

Corn & Soybean Outlook Webinar

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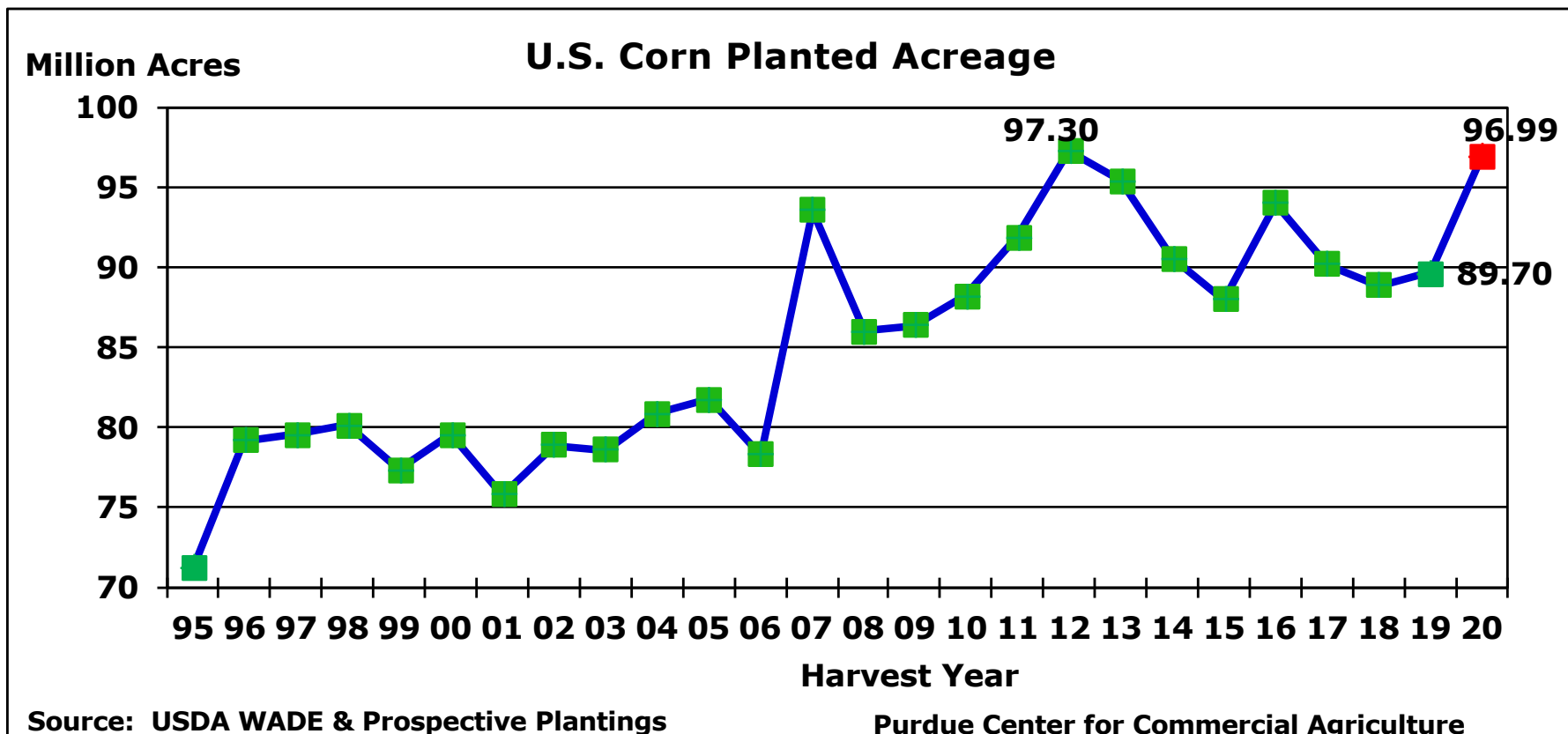
Center for
Commercial Agriculture

April 1, 2020

USDA's Planting Intentions & Grain Stocks Reports Surprises

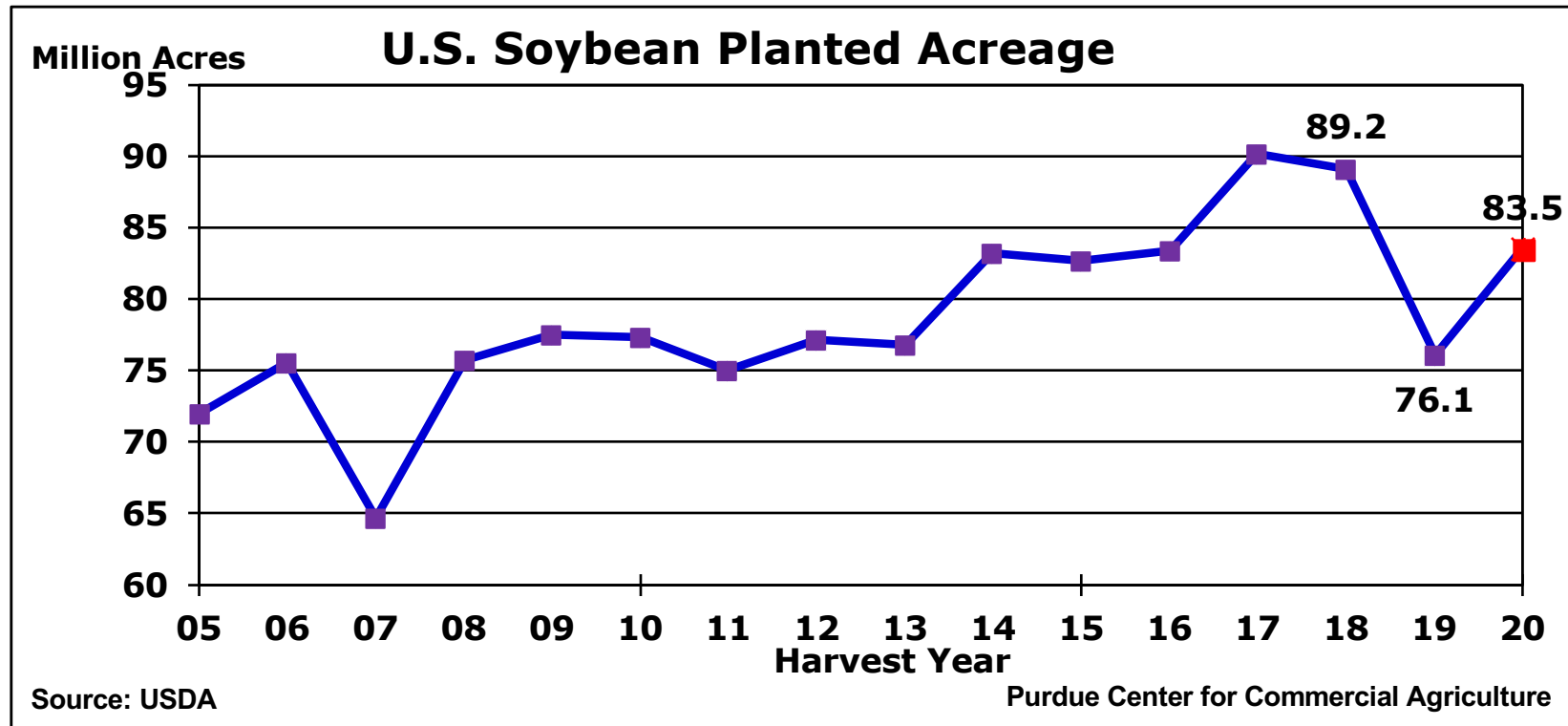
1. Corn Stocks smaller than trade expected
 - USDA's March 1 estimate, 7.95 billion bushels
 - 184 million bushels less than average pre-release estimate
 - Likely implies size of 2019 crop overestimated
2. Corn Planting Intentions larger than expected
 - USDA estimated 97 million acres
 - 2.9 million acres more than average pre-release estimate
3. Soybean Planting Intentions smaller than expected
 - USDA estimated 83.5 million acres
 - 1.5 million acres below average pre-release estimate

