

Ag Outlook Webinar

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Center for
Commercial Agriculture

June 12, 2020

USDA's Corn Balance Sheet Changes

1. 2019 Corn Supply & Demand

- Very small harvested acreage reduction
- Lowered 2019 yield by 0.4 bu/acre to 167.4
- Acreage & yield reduction pulled 2019 production down by 46 m bu.
- But reduction in expected usage pushed carryover up by 5 m bu.
 - Reduced ethanol usage by 50 m bu. to 4.90 billion bu.
- Season average price projection remained at \$3.60/bu.

2. 2020 Corn Supply & Demand

- No changes, except for slightly larger 2019 crop carryover
- Season average price projection unchanged at \$3.20/bu.
- Acreage report comes out at the end of the month

USDA's Soybean Balance Sheet Changes

1. 2019 Soybean Supply & Demand

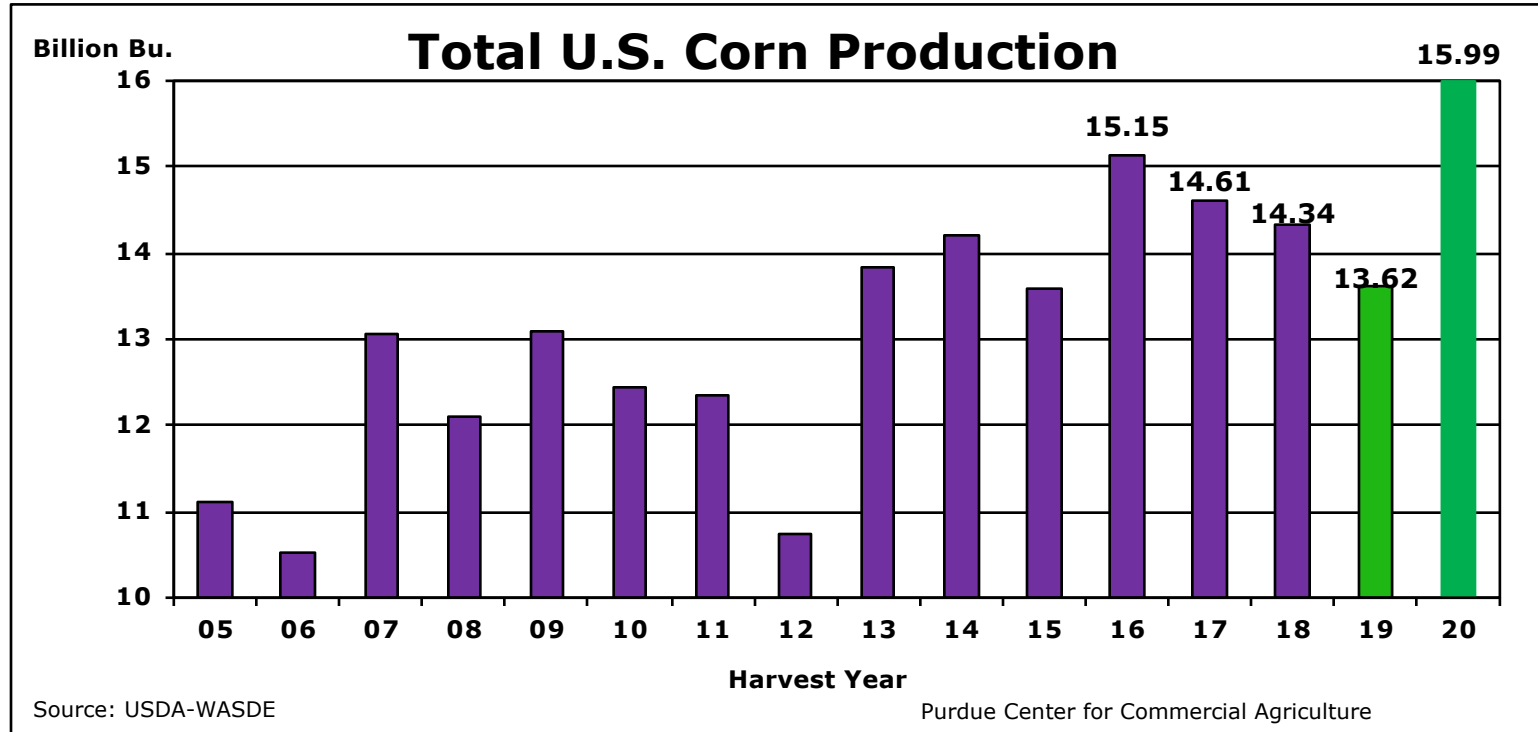
- No change in harvested acreage
- No change in yield, but production down 5 m bu.
- Increased crush by 15 m bu.
- But reduced exports by 25 m bu.
- Net result, expected carryover up 5 m bu to 585 m bu.
- Season average price projection remained at \$8.50/bu.

2. 2020 Soybean Supply & Demand

- Increased expected crush (and total usage) by 15 m bu.
- Season average price projection unchanged at \$8.20/bu.
- Acreage report comes out at the end of the month

USDA Forecasts Record Large Corn Production in 2020

But This Assumes Farmers Follow Planting Intentions & Trend Yields



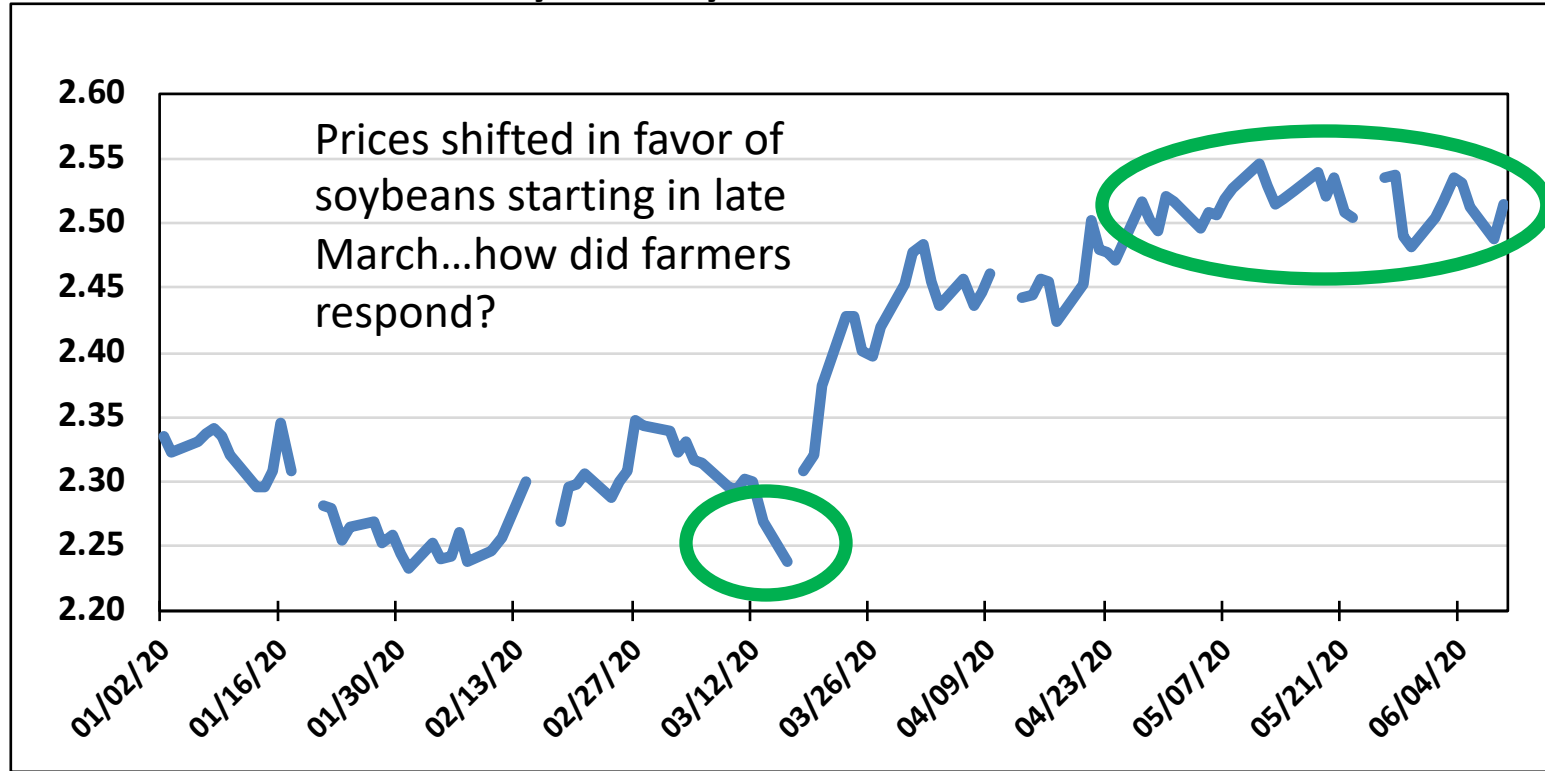
March Planting Intentions vs. What Farmers Actually Plant

March Planting Intentions

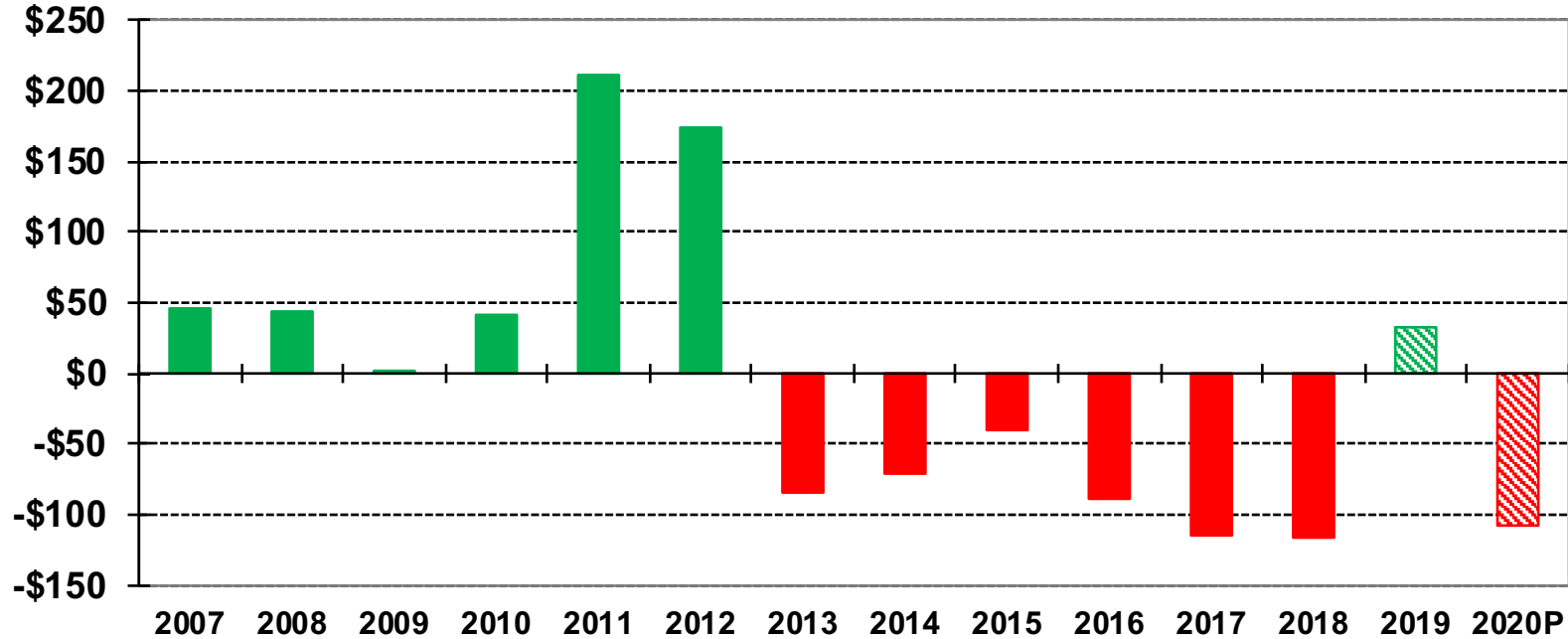
- Corn: 97 million acres
- Soybeans: 83.5 million acres
- But conditions changed since March 1st
- Did farmers alter their plans from their March intentions?

