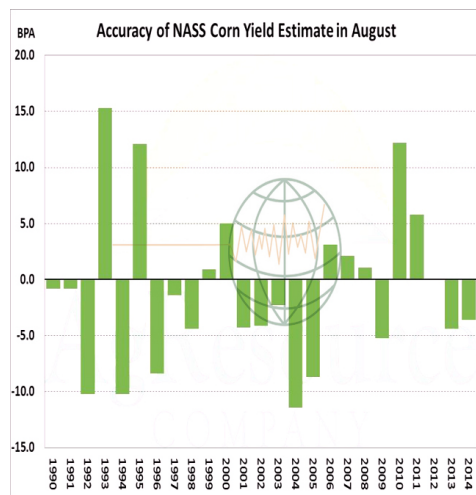
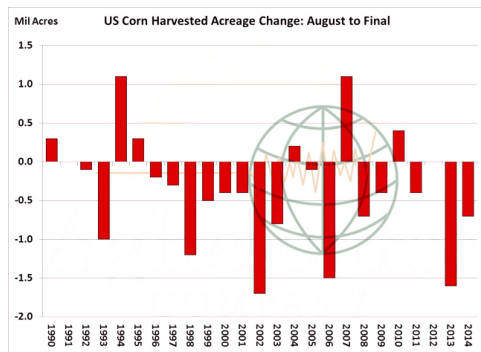


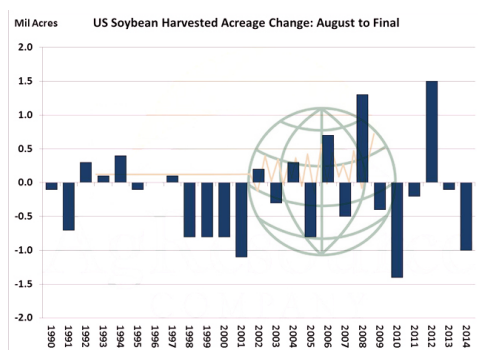
The corn market was shocked Wednesday when NASS's initial corn yield estimate was reported above previous WASDE estimates. The chart below shows a strong tendency for NASS to underestimate corn yields in the August report. In the last 25 years, the August estimate has been too low in 15 years (60%) by an average of 6 bushels/acre, too high in 9 years (36%), and exact in just 1 year (4%). Our bet is that if cool weather and normal rainfall continues in the remainder of the month, final yield could be another 2-4 bushels/acre higher.



NASS on Wednesday provided the first yield and production benchmarks that the trade will analyse. Upcoming crop tours, weather and crop conditions will all be discussed in the context of a US corn yield of 168.8 and a soybean yield of 46.9. Acreage was hotly debated in early summer, and recent work indicates that NASS in its August report put many issues to rest. Acreage will be adjusted in coming reports, but no longer will ideas of acreage losses worth 2.0 plus million be valid. The graphic displays changes in harvested corn area from the August to final report in January. NASS has a tendency to overestimate acres in August, but meaningful changes have been rare. The median change (up or down) rests at 400,000, which assuming the USDA's yield is equal to 75 million bu of production.

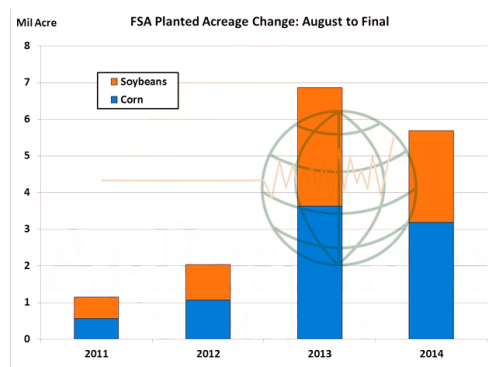


Harvested corn area has been lowered by more than 1.0 million in just five years since 1990. 2010 and 2013 have been widely discussed reference years. In 2010, corn acres were raised 400,000. In 2013, acres were lowered 1.6 million. NASS also has a very slight tendency to overstate soybean harvested acres in August, through there's no relationship between changes from July to August and changes from August to final. The median change in soybean harvested area (up or down) is 300,000 acres, which assuming the USDA's yield is equal to 15 million bu. In 2010, soybean acres were lowered 1.2 million from August to final. In 2013, acres were lower 100,000. For both corn and beans, note that change from August to October are even more tame – the median change in corn acres from Aug to Oct is just 100,000; the median change in beans is 150,000 acres.



The FSA will release its first series of acreage enrollment data on Monday, and in recent years this has caused the market headaches. We have found that FSA acres and NASS acres correlate very well – but only by the final reports released in January. It's important to be mindful that the August FSA numbers released next Monday will be low. Notice in the graphic that in recent years 2.5-3.5 million acres are added to the FSA corn and soybean data from August to final, and so next week's data will by no means be complete. And prevent plant acres released by FSA

do not correlate with any NASS data series. Broadly, it's yield potential that will drive price action moving forward, not acreage.



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