

Corn & Soybean Outlook Webinar

James Mintert, Director, Center for Commercial Agriculture

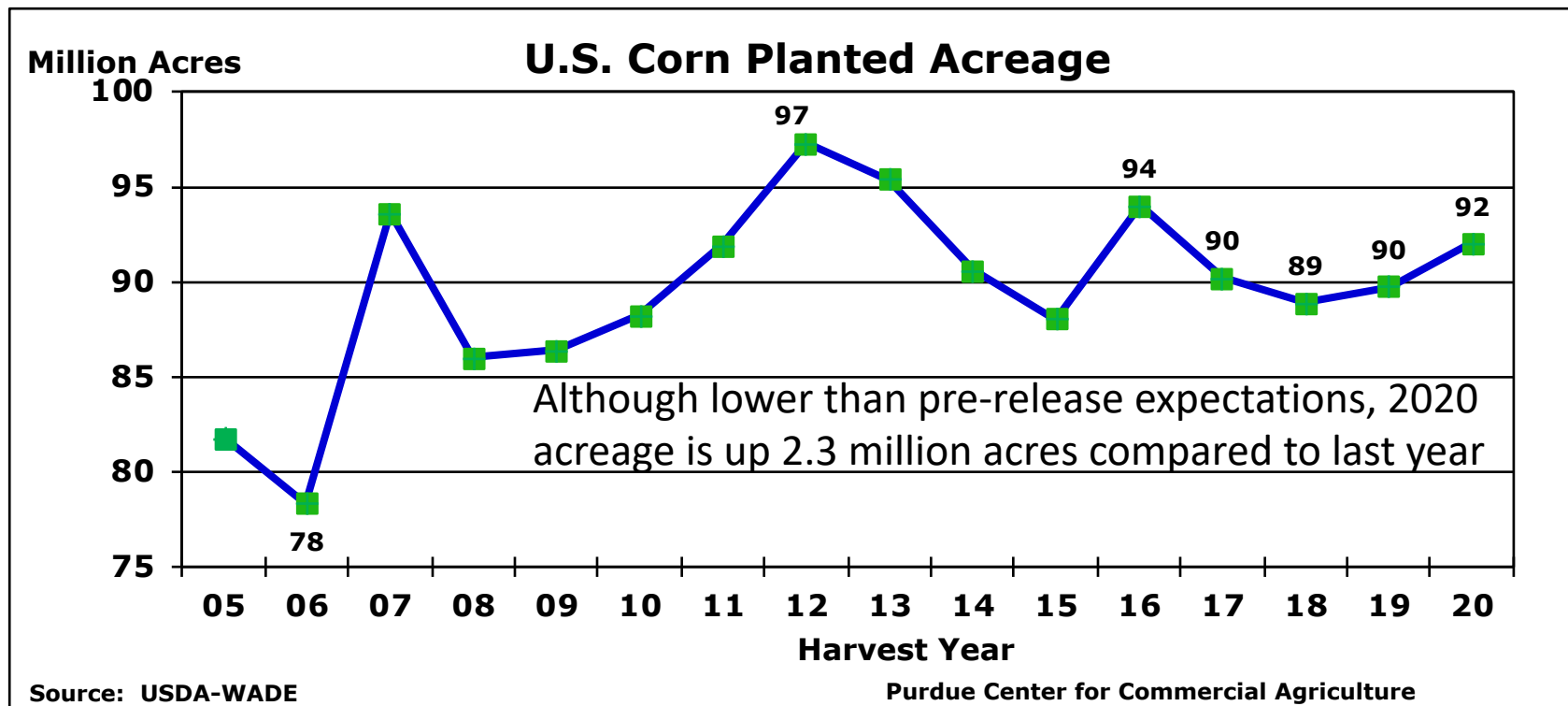
Michael Langemeier, Associate Director, Center for Commercial Agriculture



Center for
Commercial Agriculture

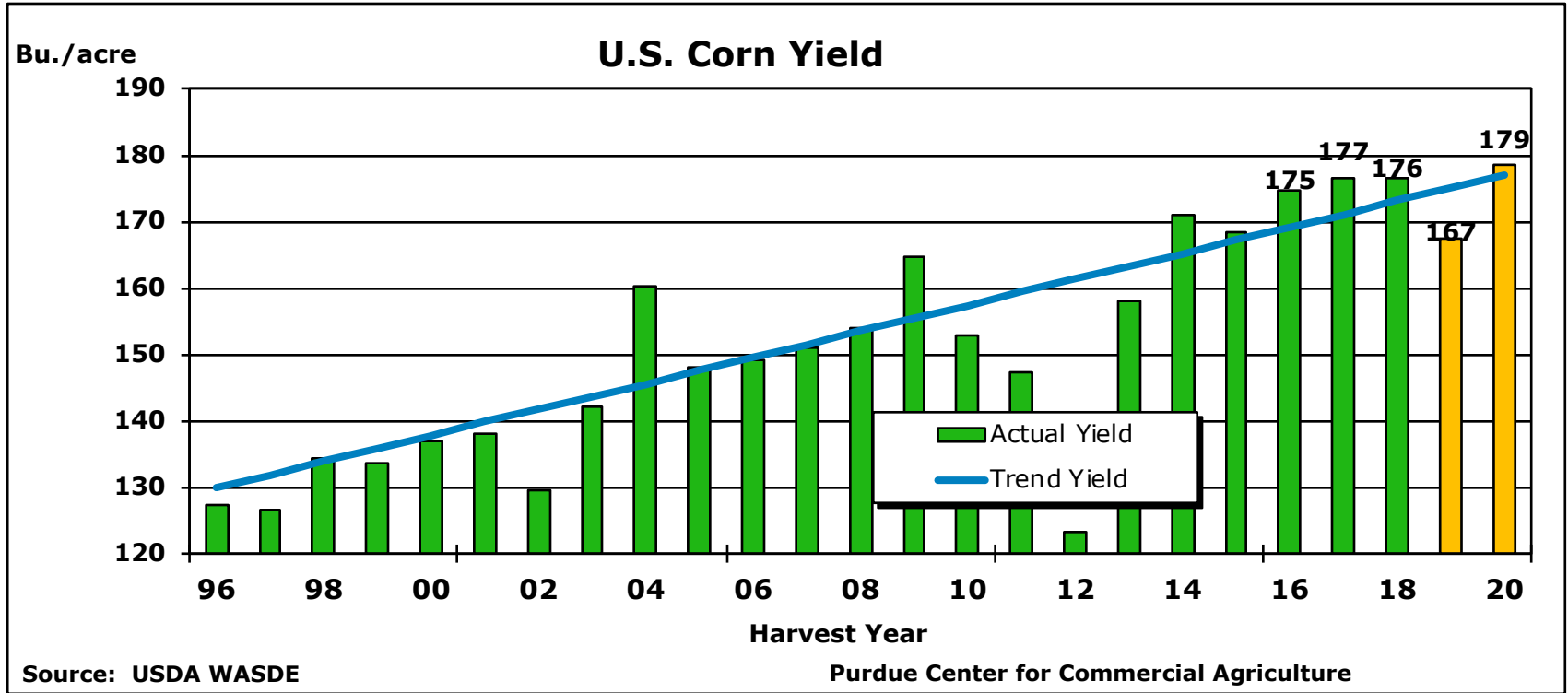
July 13, 2020

USDA's *Acreage* report revised planted acreage to 92 million acres down from 97 million acres on March report