November Soybean/December Corn Futures Price Ratio

Daily, January 2, 2020-June 9, 2020

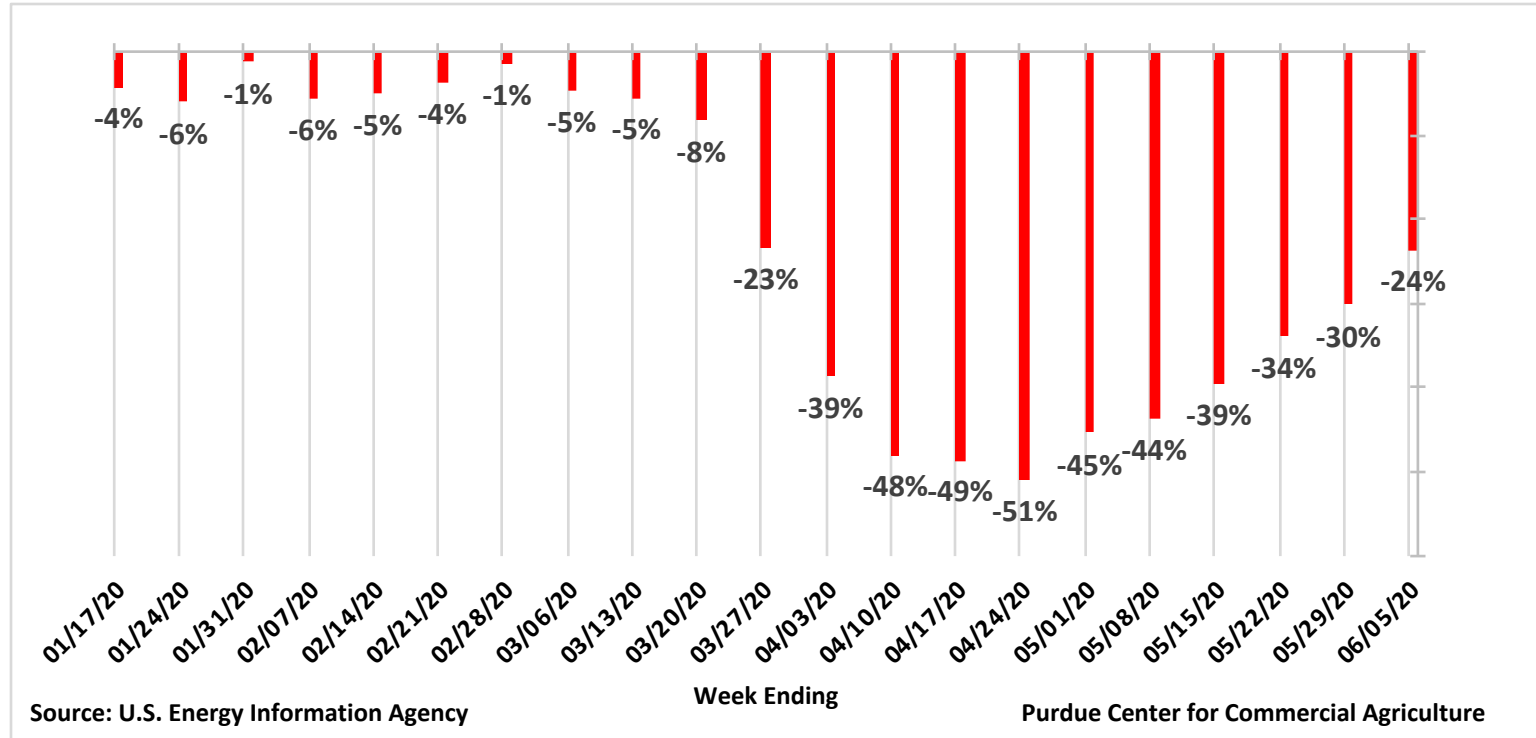


Difference in Earnings per Acre West Central Indiana (Corn Minus Soybeans)

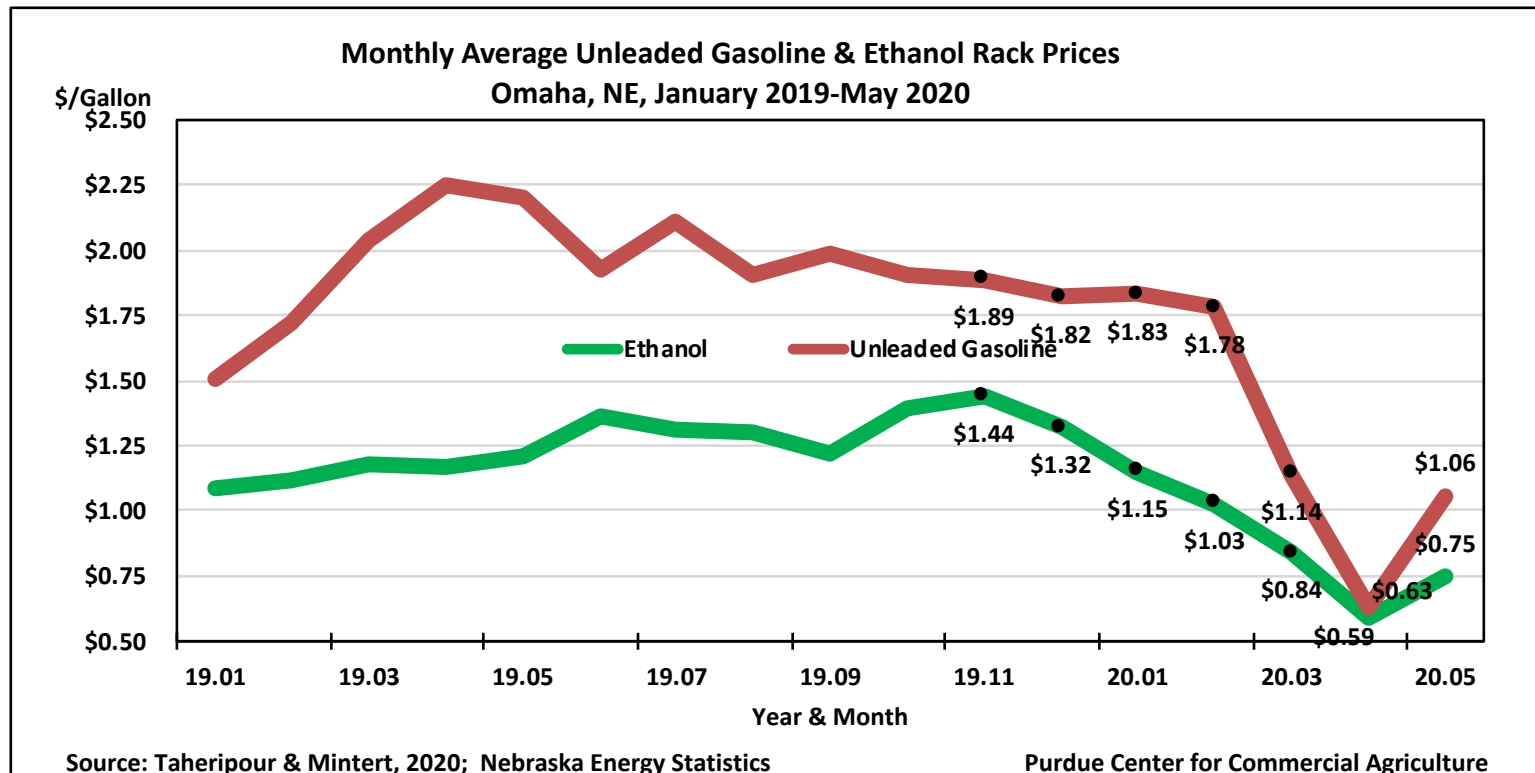


Ethanol Production Bottomed Out in Late April-Early May

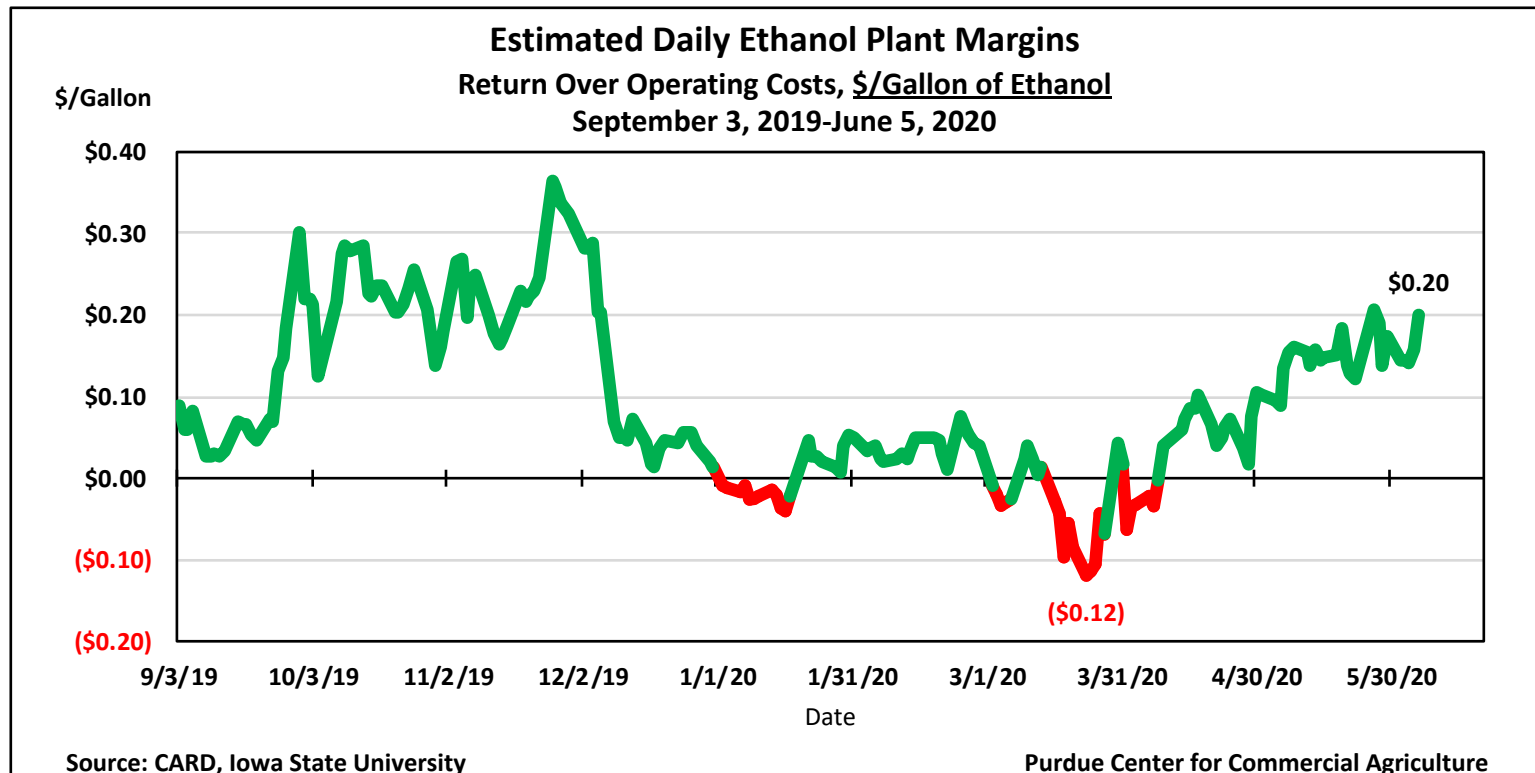
% Change in U.S. Weekly Ethanol Production vs. Week Ending January 10, 2020