2nd Largest Corn Acreage in Post WWII Era

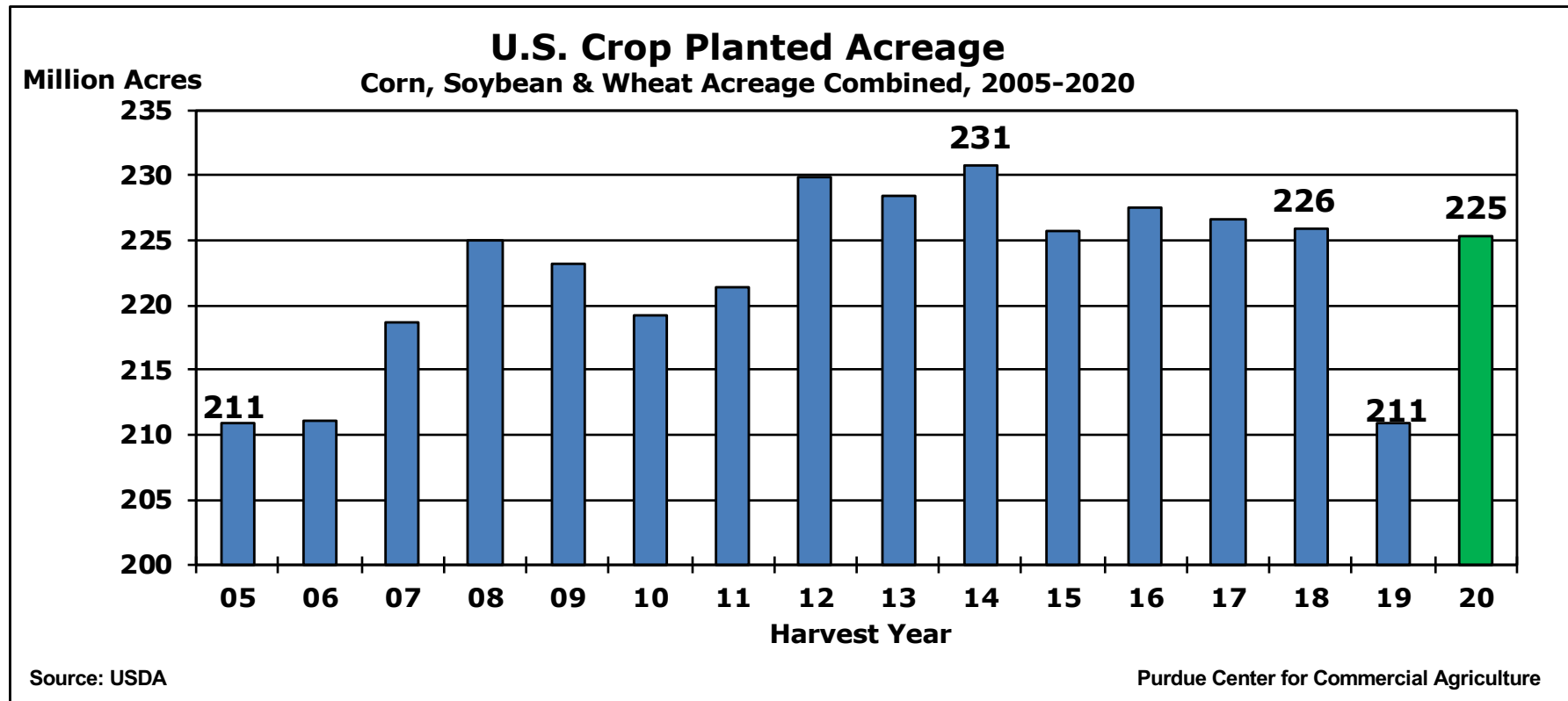


2020 Soybean Planting Intentions

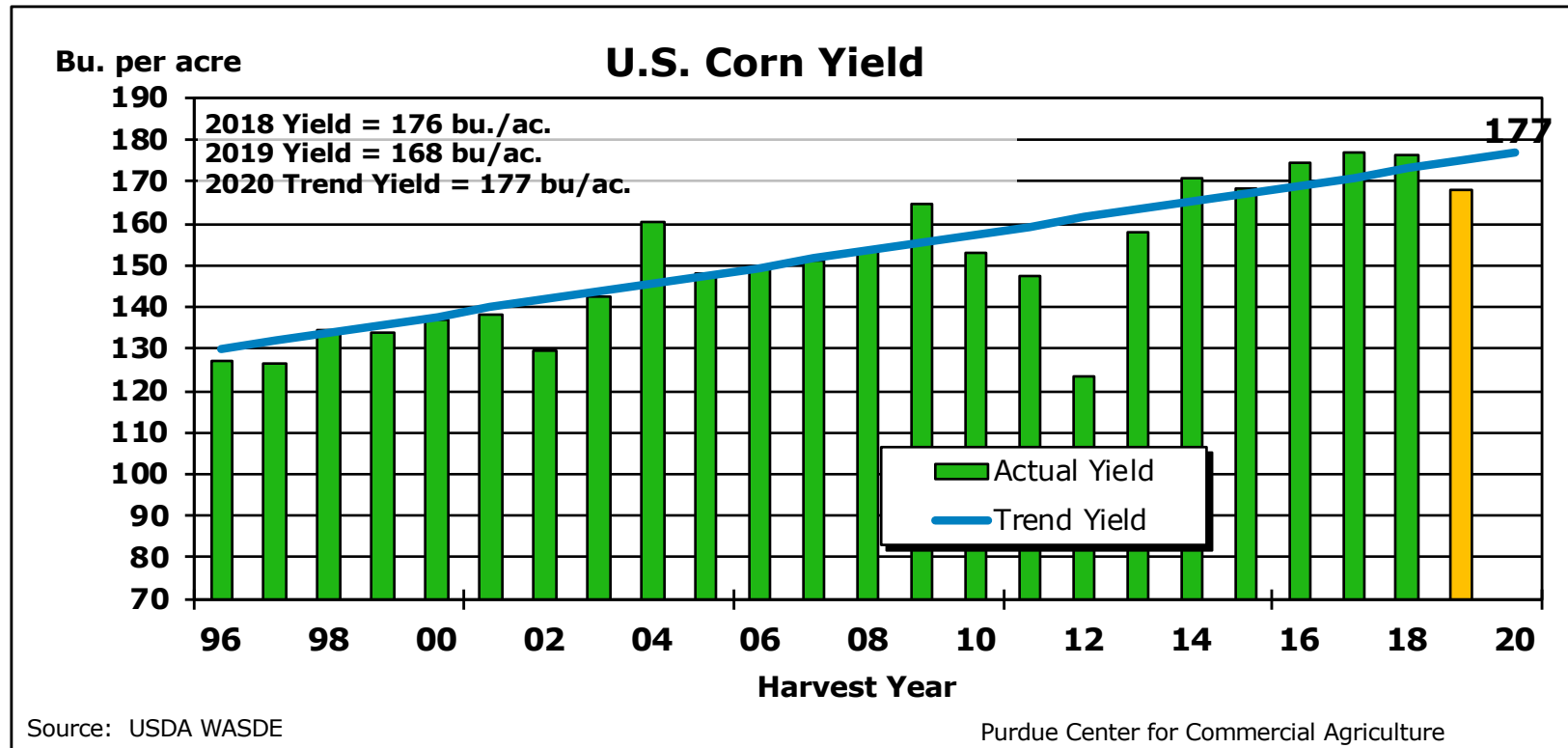
7.4 Million Acres Above 2019's Acreage



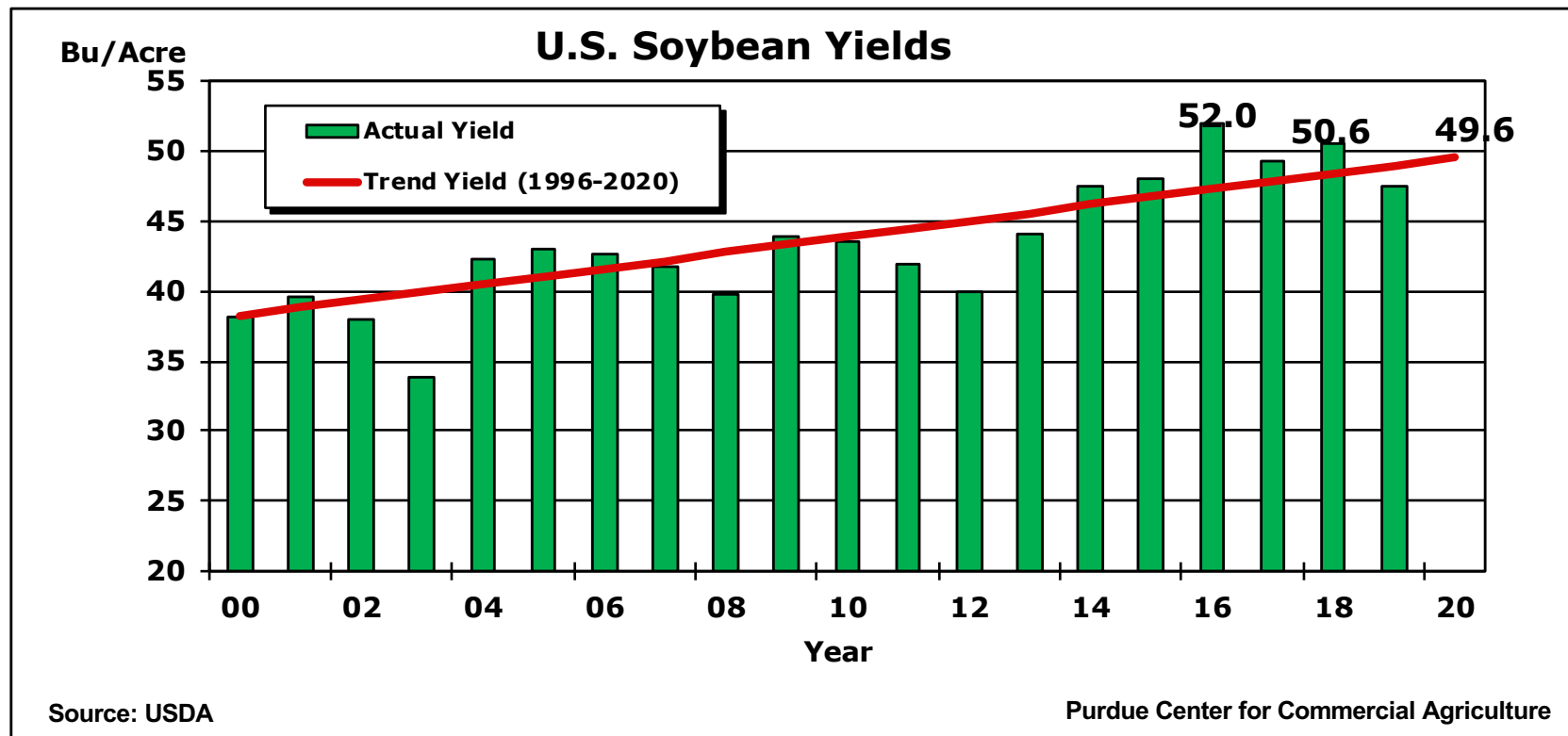
Combined Acreage Back Near 2015-2018 Average