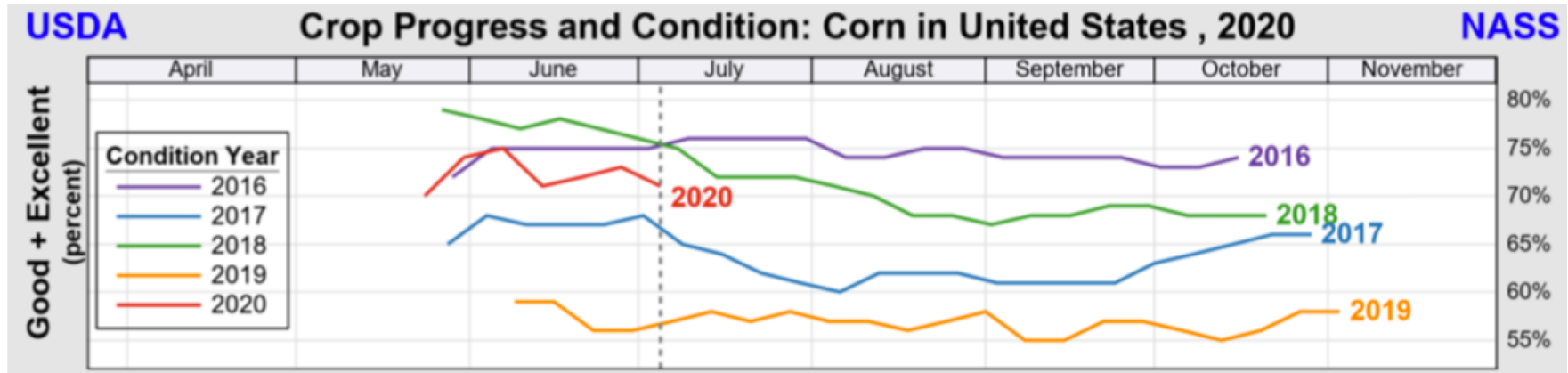
USDA Balance Sheet Relying on Trend Yield of 178.5 Bu/acre