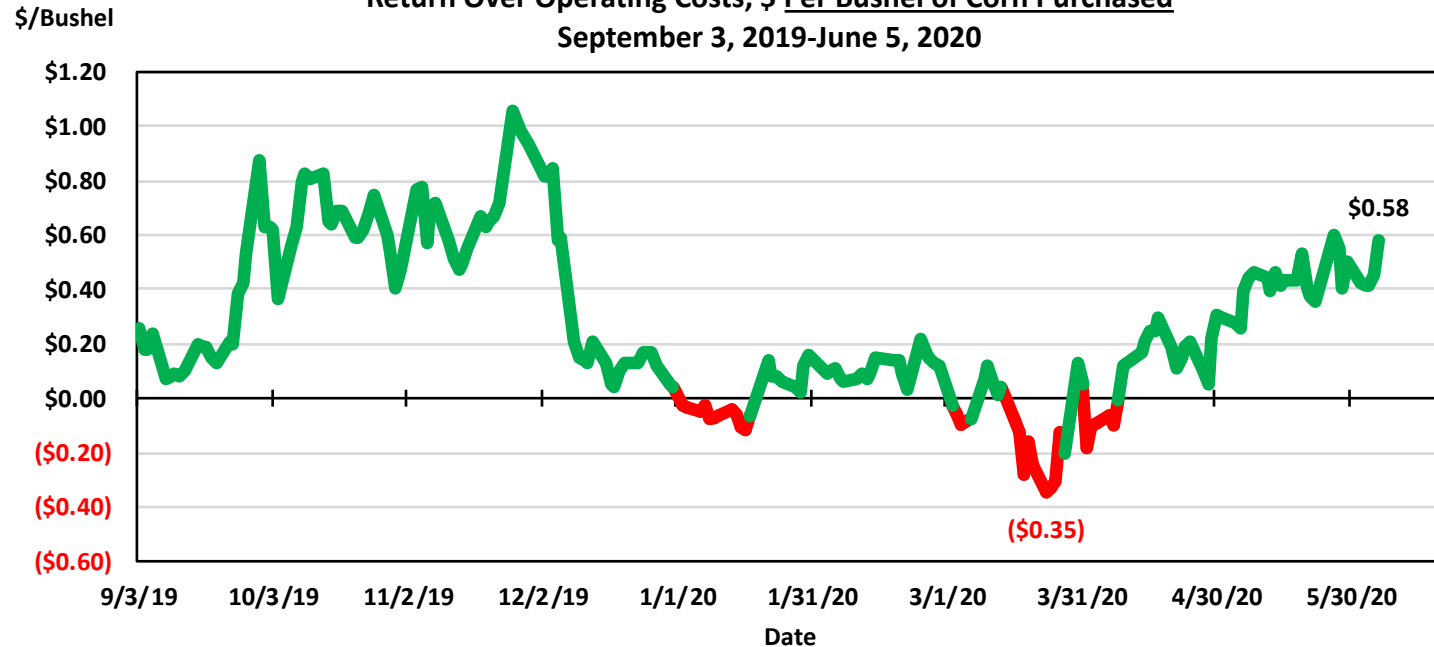
Gasoline & Ethanol Prices Starting to Recover



Ethanol Margins Improving As Gasoline Usage Recovers



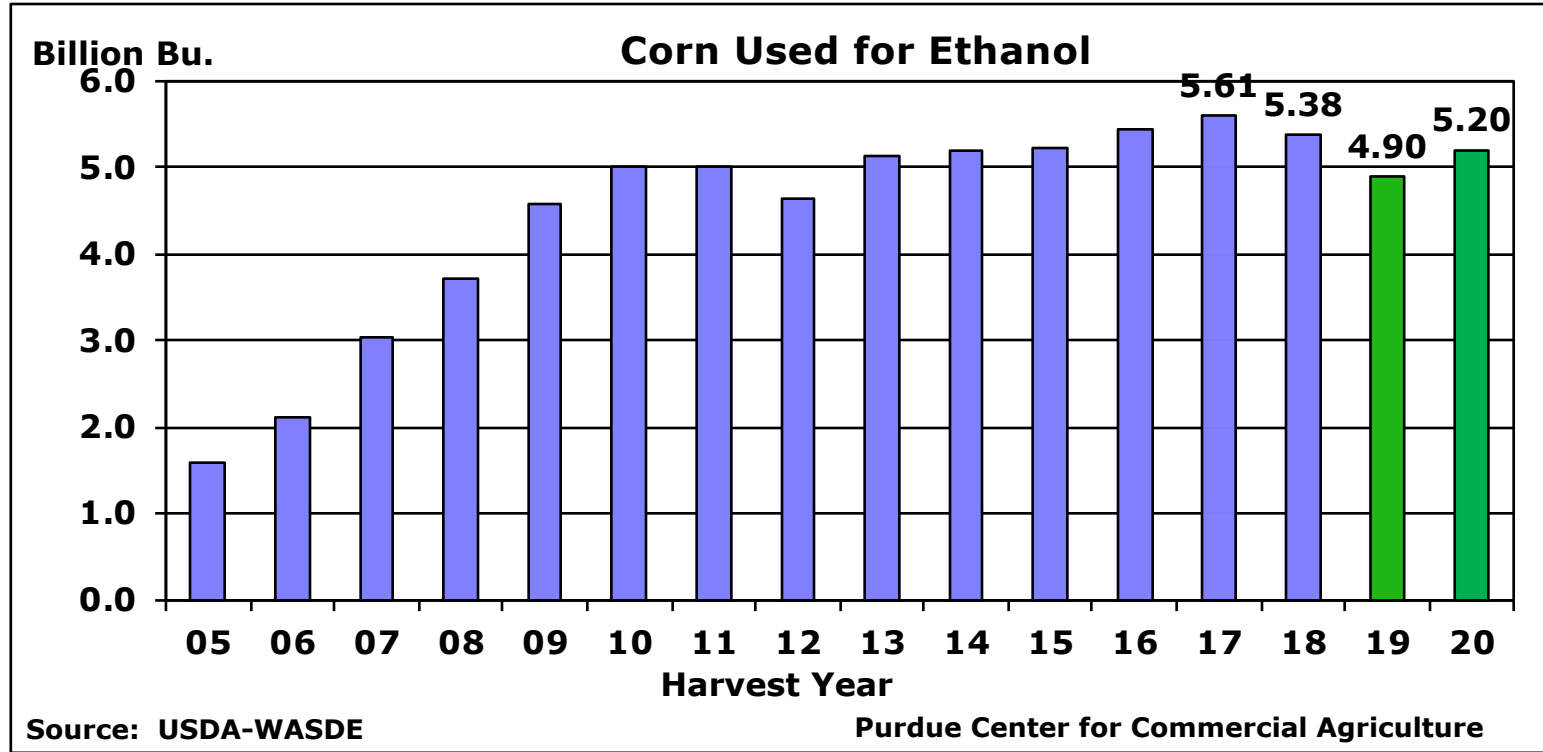
Estimated Daily Ethanol Plant Margins
Return Over Operating Costs, \$ Per Bushel of Corn Purchased
September 3, 2019-June 5, 2020



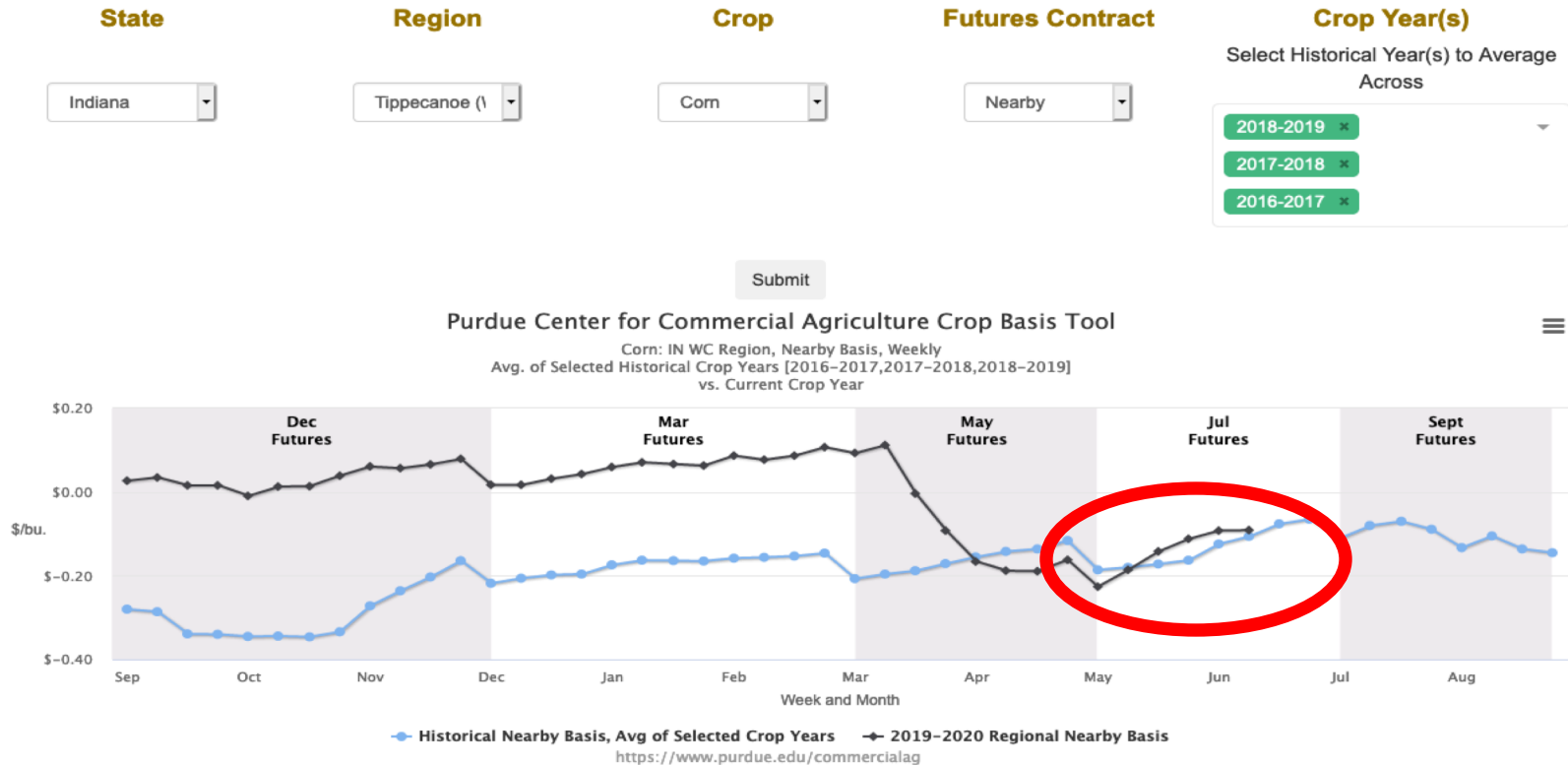
Data Source: CARD, Iowa State University