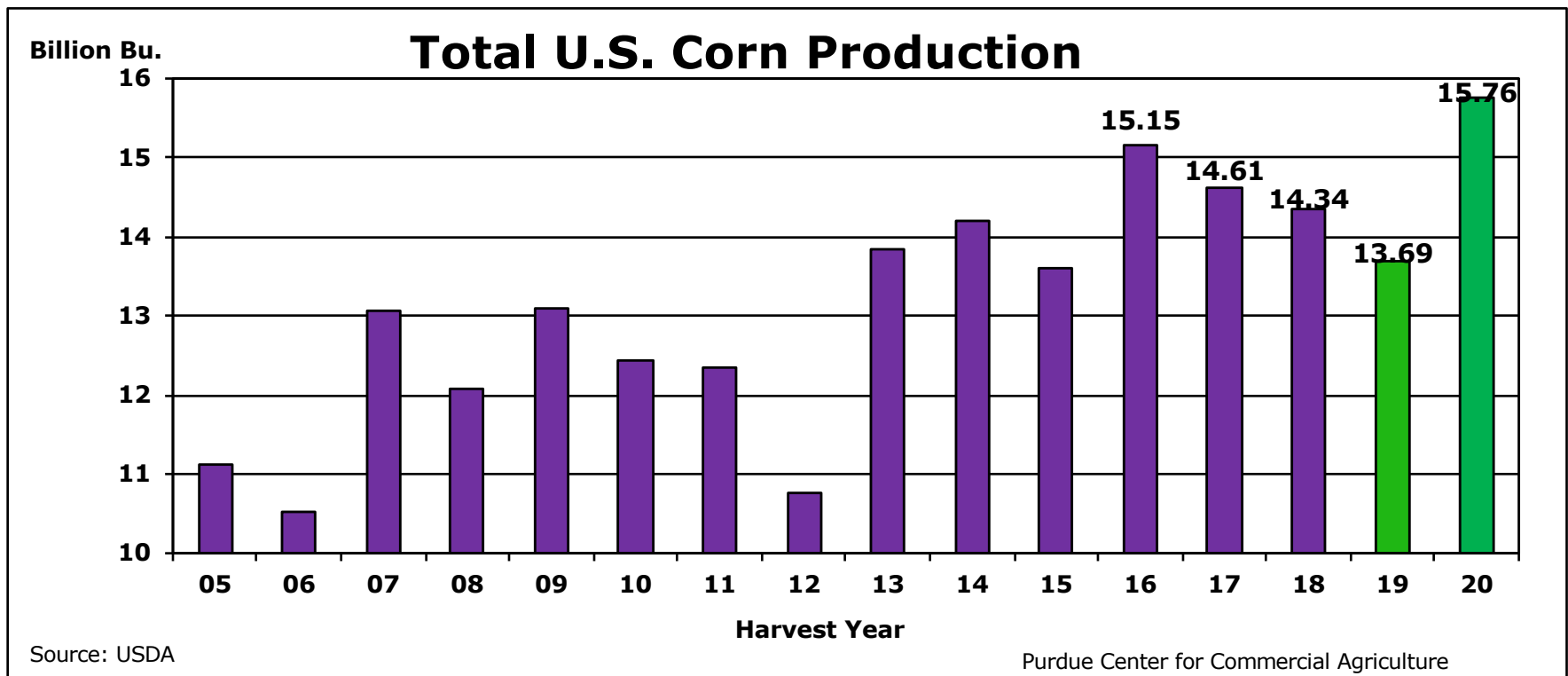
If We Reach Trend Yield in 2020 Corn Production Will Set A New Yield Record



If Soybean Yields Reach Trend It Would Be 3rd Highest Yield on Record

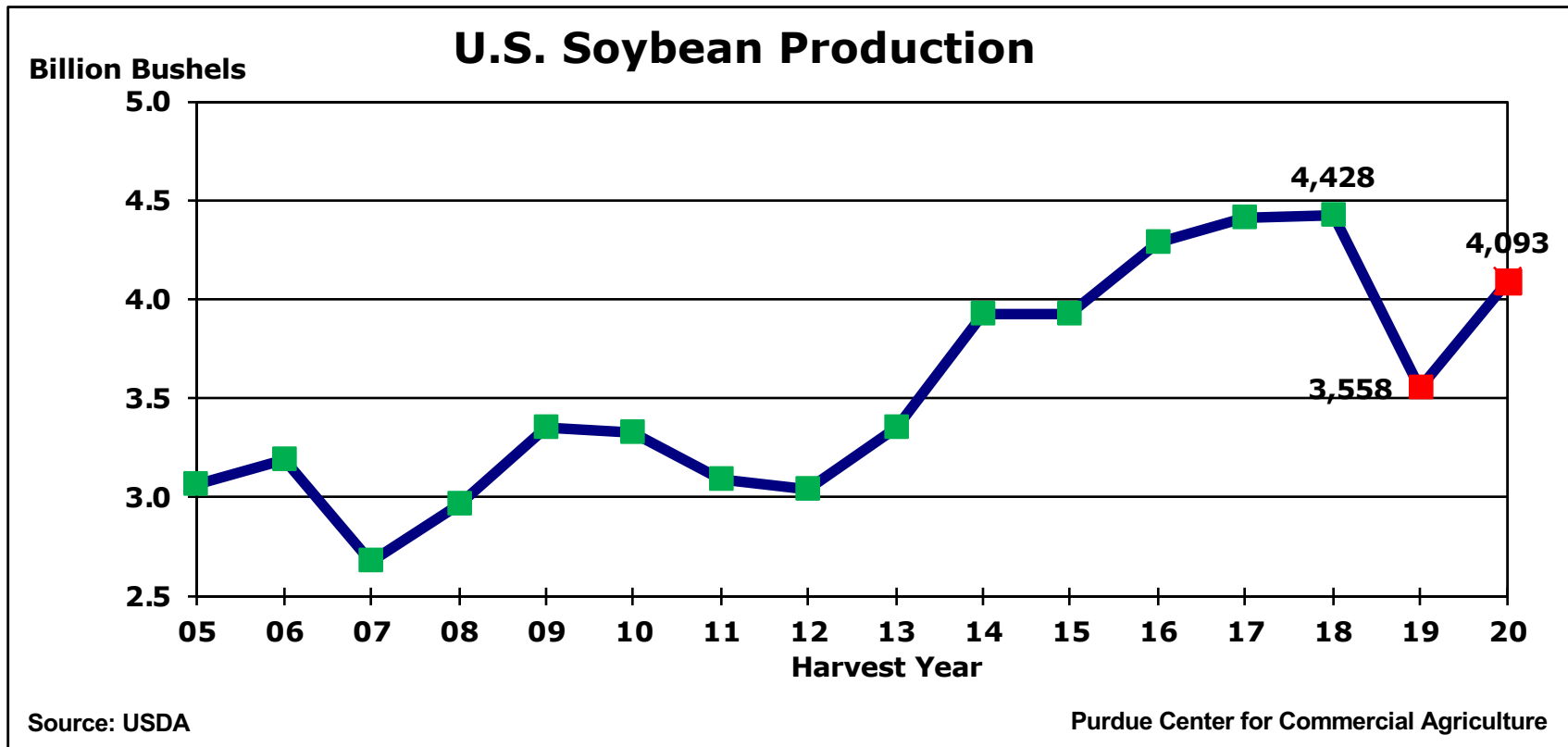


Combination of Planting Intentions & Trend Yield Would Lead to Record Large Corn Production