Actual Yield Still Weather Dependent

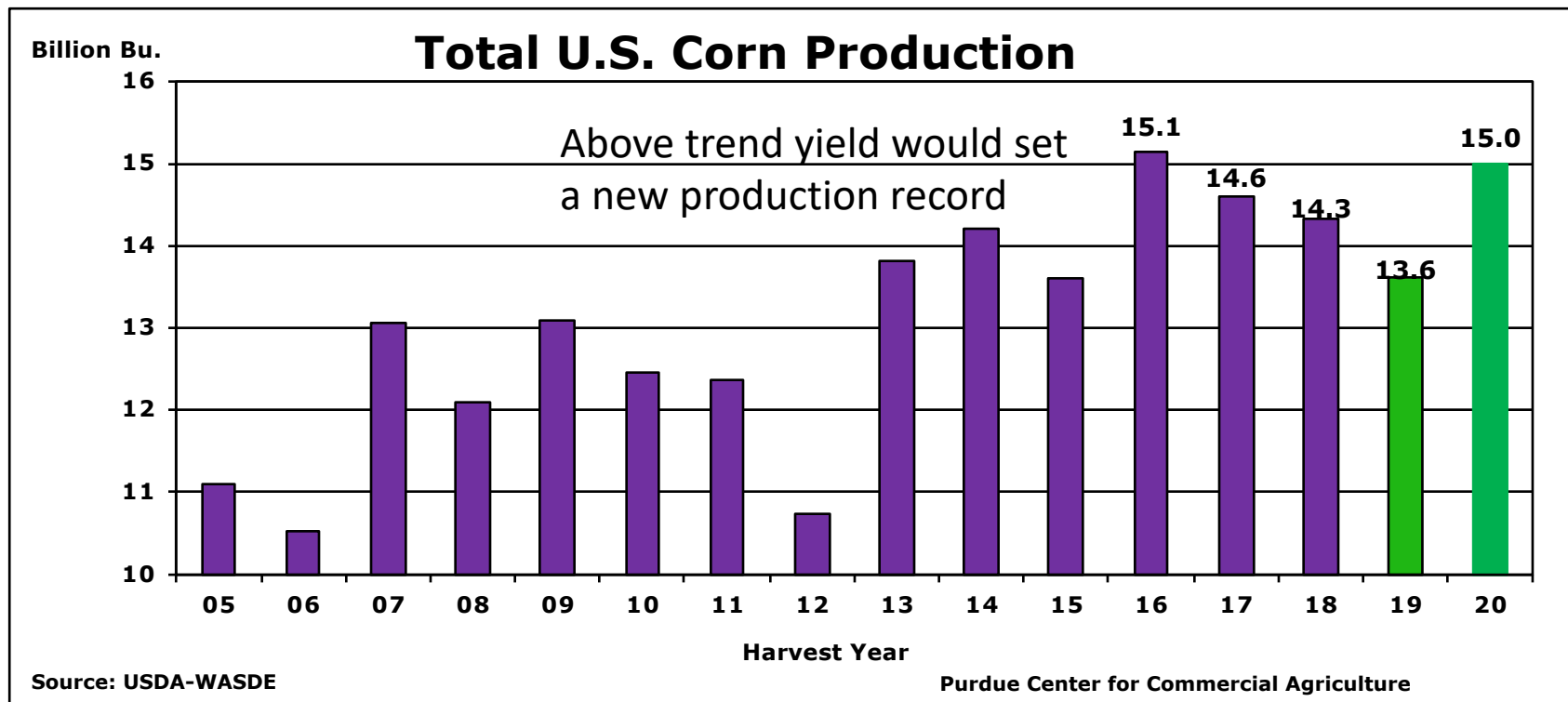


Corn Crop Positioned for Trend or Above Trend Yield in 2020

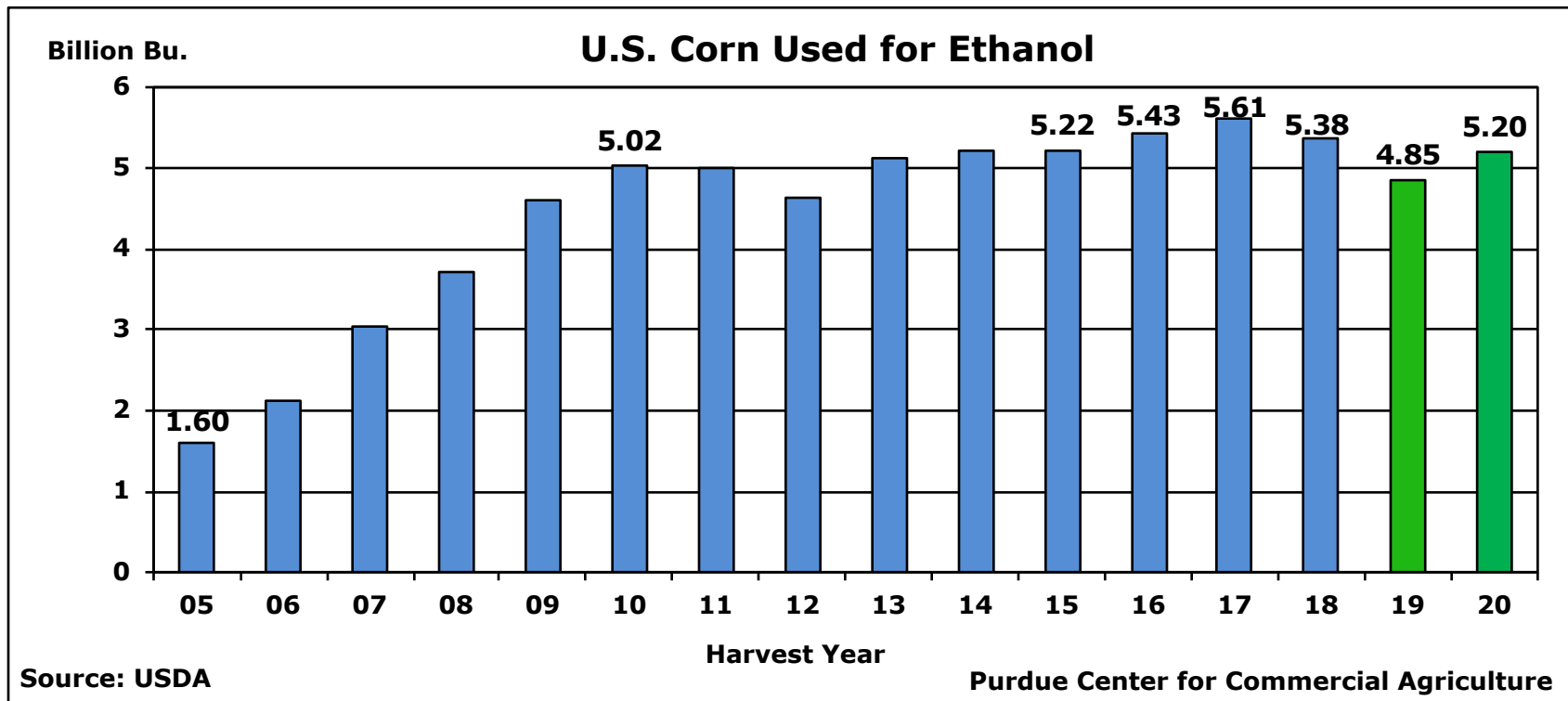
Weather the Remainder of July?



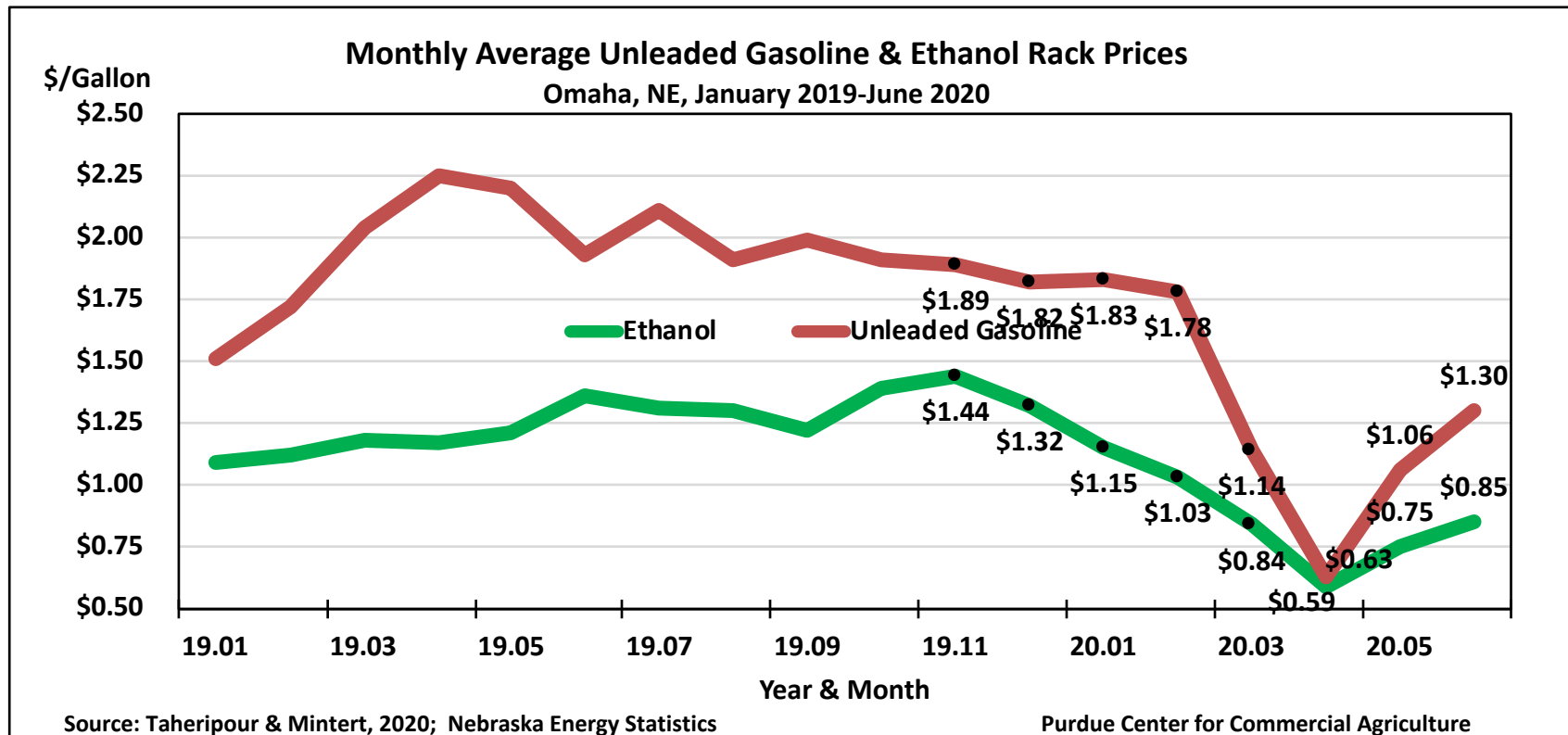
Trend Yield in 2020 Would Push U.S. Corn Production Back Up to 15 Billion Bushels *But That's 1 Billion Less Than Expected When Planting Intentions Released*



