2011/12 again show at least moderate signs of price rationing and varying coarse grain production prospects.

- **Decreased** *in coarse grain exports for MY 2011/12 are projected for Australia (down 4.2% to 5.7 mmt), Brazil (down 5.9% to 8.0 mmt), the European Union (down 61.4% to 2.3 mmt), the United States (down 5.0% to 49.4 mmt), and Canada (down 18.4% to 3.6 mmt).*
- **Increased** *coarse grain imports are projected for Argentina (up 20.4% to 20.7 mmt), Russia (up 297.0% to 1.3 mmt) and the Ukraine (up 28.6% to 11.0 mmt).*
  - Potential coarse grain / corn production problems are still serious considerations for the U.S., the EU, Canada and elsewhere, and could have significant impacts of coarse grain /corn export availability in MY 2011/12. In other words, these USDA export projections are highly tentative – depending on how 2011 crops develop in each of these countries.

Global coarse grain usage continues to trend higher, with record high use of 1,152.1 mmt projected for MY 2011/12.

- Largest projected domestic users of coarse grains *are the* *United States (down 1.1% to 303.1 mmt), China (up 5.0% to 189.0 mmt), the European Union (down 2.7% to 148.4 mmt), Brazil (up 3.3% to 53.3 mmt), North Africa / Middle East (up 1.3% to 51.3 mmt), Mexico (up 4.8% to 42.1 mmt), Southeast Asia (up 3.9% to 31.6 mmt), Russia (up 43.6% to 26.5 mmt), Canada (up 3.2% to 21.4 mmt), Japan (down 0.7% to 19.4 mmt), the Ukraine (up 1.6% to 13.7 mmt), Argentina (up 6.5% to 11.4 mmt), followed by Saudi Arabia (8.3 mmt), South Korea (8.1 mmt), and Australia (7.7 mmt).*
- *Changing production prospects in Russia and the European Union affect these coarse grain usage projections.*
  - Projected Russia coarse grain usage of 26.5 mmt in MY 2011/12 is above 18.5 mmt in MY 2010/11, but below 30.6 mmt in MY 2009/10.
  - Projected European Union coarse grain usage of 148.4 mmt in MY 2011/12 is less than 152.5 mmt in MY 2010/11 and 150.4 mmt in MY 2009/10.
- Rationing of Coarse Grain Use: *High World coarse grain prices are likely to continue to ration usage of among major industries such as bionenergy production and livestock feeding. Strength or weakness in World energy prices is likely to "drive" either stronger or weaker coarse grain / corn use*
  - Should energy prices move higher in the summer of 2011, it would lead to higher breakeven purchasing prices for coarse grains for energy production – leaving World livestock feeding enterprises in a less competitive position (in turn having a limiting effect on U.S. coarse grain exports)

World Coarse Grain & Corn Ending Stocks: Current projections of World coarse grain and corn ending stocks for MY 2011/12 are very tentative, with uncertainty surrounding corn and other coarse grain production in the United States, Canada, the European Union, China, Mexico and elsewhere.

- **Projected World Coarse Grain ending stocks in MY 2011/12 = 145.3 mmt (12.6% S/U)**
  - Compared to 153.5 mmt (13.6% S/U) for MY 2010/11, & 194.8 mmt (17.6% S/U) for MY 2009/10

World Coarse Grain Market Comments: It is increasingly likely coarse grain production shortfalls in the U.S., Canada and the European Union alone due to 2011 planting delays, drought or possible major flood damage could significantly tighten World coarse grain ending stocks

Further tightening of World coarse grain / corn ending stocks could lead to marked increases in World wheat feeding, with increased availability of supplies in 2011 of U.S. soft red winter wheat and of feed quality wheat from Australia and Canada being primary "targets".

World Corn Supply-Demand in MY 2011/12

World corn production and total use both are projected to account for 75.7% of World coarse grain production and total use, respectively, in MY 2011/12. As with total World Coarse Grains, projected increases in World corn usage are larger than increases in World corn production in MY 2011/12, leading to a marked tightening of World corn ending stocks and % ending stocks-to-use in comparison to MY 2010/11 levels, and especially in comparison to MY 2009/10.

Production of World corn in MY 2011/12 is projected to be 866.2 mmt, up 5.6% from 820.6 mmt in MY 2010/11, and up from 813.0 mmt in MY 2009/10. **Total corn beginning stocks plus production** is projected to be 983.6 mmt, up 2.0% from 964.1 mmt in MY 2010/11 and up 2.4% from 960.2 mmt in MY 2009/10. World corn **exports** are projected to be 93.2 mmt in MY 2011/12, up from 90.6 mmt in MY 2010/11, but less than 97.0 mmt in MY 2009/10. **Total domestic use** of corn is projected to be 871.7 mmt, up 3.0% from 846.6 mmt in MY 2010/11, and up 6.7% from 816.8 mmt in MY 2009/10.

World corn **ending stocks** are projected to be 111.9 mmt (12.8% S/U) in MY 2011/12, down from 117.4 mmt (13.9% S/U) in MY 2010/11, and down from 143.5 mmt (17.8% S/U) in MY 2009/10.