Purdue Center for Commercial Agriculture

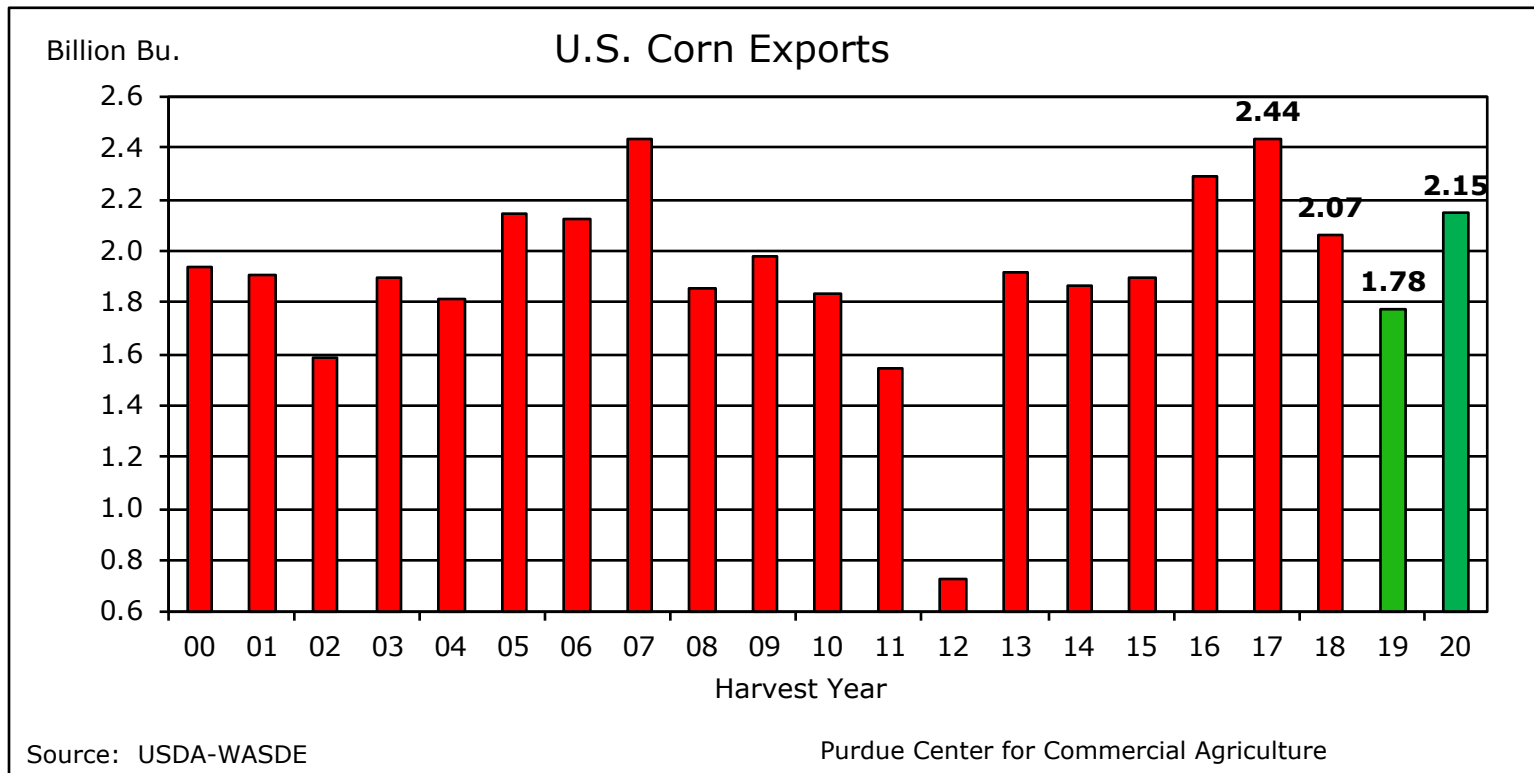
USDA Reduced 2019 Ethanol Usage Again But Forecasts Significant Ethanol Demand Recovery During 2020 Crop Year



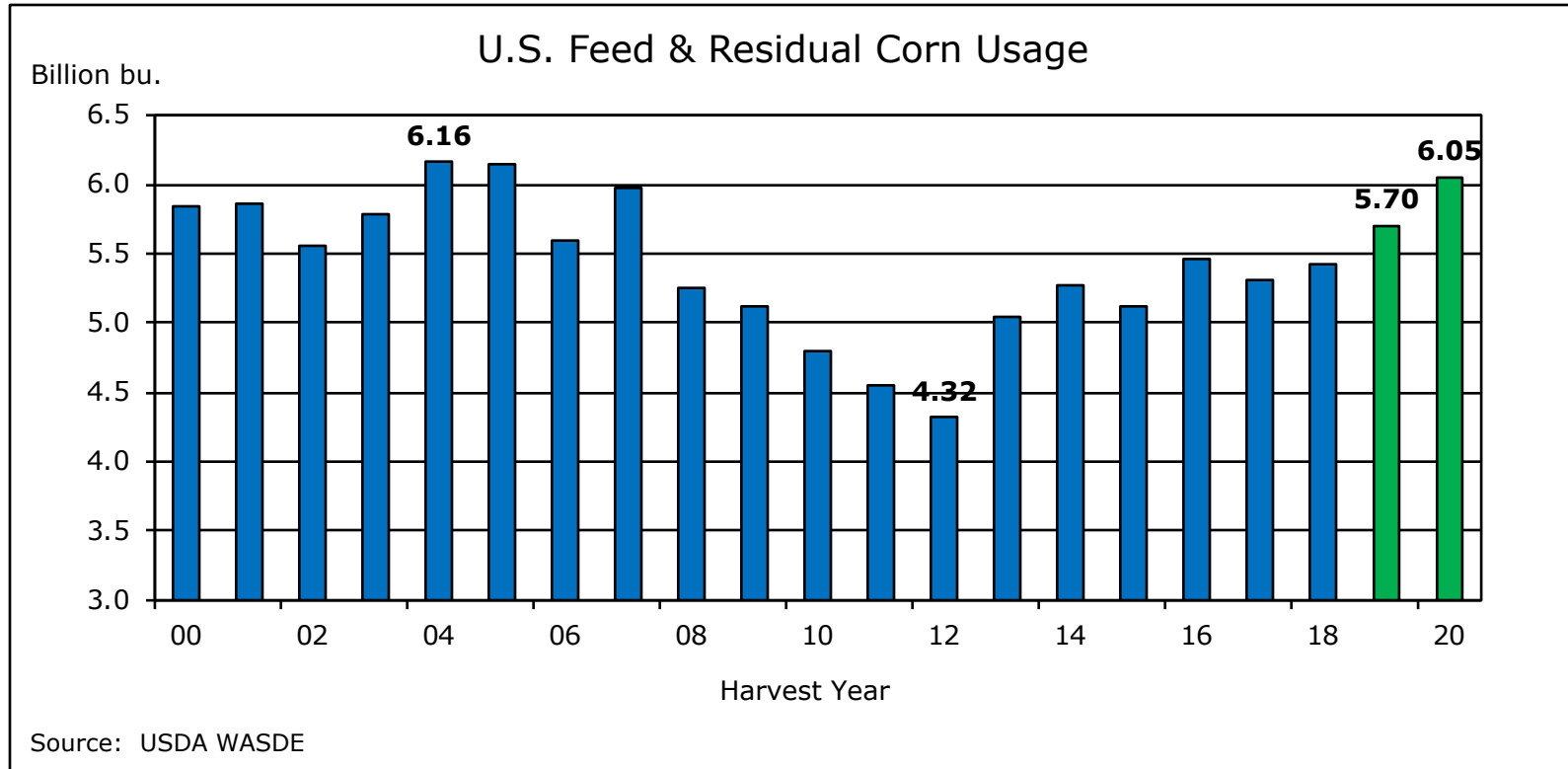
Recent Ethanol Production Increases Have Supported Corn Basis Levels



USDA Projecting 2019 Crop Exports Will Fall 14% Below 2018's & Then Rebound Above 2018's in 2020 Crop Year...Implies Demand Recovery in Importing Countries