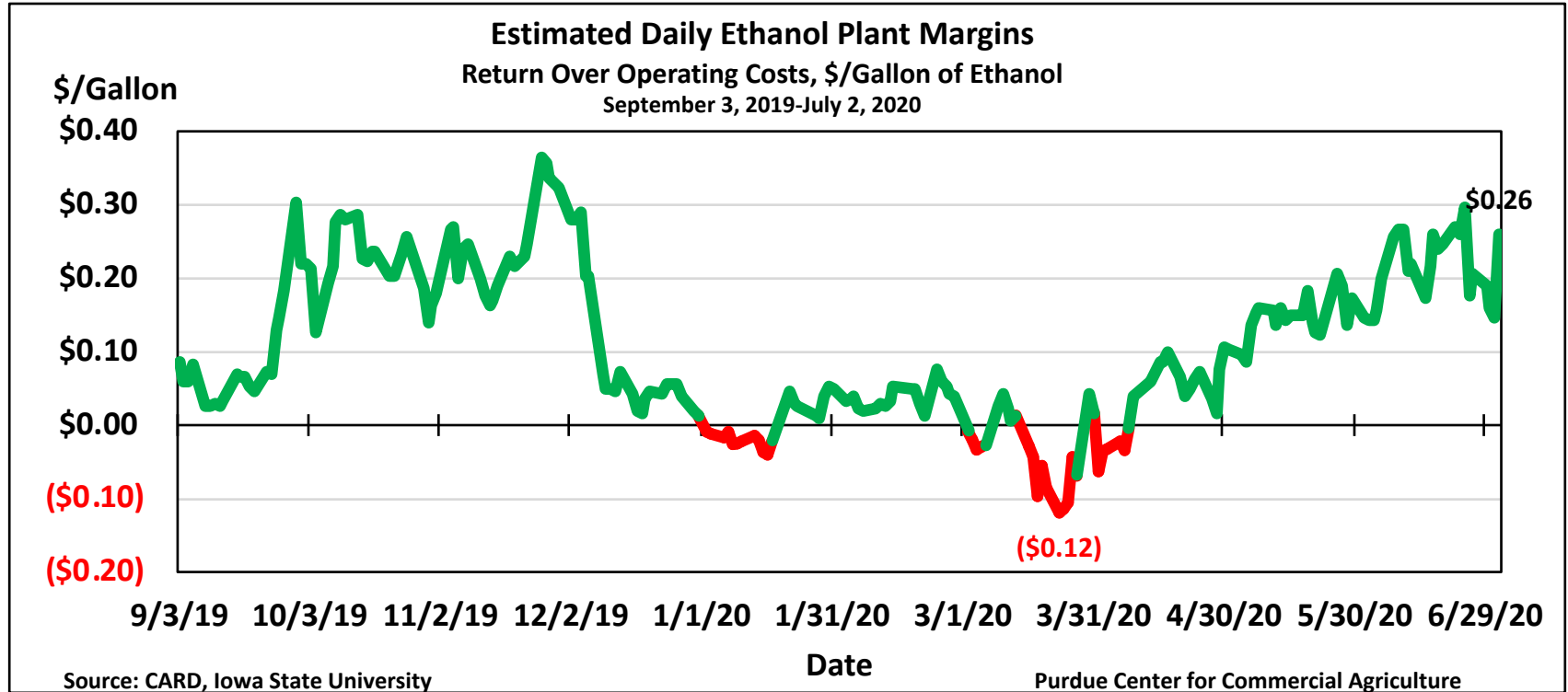
USDA Reduced 2019 Ethanol Usage But Remains Optimistic About Ethanol Demand Recovery During 2020 Marketing Year



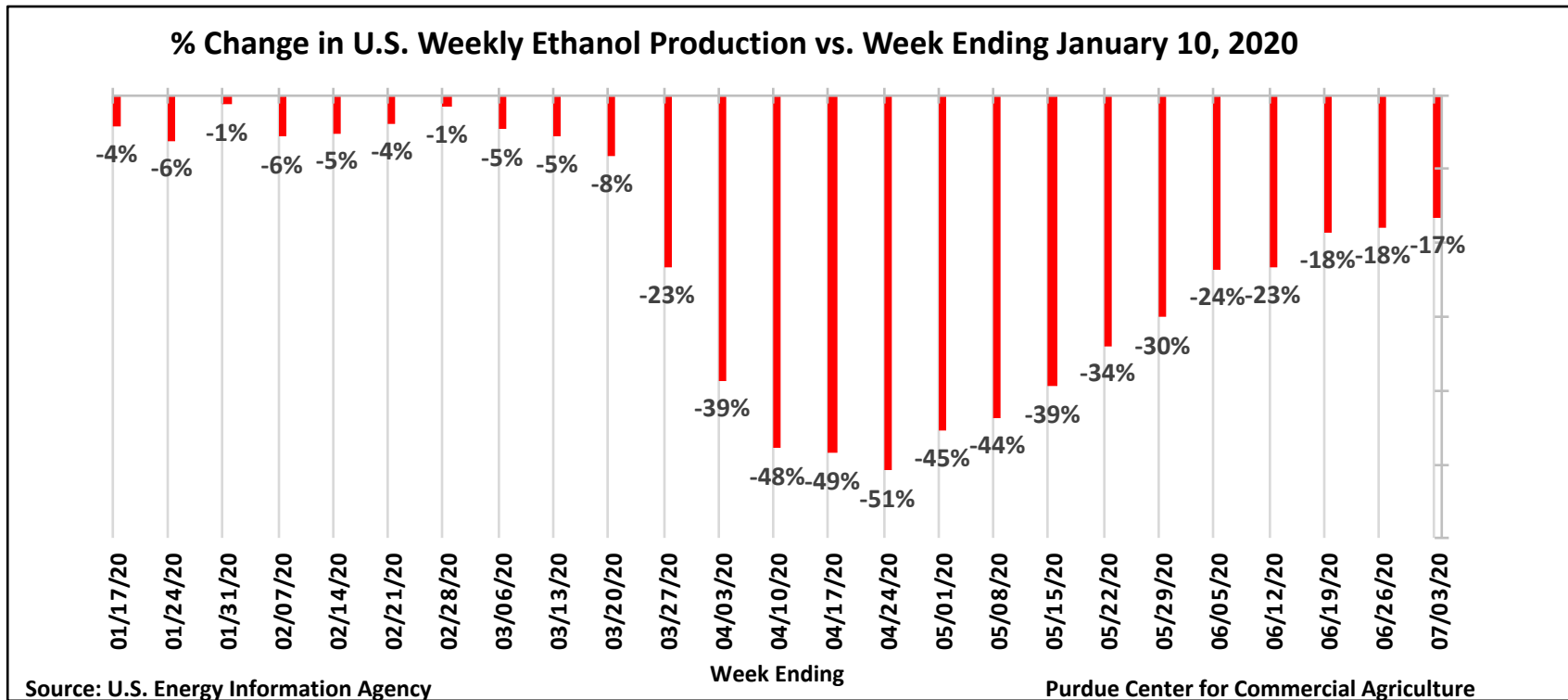
Gasoline & Ethanol Prices Improved Through June