Soybean Planting Intentions & Trend Yield

Would Push 2020 Soybean Production Back Above 4 Billion Bushels



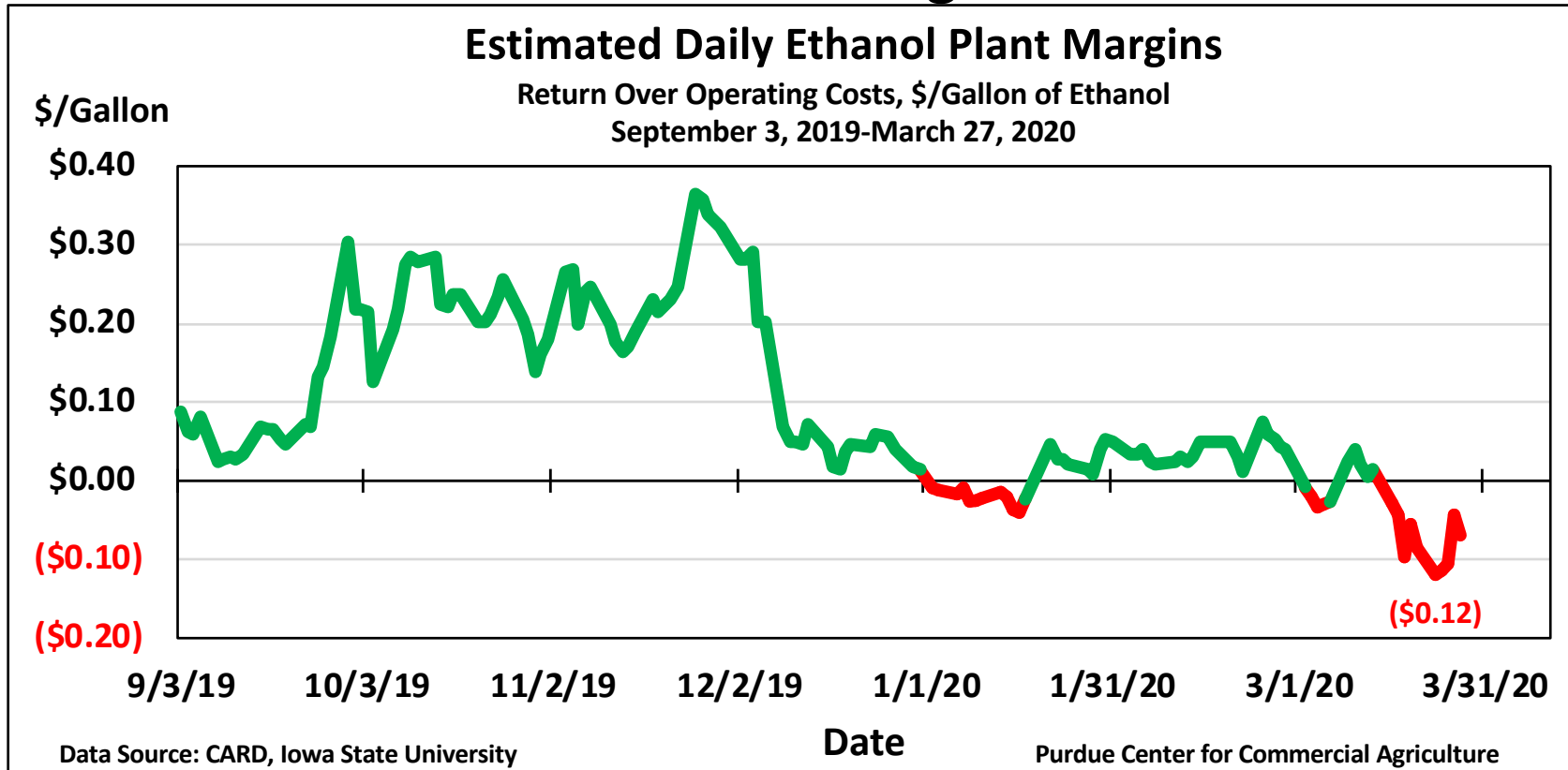
What About Demand for Corn?

COVID19 Suggests Weak Demand Environment

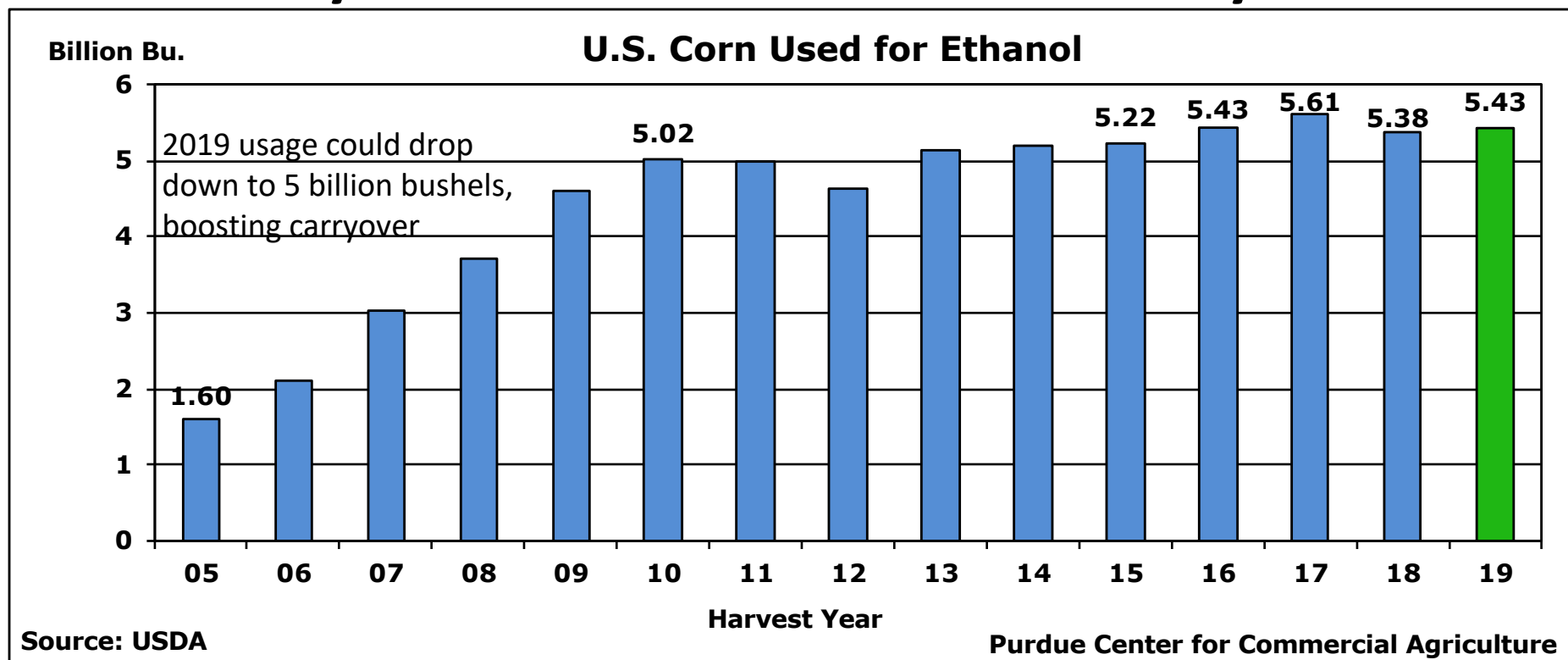
Key Corn Demand Issues

- 1. Ethanol Demand**
- 2. Export Demand**
- 3. Feed Demand**

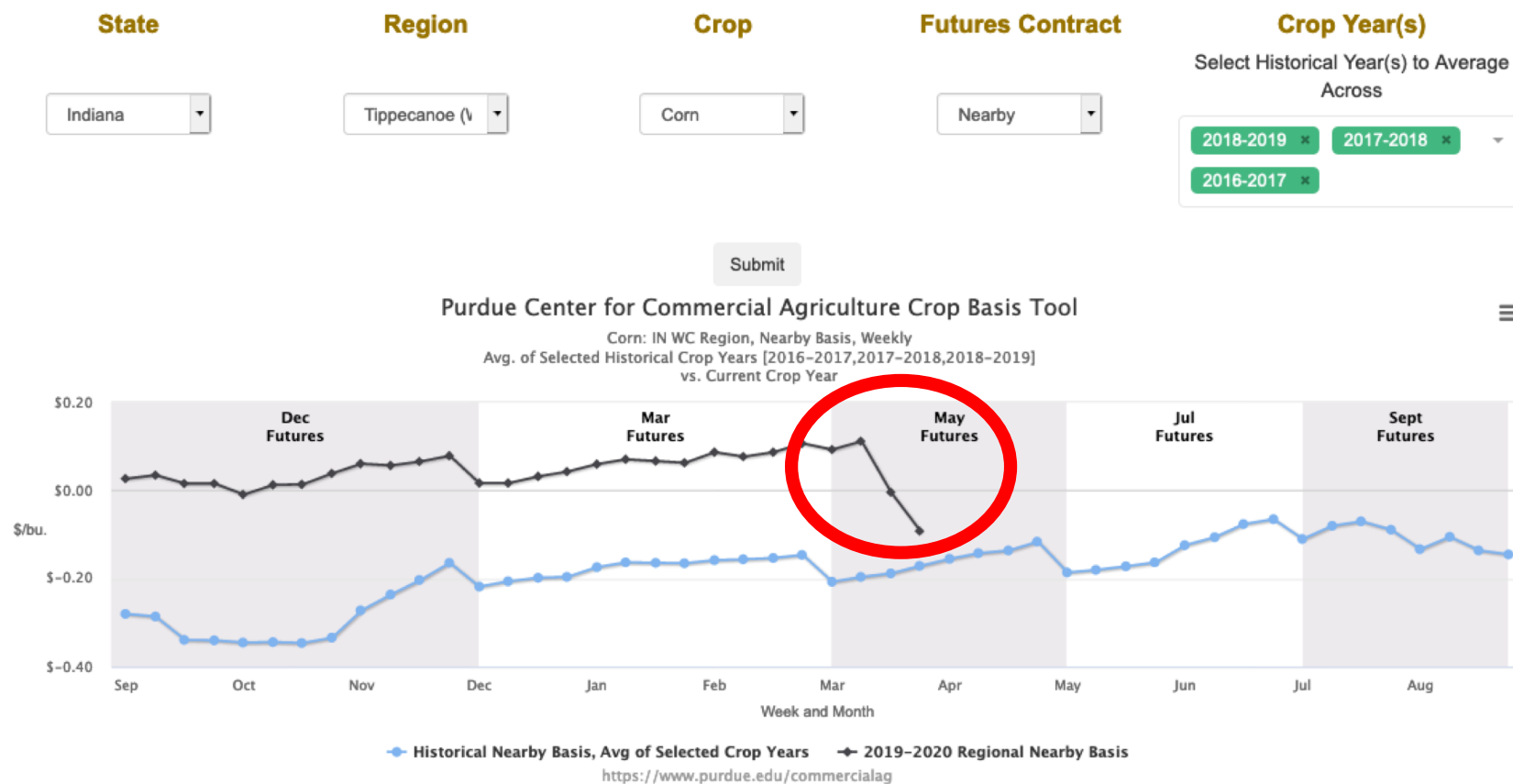
Declining Oil Prices & Plummeting Gasoline Usage Have Pushed Ethanol Margins Into the Red