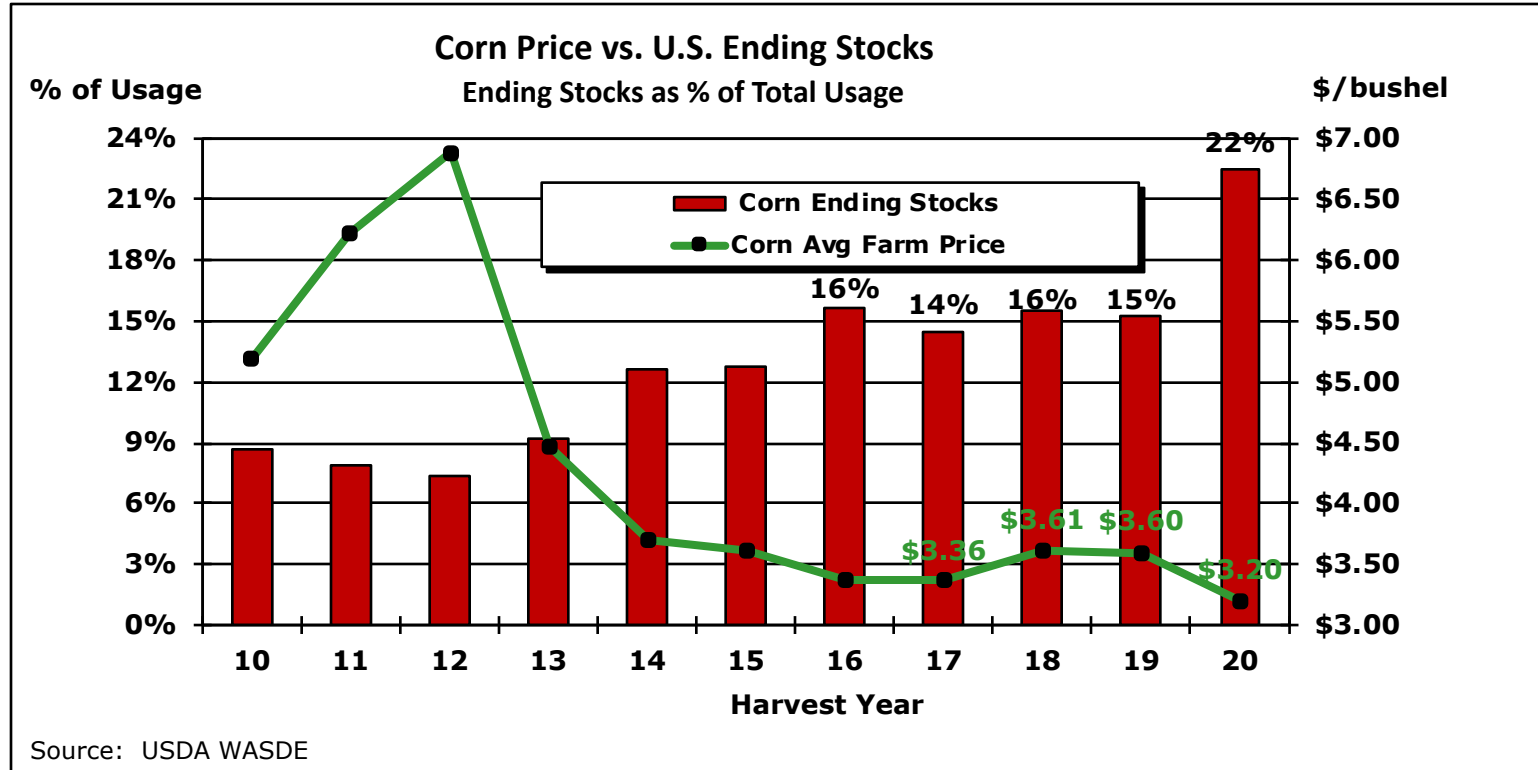


USDA Projecting Strong Feed Demand for Both 2019 & 2020 Crops

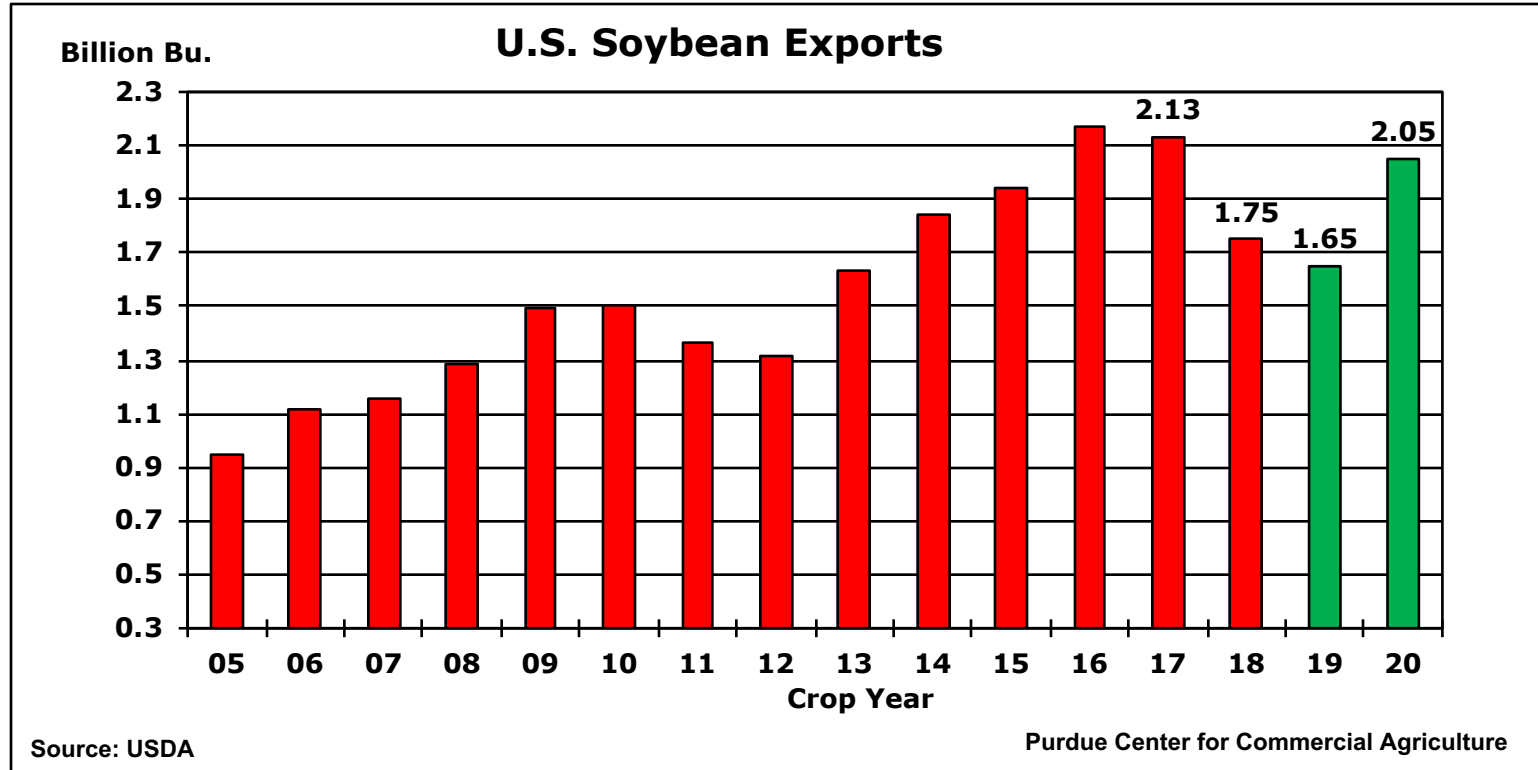


Rising Ending Stocks Spells Weaker Prices

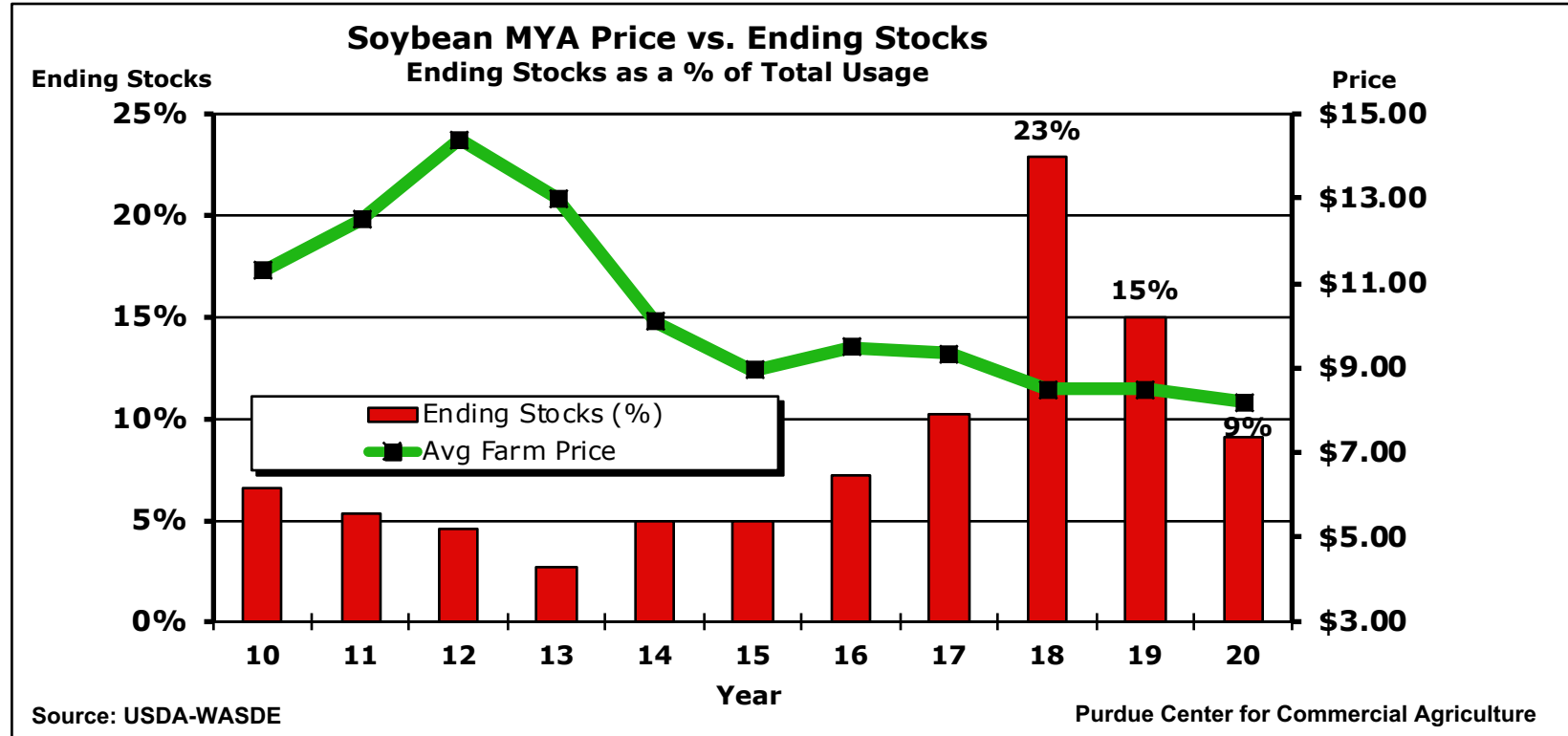
\$3.20 2020 MYA Price Forecast, Lowest MYA Since 2006



USDA Expects Soybean Exports to Rebound in 2020 to Over 2 Billion Bushels 24% Increase From 2019 Crop Year's Forecast



\$8.20 MYA Projection for 2020 Is Lowest MYA Since 2006



State

Region

Crop

Futures Contract

Crop Year(s)

Indiana

Tippecanoe (WC)

Soybeans

Nearby

Select Historical Year(s) to Average
Across

2018-2019 ✕

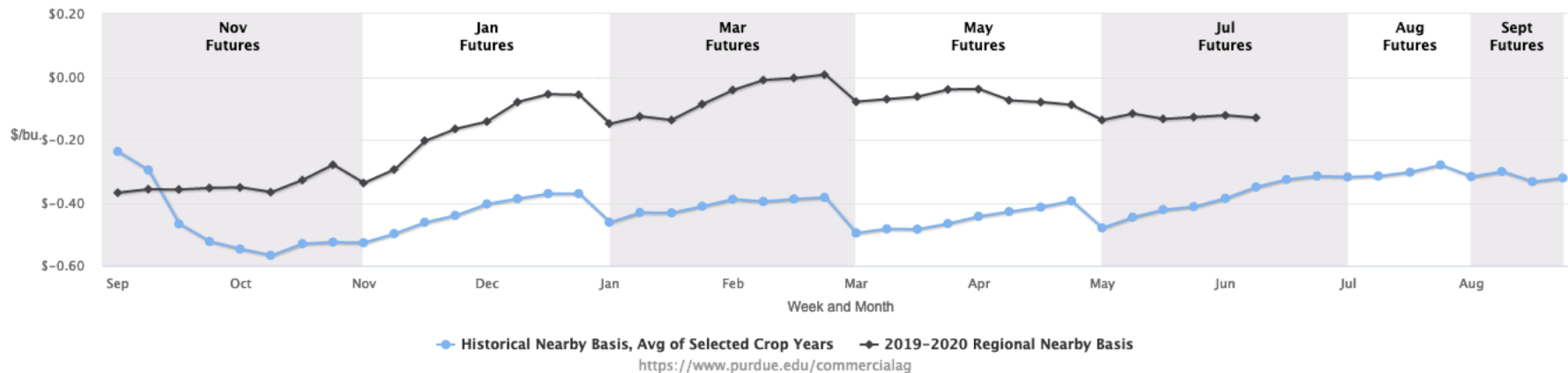
2017-2018 ✕

2016-2017 ✕

Submit

Purdue Center for Commercial Agriculture Crop Basis Tool

Soybeans: IN WC Region, Nearby Basis, Weekly
Avg. of Selected Historical Crop Years [2016-2017, 2017-2018, 2018-2019]
vs. Current Crop Year



CFAP Overview

1. Application period opens 5/26; ends 8/28
2. Single CFAP payment per commodity (CARES Act Funds and CCC Funds)
3. Eligible Inventory:
 - Lower of (a) self-certified unpriced inventory as of 1/15/20; or (b) 50% of 2019 production
4. Average Payment Rate:
 - Corn: \$0.335 per bushel (eligible inventory)
 - Soybeans: \$0.475 per bushel (eligible inventory)

ARC-CO and PLC Overview

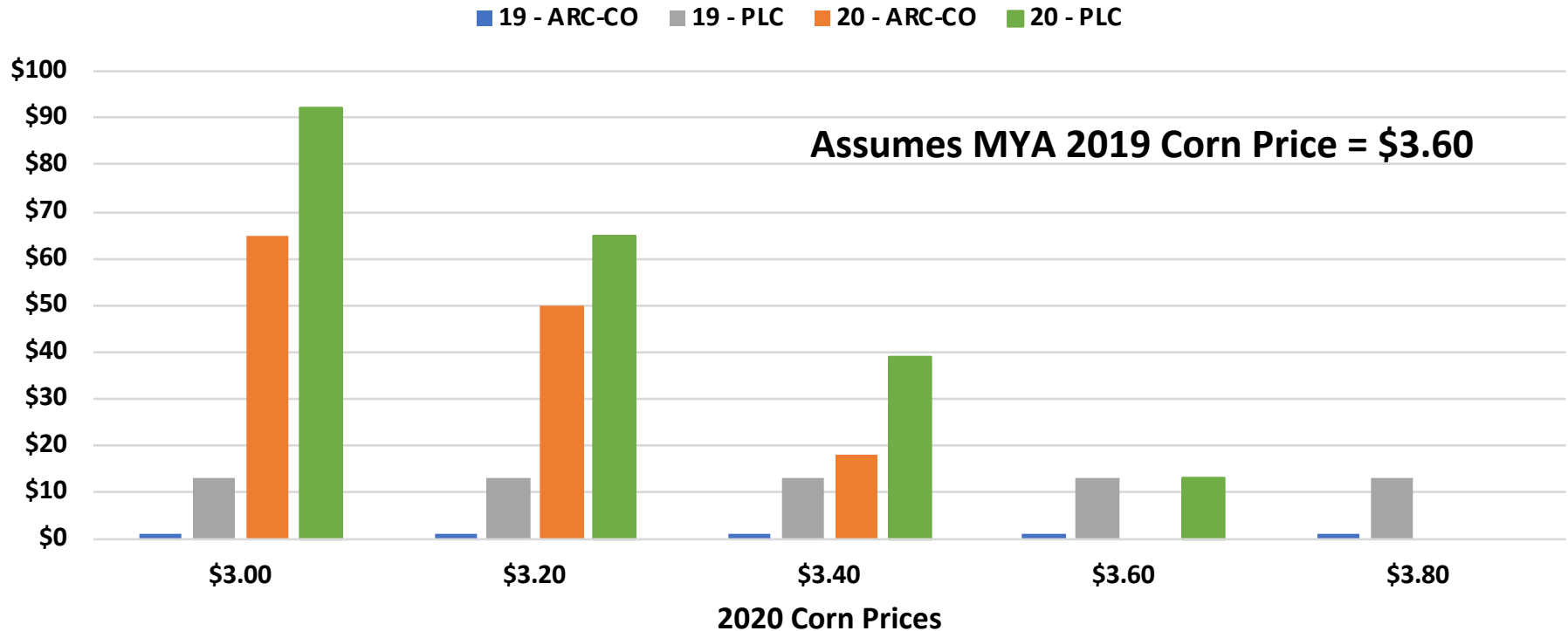
1. ARC-CO (Soybeans):