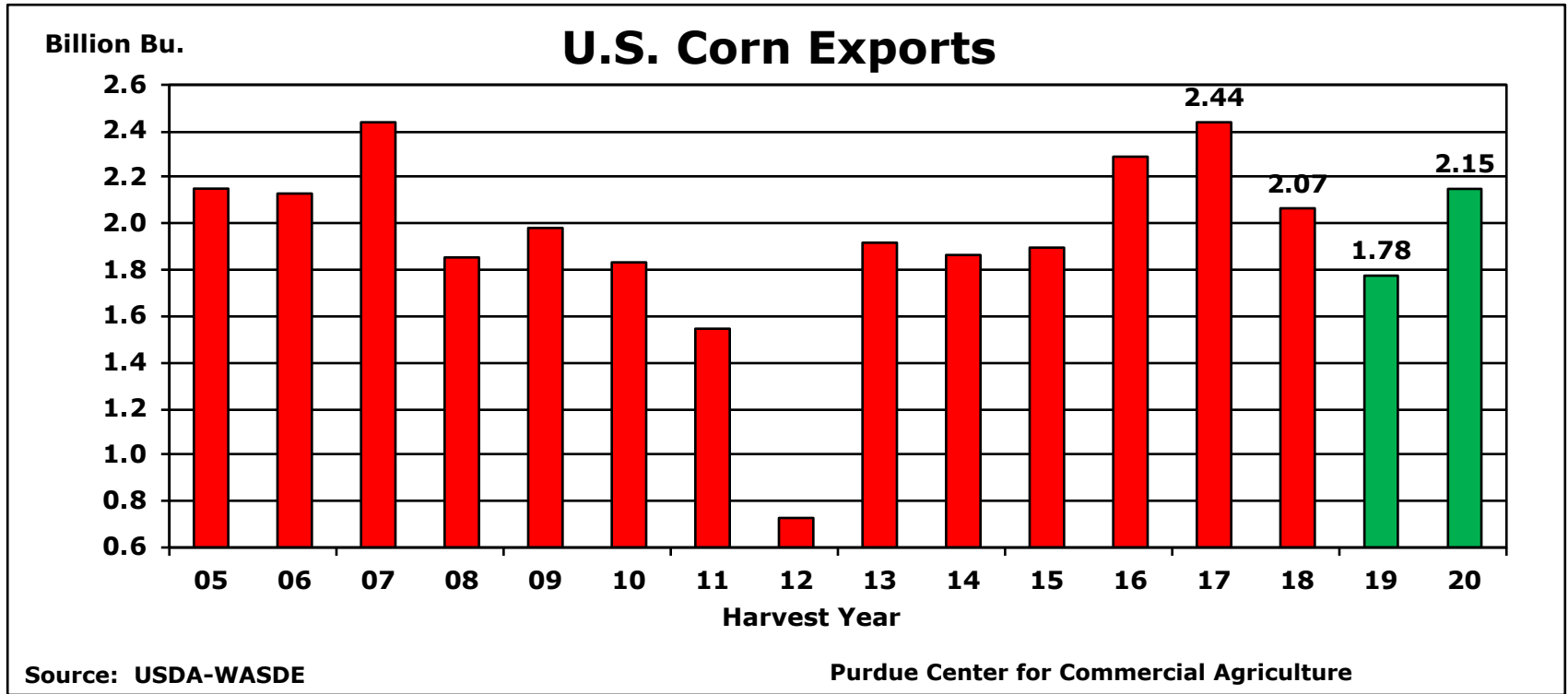
And Ethanol Margins Are Much Improved Since Late March But Appear to Have Stalled at Less than \$0.30/gallon