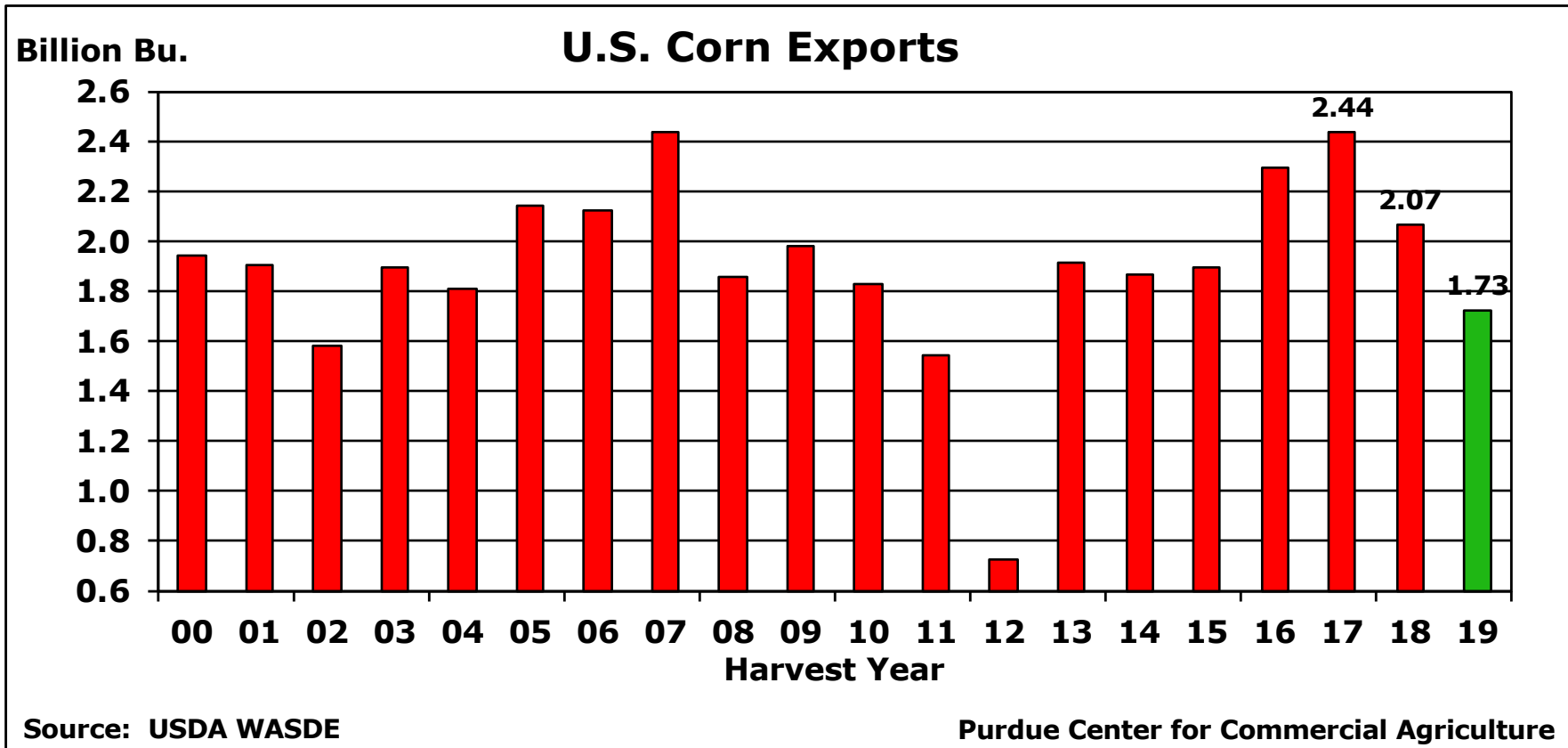
Ethanol Demand Expected To Drop Sharply Near Term And Likely To Remain Weak Until Economy Recovers



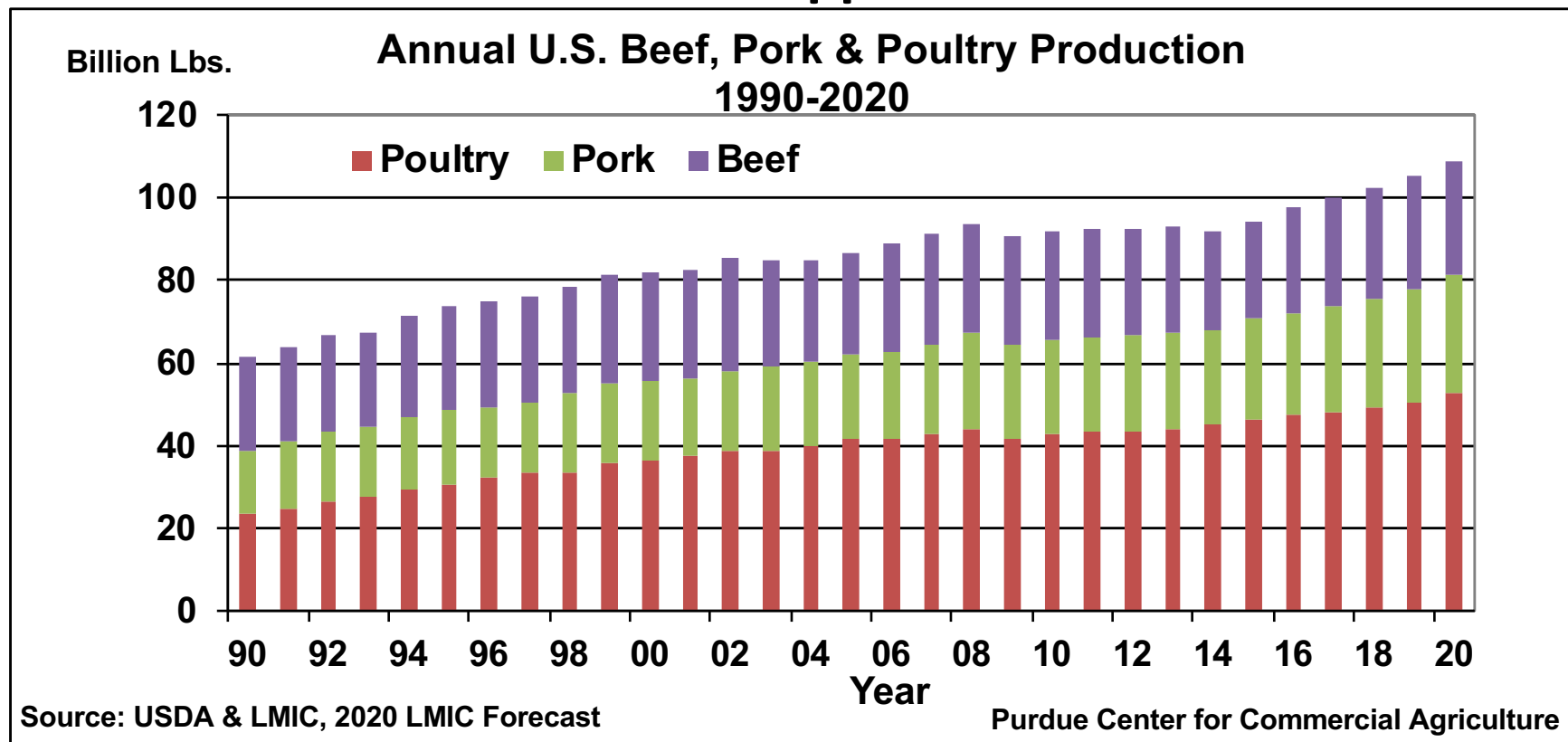
Weak Ethanol Demand Pressuring Corn Basis Levels Lower