- Payments occur when actual crop revenue is below ARC-CO guarantee
- Data: county yields and marketing year average U.S. prices

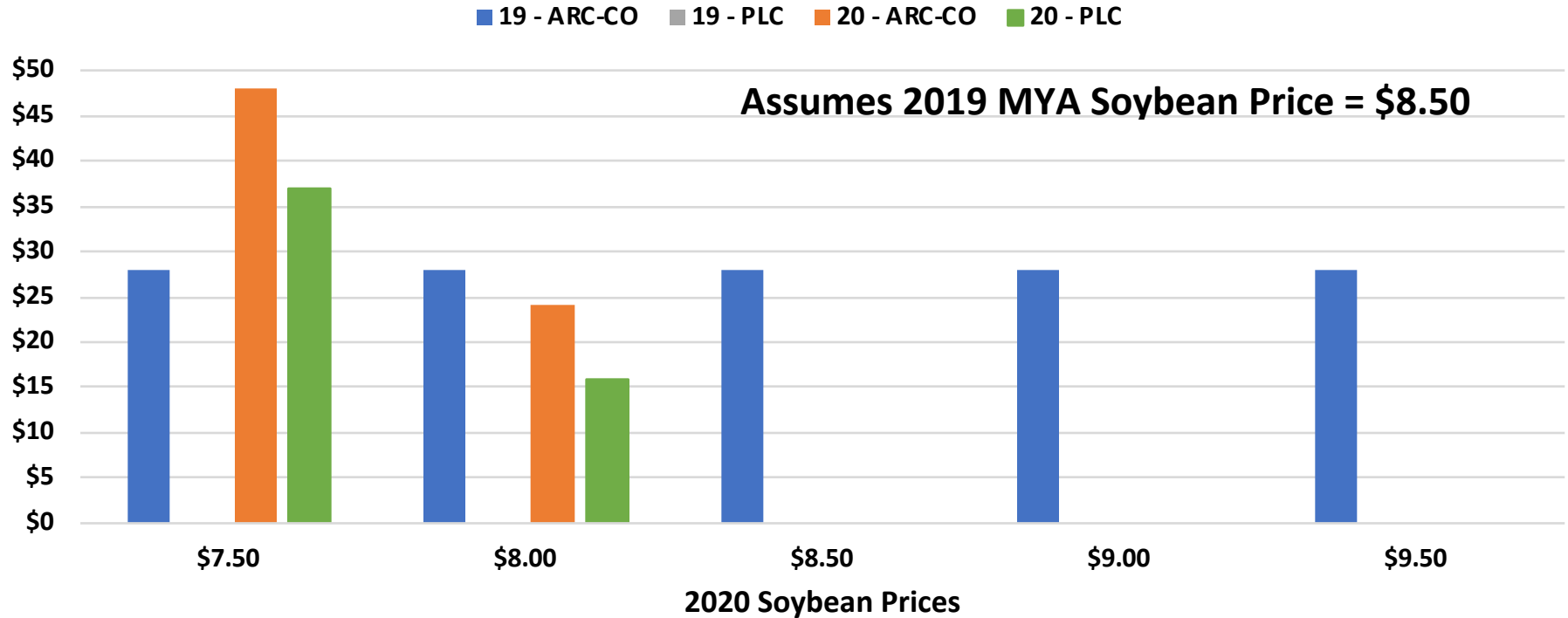
2. PLC (Corn):

- Payments occur if the higher of U.S. average market price for the crop for the crop year less than the crop's reference price (\$3.70 for corn; \$8.40 for soybeans; \$5.50 for wheat)
- Data: PLC program yields and marketing year average U.S. prices

ARC-CO and PLC Estimated Payments for Corn White County, Indiana



ARC-CO and PLC Estimated Payments for Soybeans White County, Indiana



Government Payments per Acre

Case Farm, West Central Indiana (Corn/Soybean Rotation)

1. 2018:

- ARC-CO and PLC = \$0
- MFP = \$52

2. 2019, Projected:

- ARC-CO and PLC = \$20
- MFP = \$62

3. 2020, Projected:

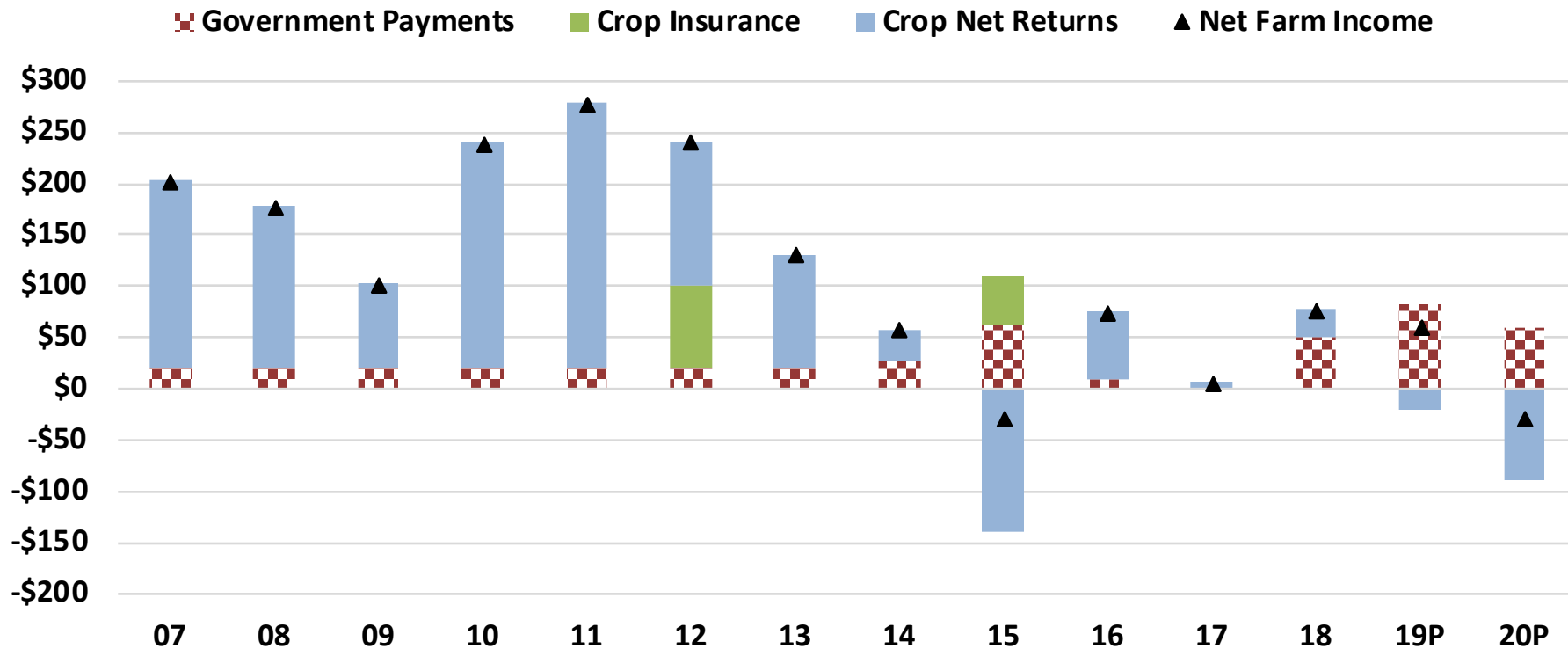
- ARC-CO and PLC = \$40
- CFAP = \$21

Net Return Projections

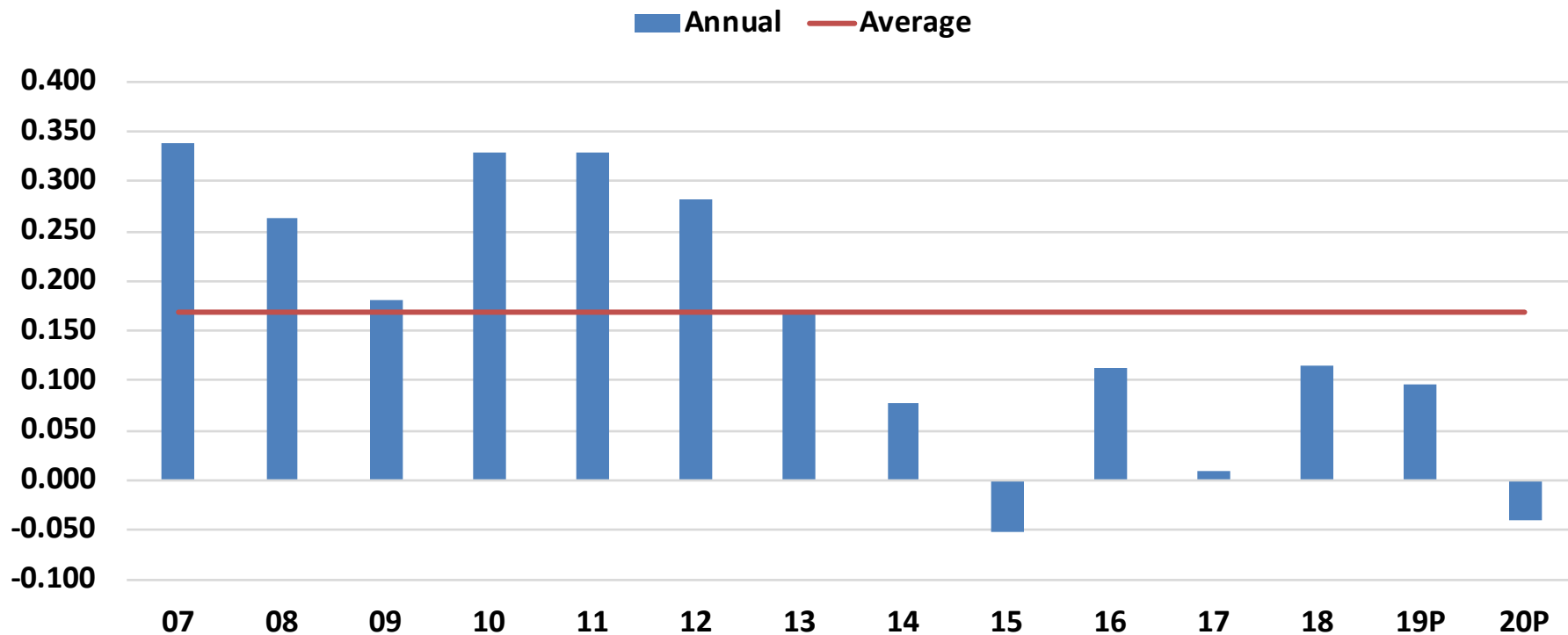
Definitions

- 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

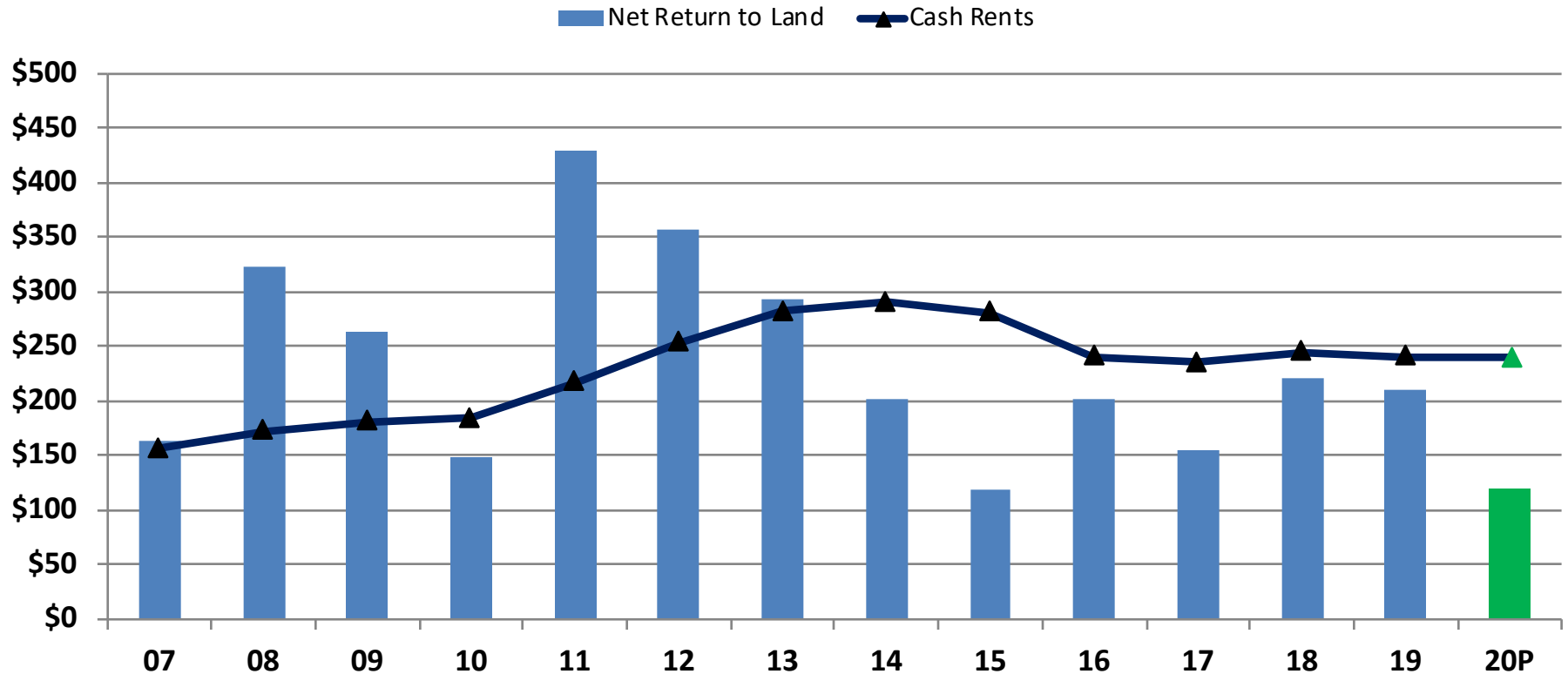
Net Farm Income Sources, Corn/Soybean Rotation (\$ per Acre) West Central Indiana Case Farm



Operating Profit Margin Ratio West Central Indiana Case Farm



Cash Rent and Net Return to Land, West Central Indiana



Factors Impacting Land Values

Positive Influences:

Thin market, low supply of land for sale

Low interest rates

Land is a good hedge against inflation

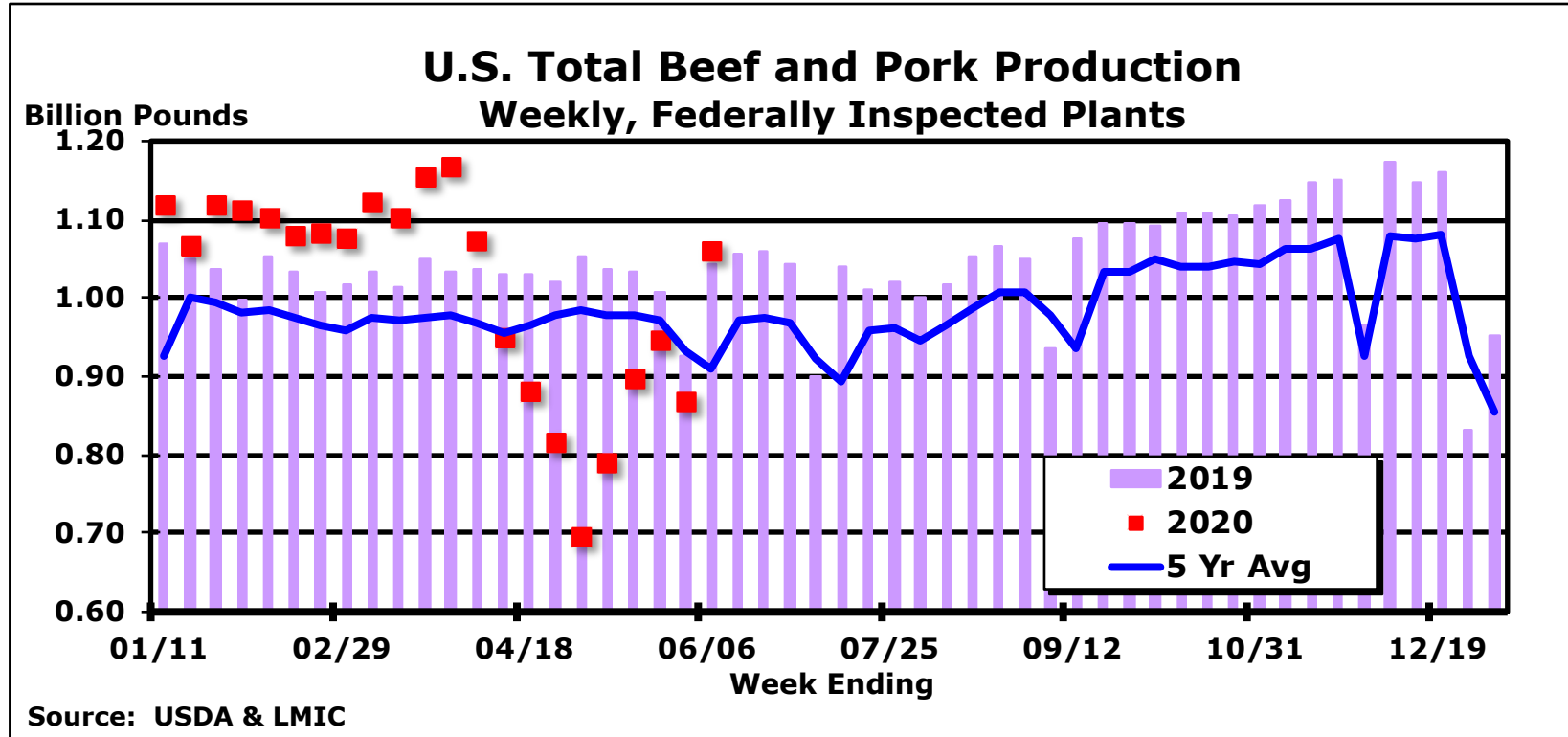
Investment potential for non-ag buyers

Negative Influences:

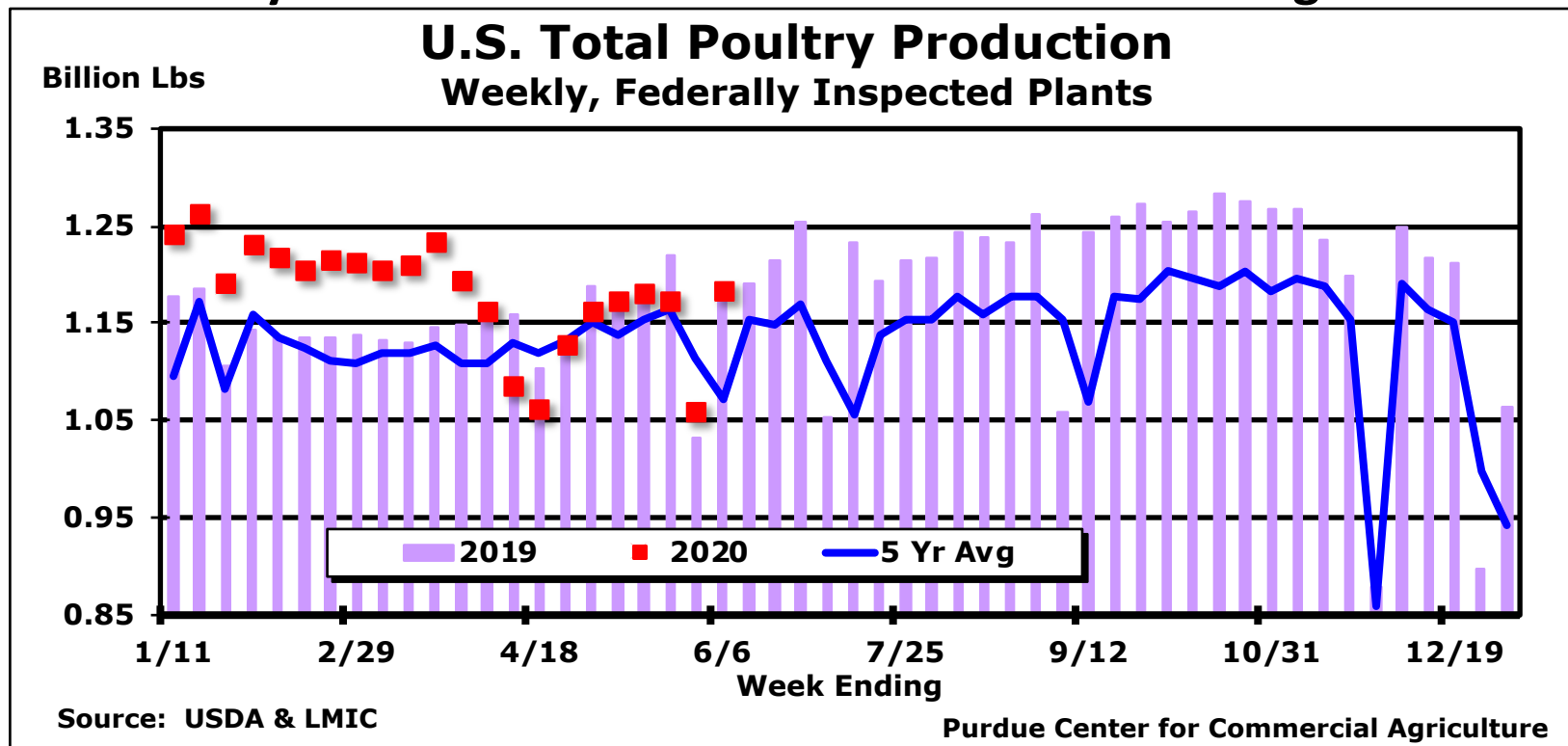
Relatively low net returns to land for operators