Improvement in Ethanol Demand Appears to Have Slowed Down

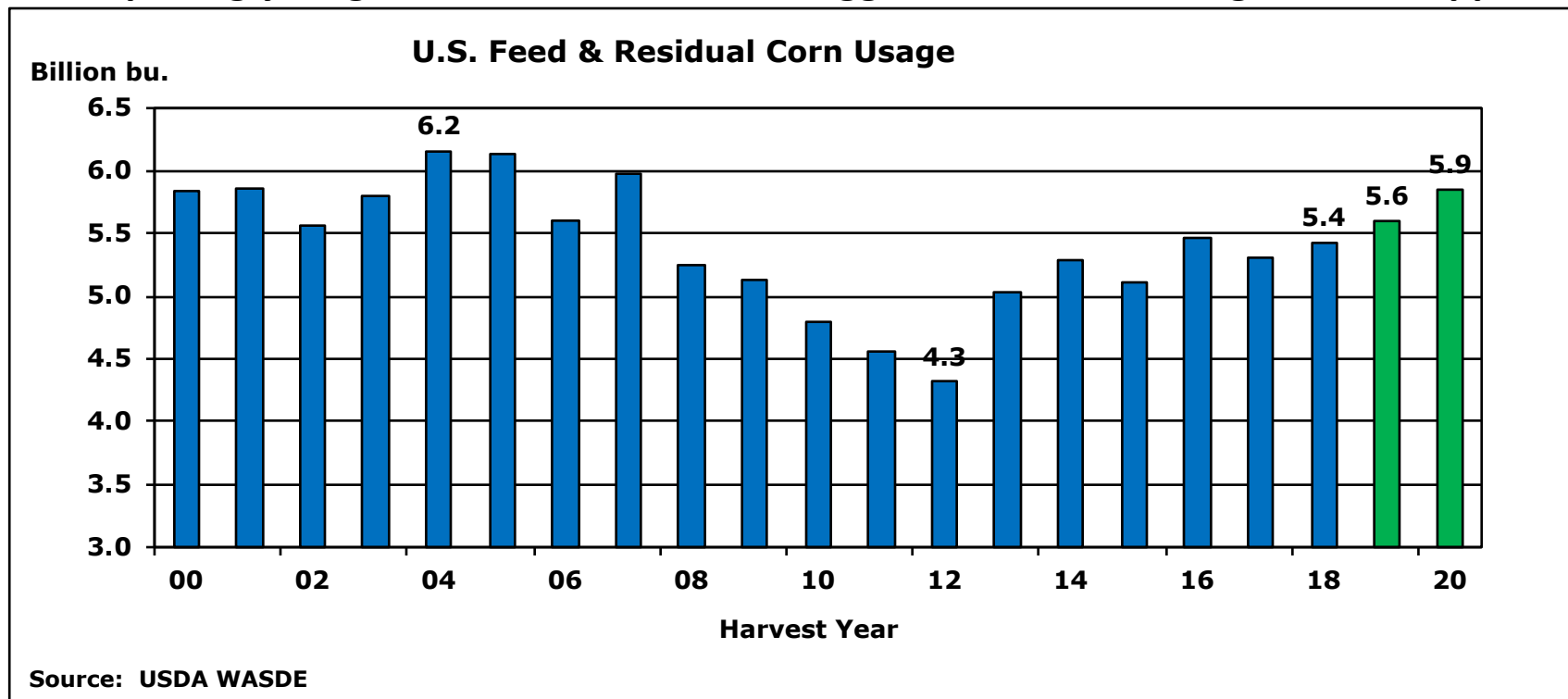


USDA Forecasts 20% Increase in Corn Exports During 2020 Marketing Year



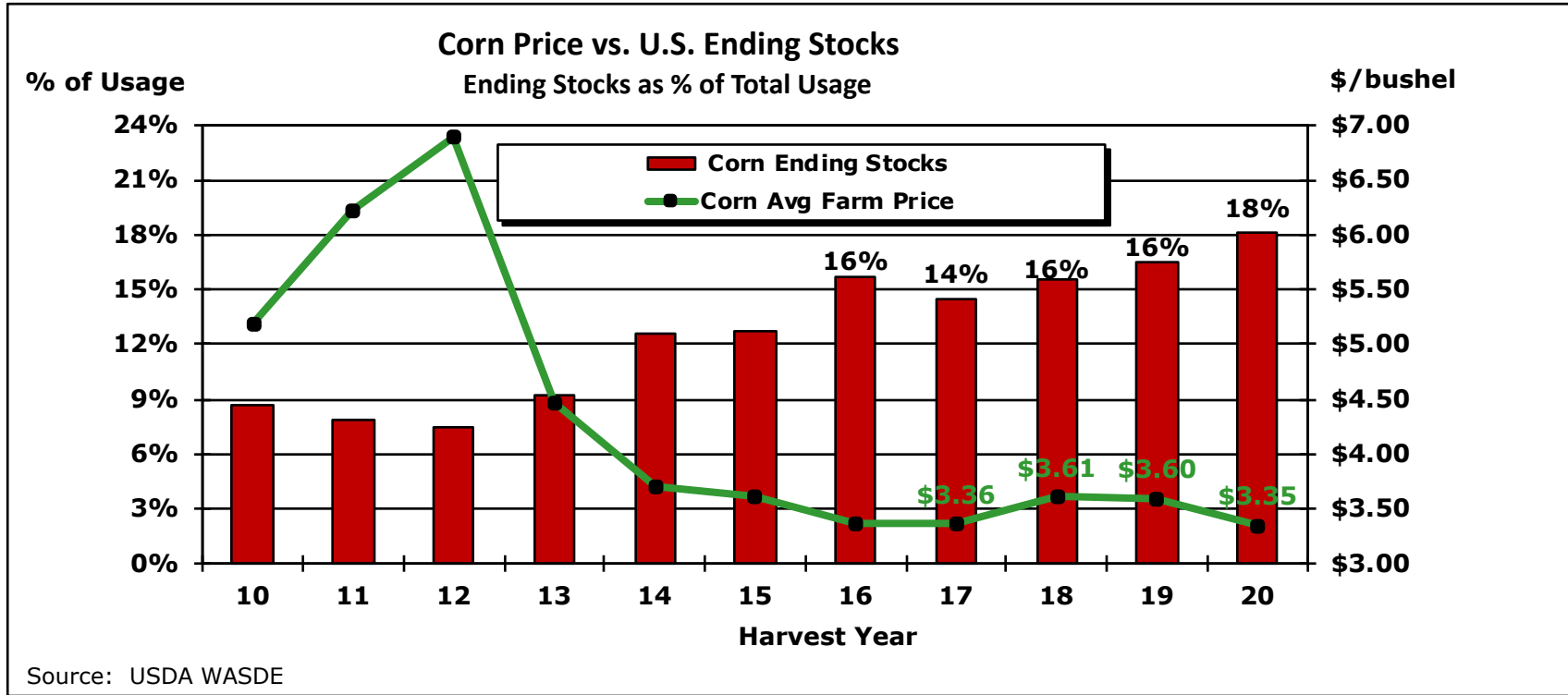
Along With a 5% Increase In Feed Usage

But a Surprisingly Large Corn Stocks Estimate Suggests 2019 Feed Usage Was Disappointing