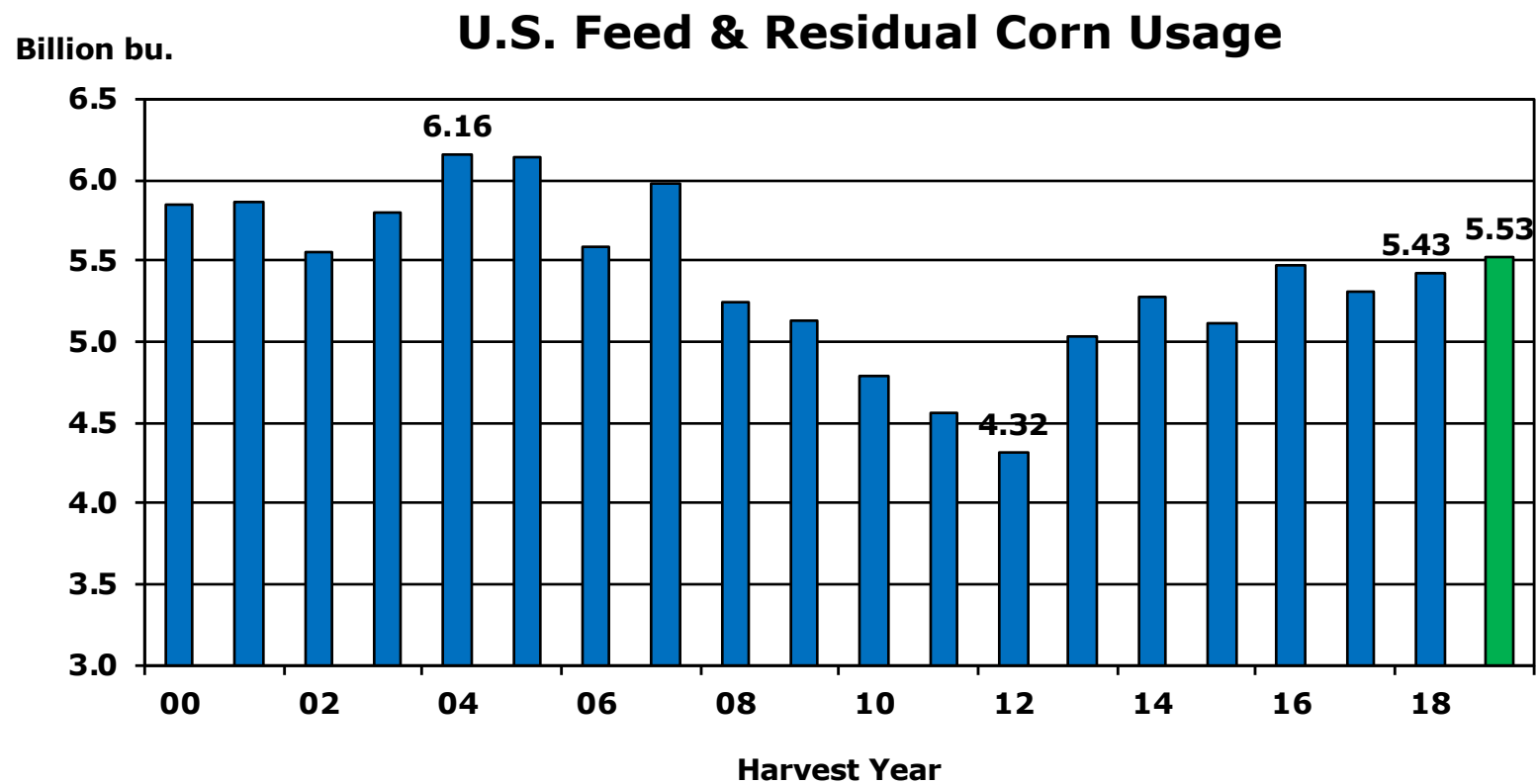


**USDA Projected 2019 Crop Exports Would Decline 16% Compared to 2018
But YTD Sales & Commitments Through Mid-March Were Down 28%**



But Record Large Meat Production in 2020 Will Continue To Support Feed Demand





Source: USDA WASDE

Purdue Center for Commercial Agriculture

Corn Summary

Corn Production in 2020 Could Set A New Record

Near Term, Sharp Decline in Ethanol Demand

- **Weak Ethanol Demand Could Linger Until Economy Shows Signs of Recovery**

Exports Were Running Behind USDA Forecast Before Covid-19

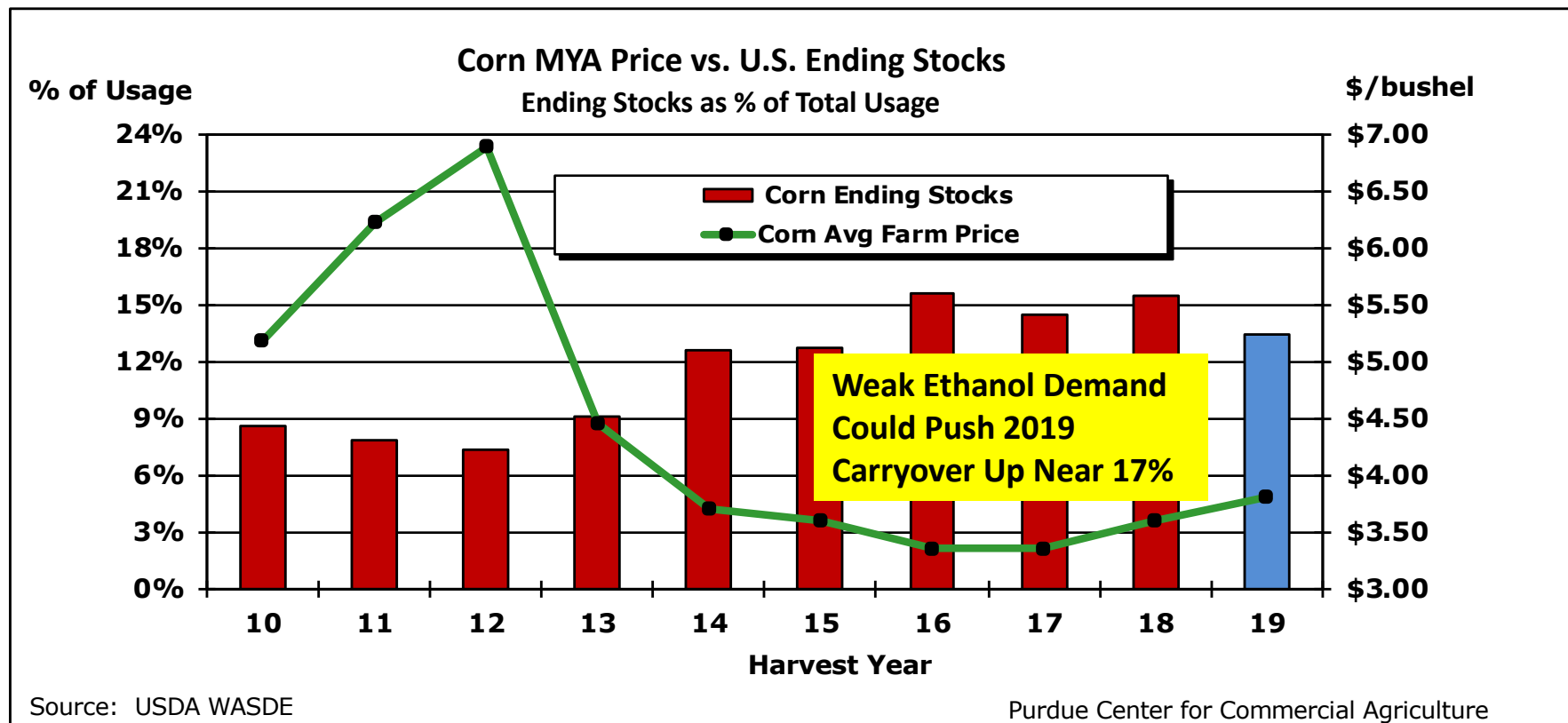
- **Global Recession Means Exports Unlikely to Catch Up**

Weak Ethanol & Export Demand Means Carryover from '19 into '20 Will Increase

Feed Demand Arising From Record Large U.S. Meat Production Is Only Bright Spot for Corn Demand

Look for Rising Ending Stocks and Weaker Prices

2019 MYA Price of \$3.55-\$3.60 Likely, Down from \$3.80 Projection Earlier in the Year



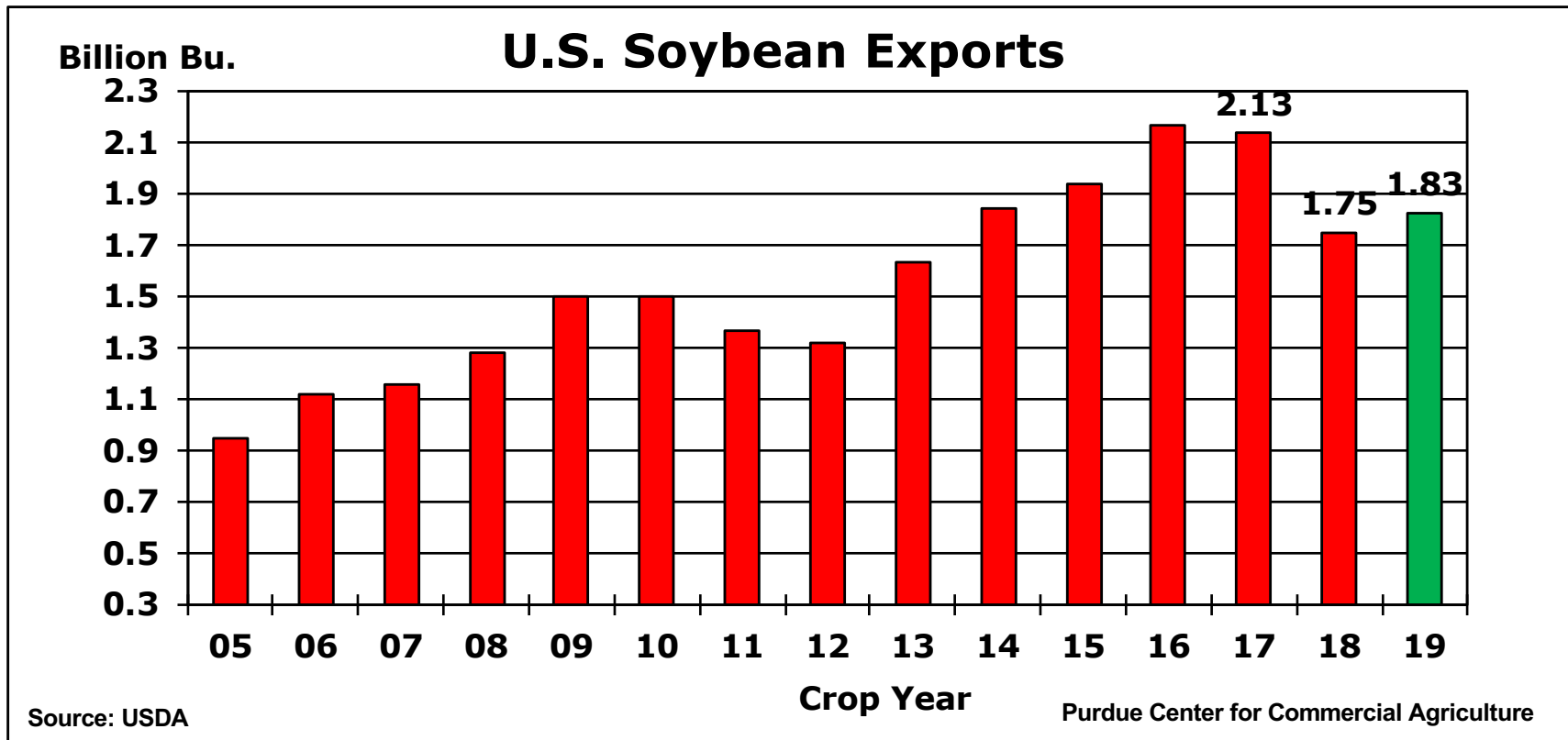
What About Demand for Soybeans?