Working capital is depressed

Red Meat Production Rebounded Back to Year Ago Levels

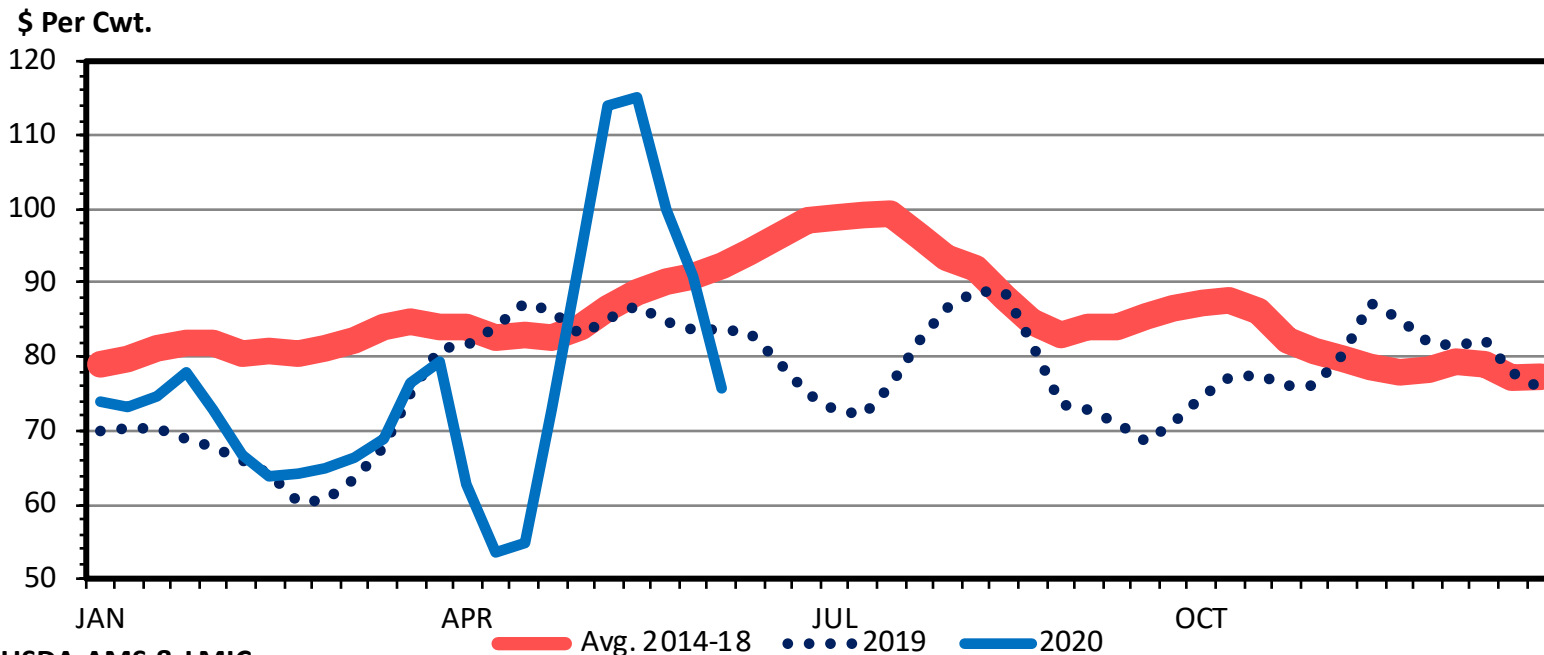


After Dipping in April Poultry Production Has Rebounded Back To Year Ago Levels



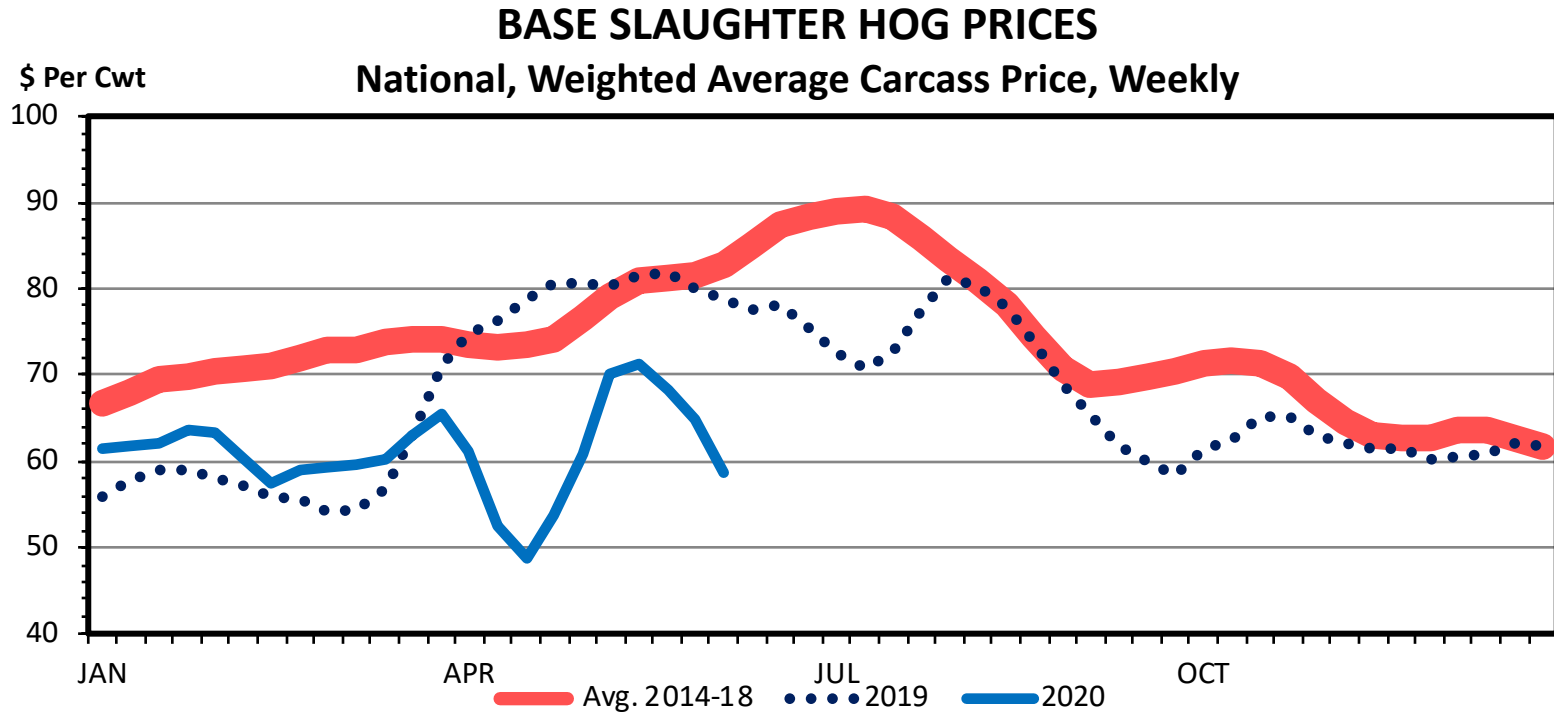
Wholesale Pork Values Dropped Back to Year Ago Levels As Production Rebounded

WEEKLY PORK CUTOUT VALUE

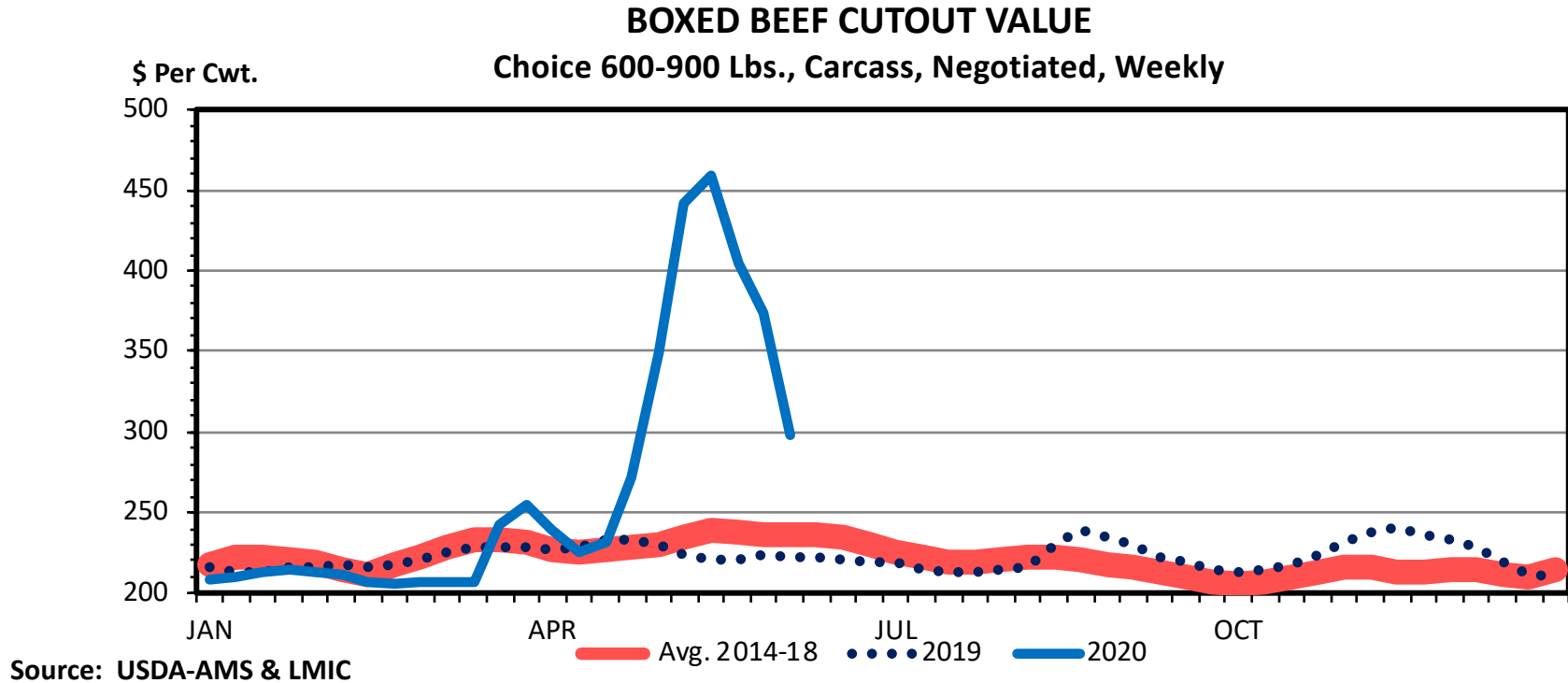


Source: USDA-AMS & LMIC

Hog Prices Slumped As Pork Cutout Declined

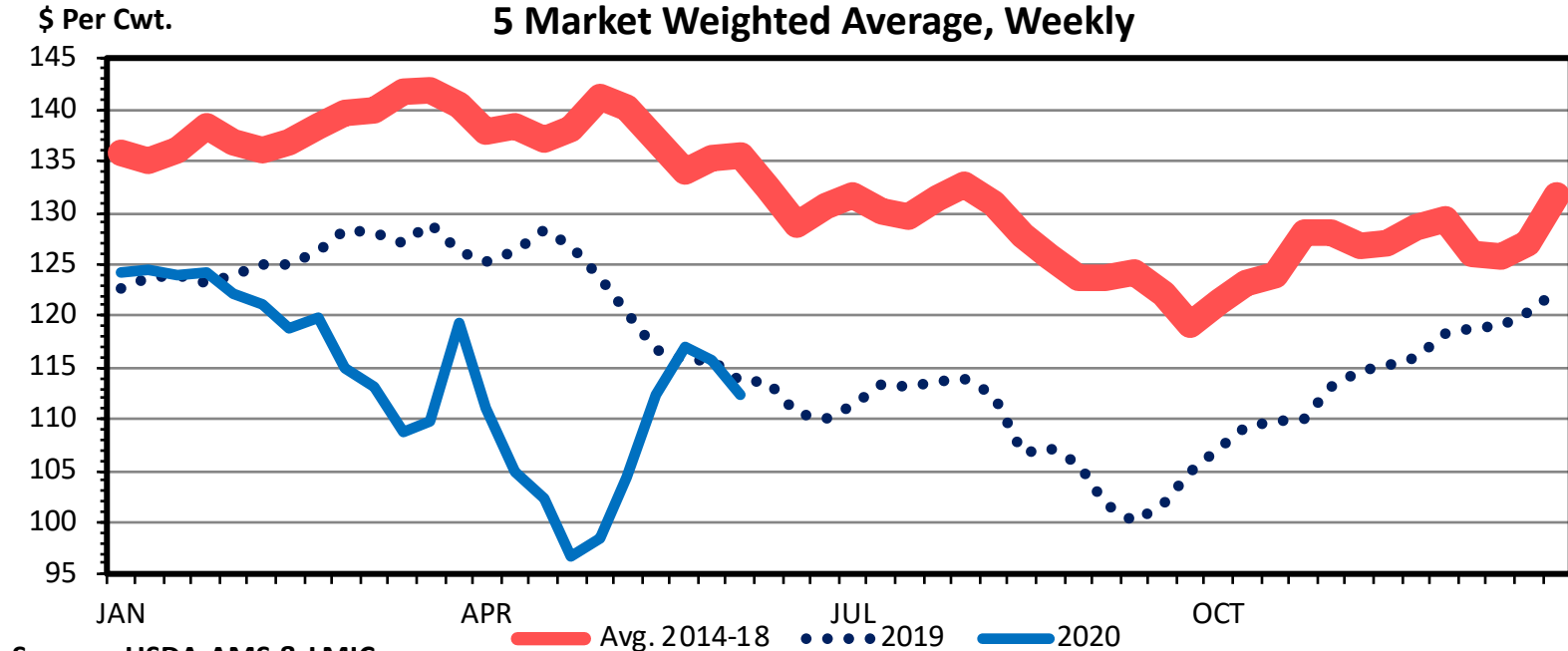


Boxed Beef Values Have Declined As Production Has Come Back Up



Recent Fed Cattle Prices Tracking With Year Ago Levels

SLAUGHTER STEER PRICES
5 Market Weighted Average, Weekly



Source: USDA-AMS & LMIC

Next Ag Outlook Webinar

July 13, 2020

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