U.S. Corn Ending Stock Rising in 2020

But Less Than Expected When Planting Intentions Announced

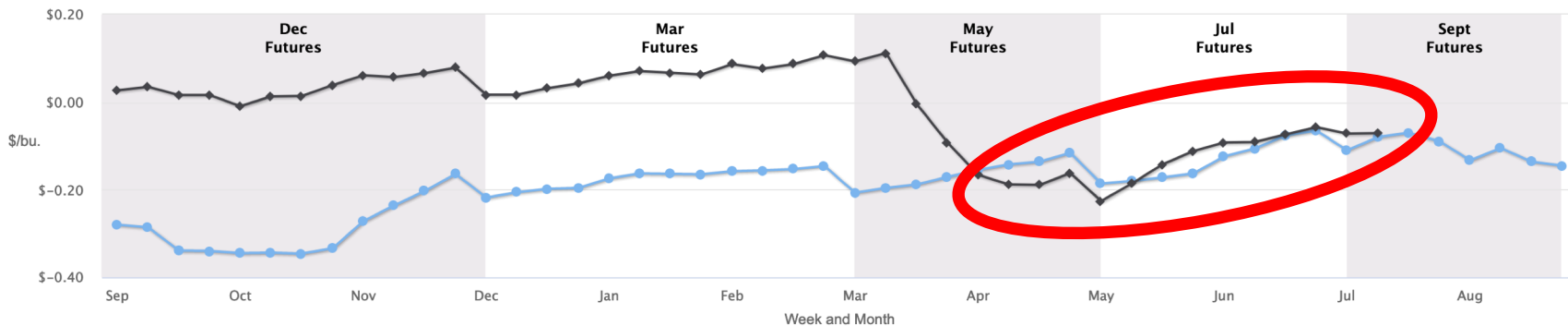


Ethanol Production Increases Have Supported Seasonal Recovery in Corn Basis *But Recovery To The Strong Basis Levels of Last Fall & Winter Not Expected*

Purdue Center for Commercial Agriculture Crop Basis Tool



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



— Historical Nearby Basis, Avg of Selected Crop Years — 2019-2020 Regional Nearby Basis
<https://www.purdue.edu/commercialag>

Looking Ahead to the 2020 Corn Crop

Dec. 2020 Corn Futures @ \$3.37/bu.

Late Sept. Central IN Basis Forecast = \$-0.25/bu.

$\$3.37 + (\$-0.25) = \$3.12/\text{bu.}$ Expected Sale Price, if hedged

History suggests opportunity to roll this hedge forward at harvest time to take advantage of increase in futures market carry

Hedging directly into deferred futures makes it possible to capture expected basis improvement, but locks in weak futures market carry

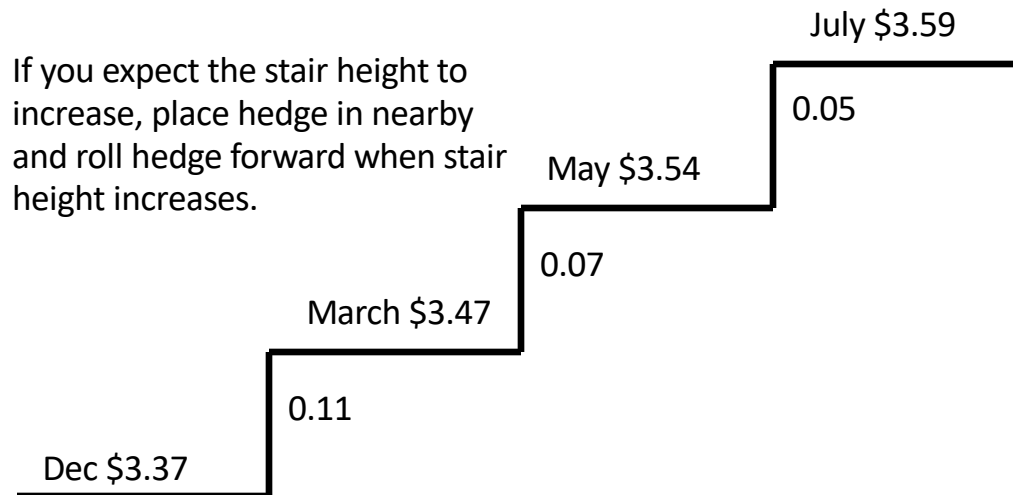
May 2021 Corn Futures @ \$3.54/bu.

Late April Central IN Basis Forecast = \$-0.10/bu.

$\$3.54 + (\$-0.10) = \$3.44$ Expected Sale Price, if hedged

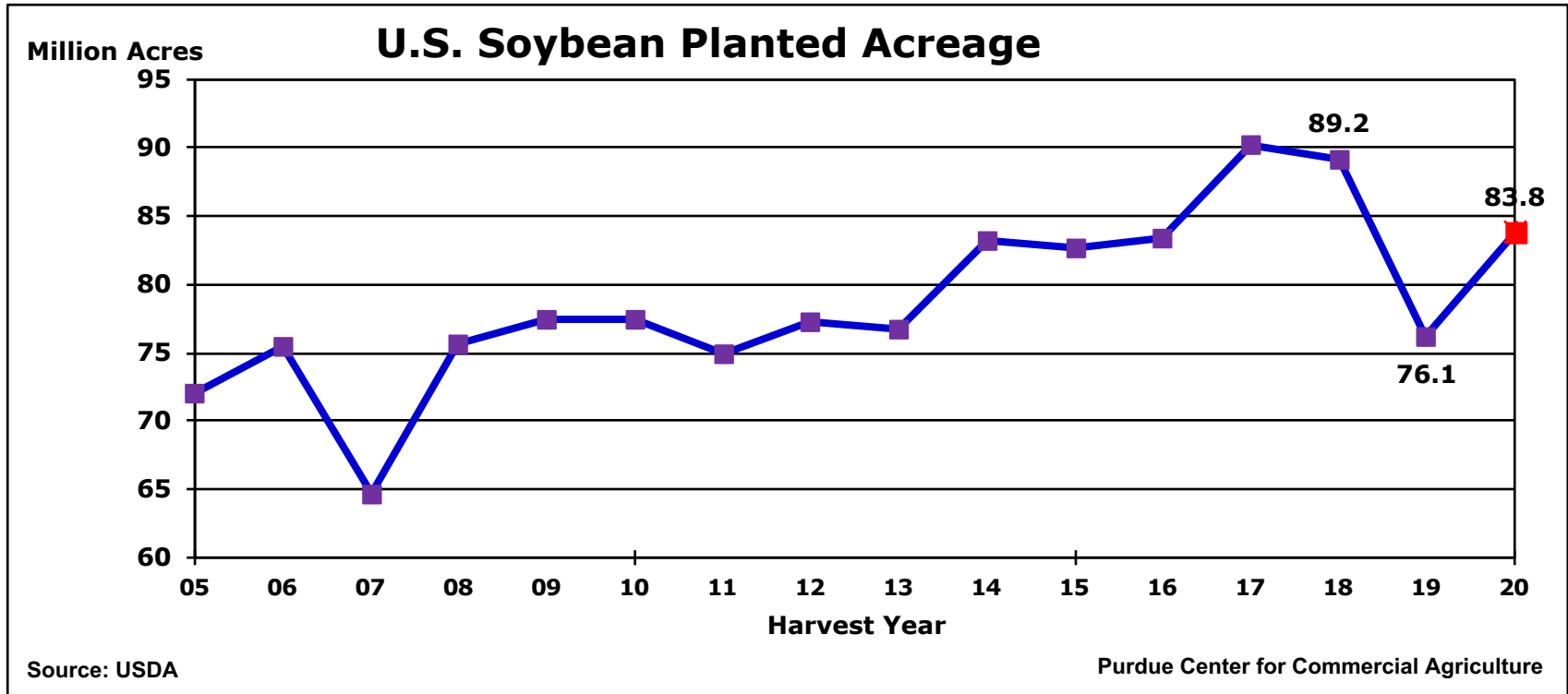
Today's Corn Futures Price Structure

Storage hedgers choose which futures contract to place hedges in based upon expected changes in the height of the stair steps