Uncertain International Trade Environment Is Key

Key Soybean Demand Issues

- 1. Export Demand**
- 2. Crush Demand**

**YTD Sales & Commitments Were 14% Below Last Years Through Mid-March
Weak World Economy Means Exports Unlikely to Catch Up To Forecast**

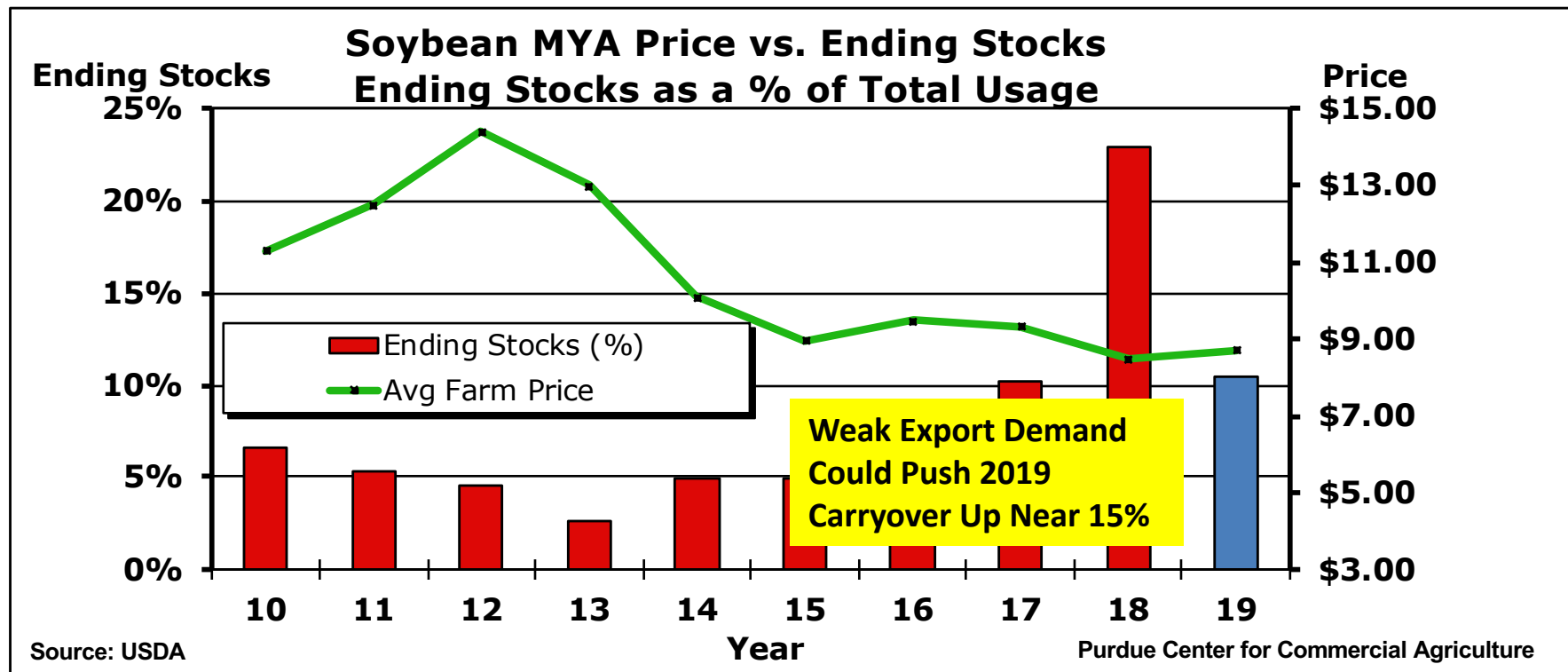


Soybean Summary

- **Large Production Increase Likely in 2020**
- **Exports Running Below Pace Needed to Hit Target**
- **Domestic Crush Demand Supported By Large Livestock Inventories**
- **Carryover From 2019 Could Be Larger Than Recent Forecasts Because of Weak Exports**

2019 Ending Stocks Could Be Larger Than Projected Previously

2019 MYA Price Near \$8.50 Likely, Down from \$8.70 Projection Earlier in the Year

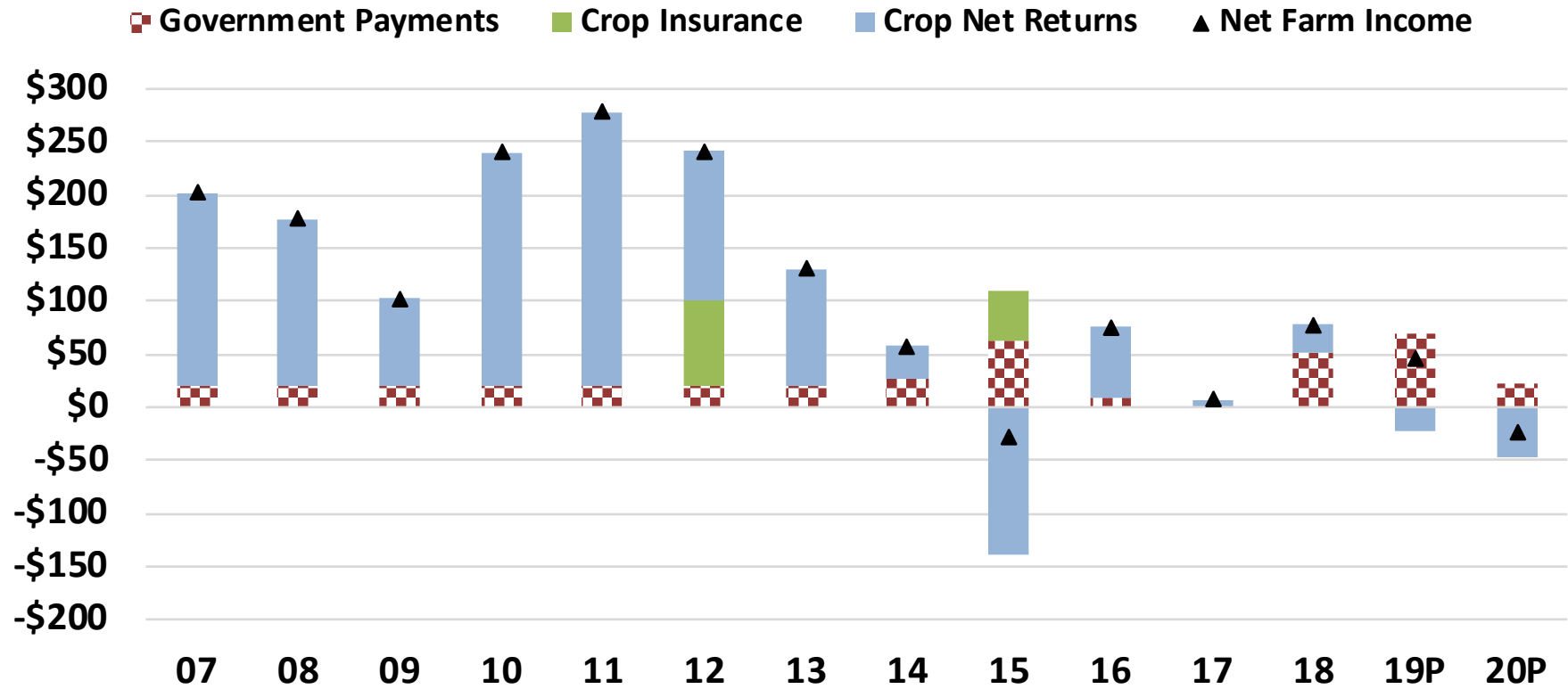


Net Return Projections

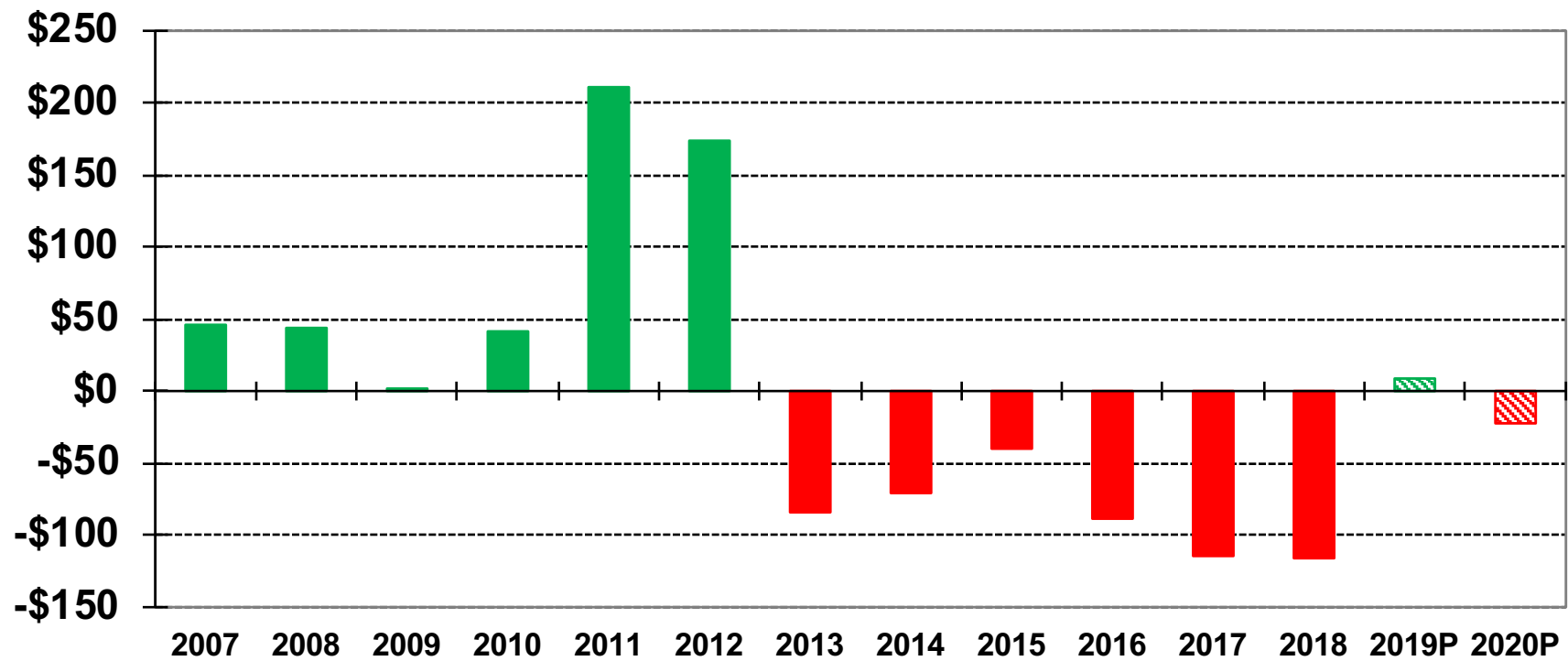
Definitions

- Net Farm Income
 - Gross revenue minus cash expenses and depreciation; excludes operator and family labor, and opportunity costs
- Net Return to Land
 - Gross revenue minus cash expenses (except rent), depreciation, and opportunity costs (except opportunity cost on owned land)
- Earnings
 - Gross revenue minus cash expenses, depreciation, and opportunity costs

Net Farm Income Sources, Corn/Soybean Rotation (\$ per Acre) West Central Indiana Case Farm



Difference in Earnings per Acre West Central Indiana (Corn Minus Soybeans)



Current Prices Still Favor Soybeans Over Continuous Corn in Eastern Corn Belt

Corn Prices Required to Produce Per Acre Returns Equivalent to Soybeans

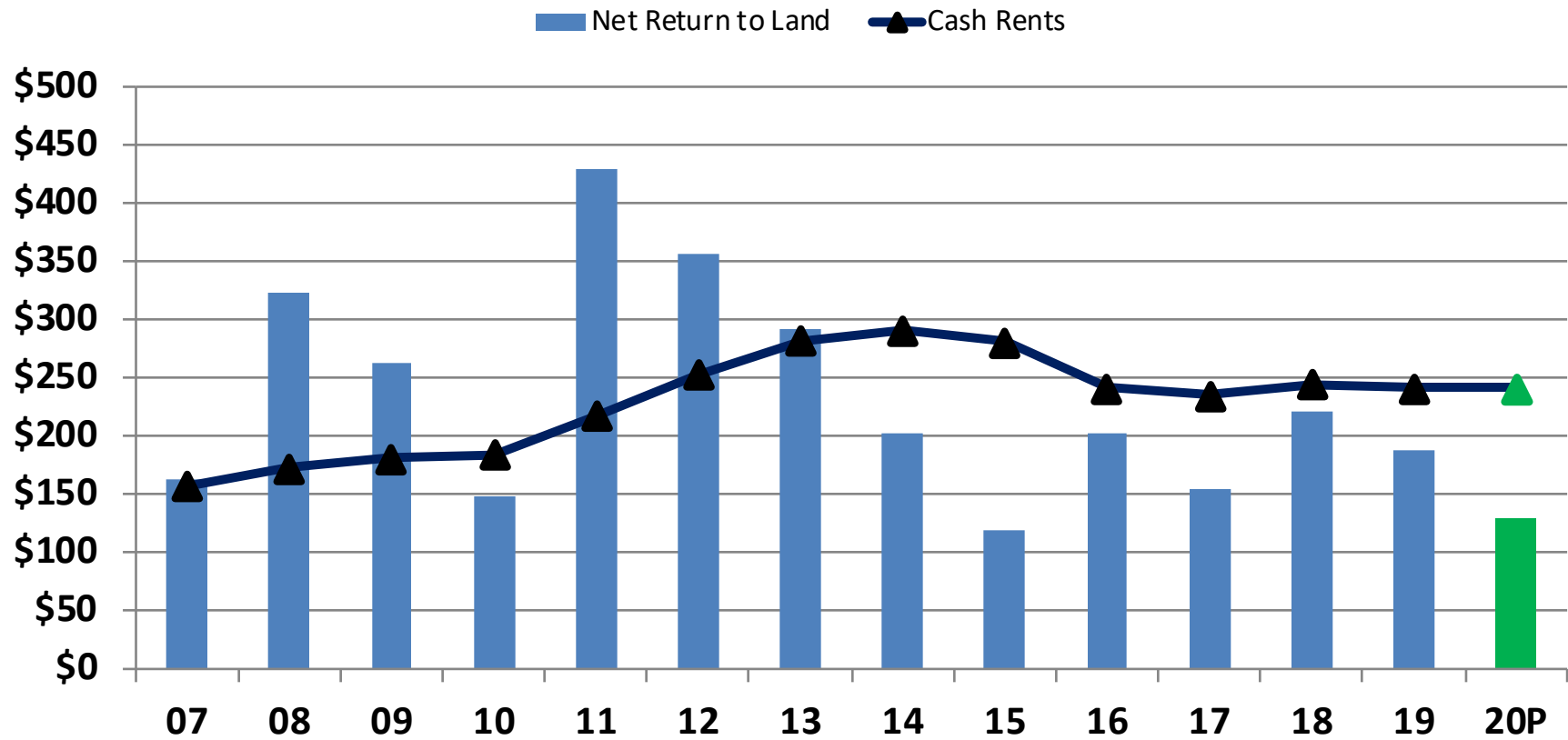
Soybean Price	Low Productivity (C=133; SB=44)	Avg. Productivity (C=165; SB=54)	High Productivity (C=198; SB=65)
\$7.50	\$3.76	\$3.67	\$3.52
\$8.00	\$3.92	\$3.83	\$3.68
\$8.50	\$4.09	\$3.99	\$3.85
\$9.00	\$4.26	\$4.16	\$4.01
\$9.50	\$4.42	\$4.32	\$4.17
\$10.00	\$4.59	\$4.48	\$4.34

Soybeans Versus Rotation Corn in Eastern Corn Belt?

Corn Prices Required to Produce Per Acre Returns Equivalent to Soybeans

Soybean Price	Low Productivity (C=141; SB=44)	Avg. Productivity (C=176; SB=54)	High Productivity (C=211; SB=65)
\$7.50	\$3.43	\$3.34	\$3.22
\$8.00	\$3.58	\$3.49	\$3.37
\$8.50	\$3.74	\$3.65	\$3.52
\$9.00	\$3.89	\$3.80	\$3.68
\$9.50	\$4.05	\$3.95	\$3.83
\$10.00	\$4.21	\$4.11	\$3.99

Cash Rent and Net Return to Land, West Central Indiana



Marketing Strategies

Take advantage of spring planting rallies, if they materialize

Eastern Corn Belt benefitted from strong corn basis for much of 2019 crop year, but weak ethanol demand means basis bids unlikely to strengthen seasonally

Soybean basis remains strong, take advantage of basis strength

Little to no carry in futures for corn or soybeans provides little incentive to continue storing

Next Crop Outlook Webinar

May 15, 2020

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April 1, 2020