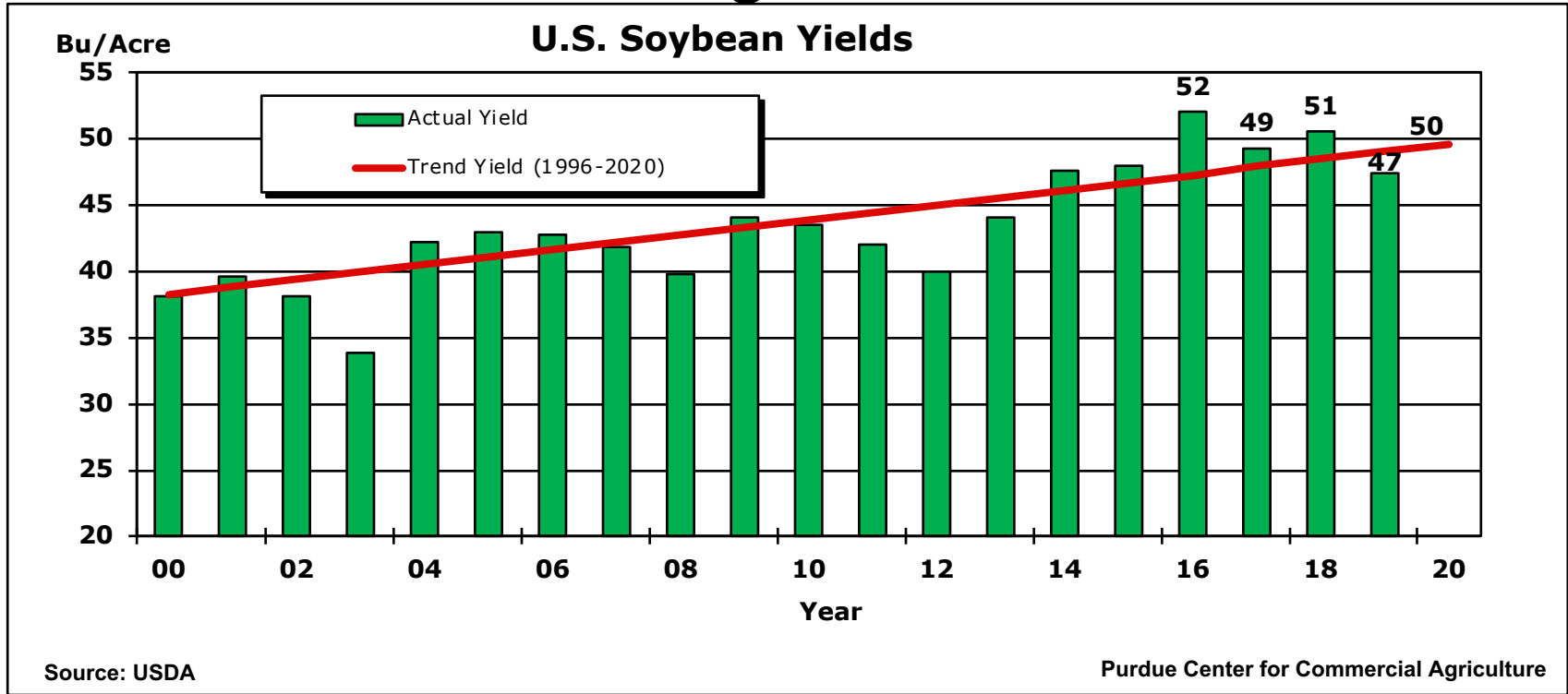


Just A Small Rise in Soybean Acreage vs. Intentions

Despite Corn Acreage Being Smaller Than Expected

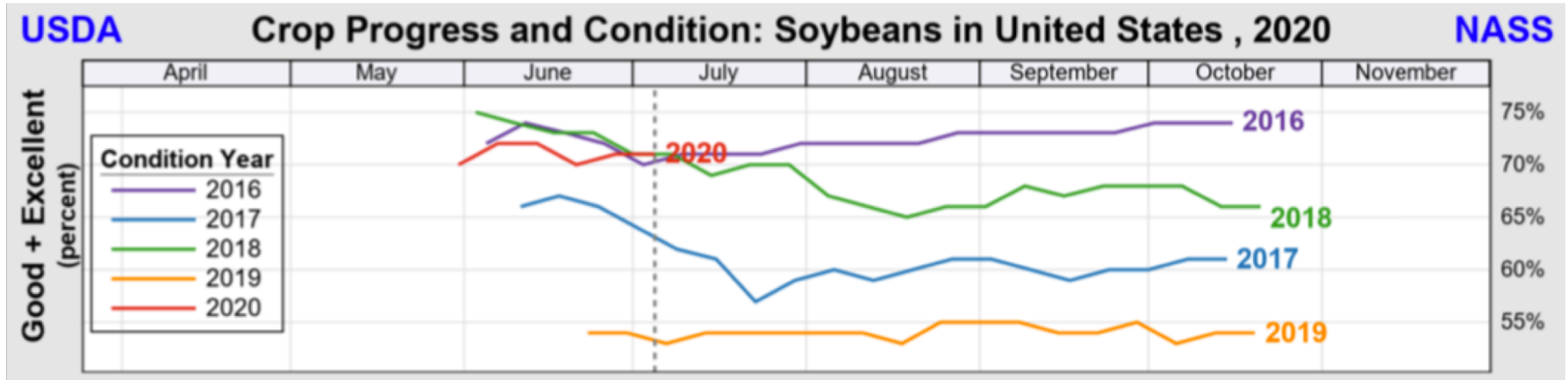


If Soybean Yields Reach Trend It Would Be 3rd Highest Yield on Record



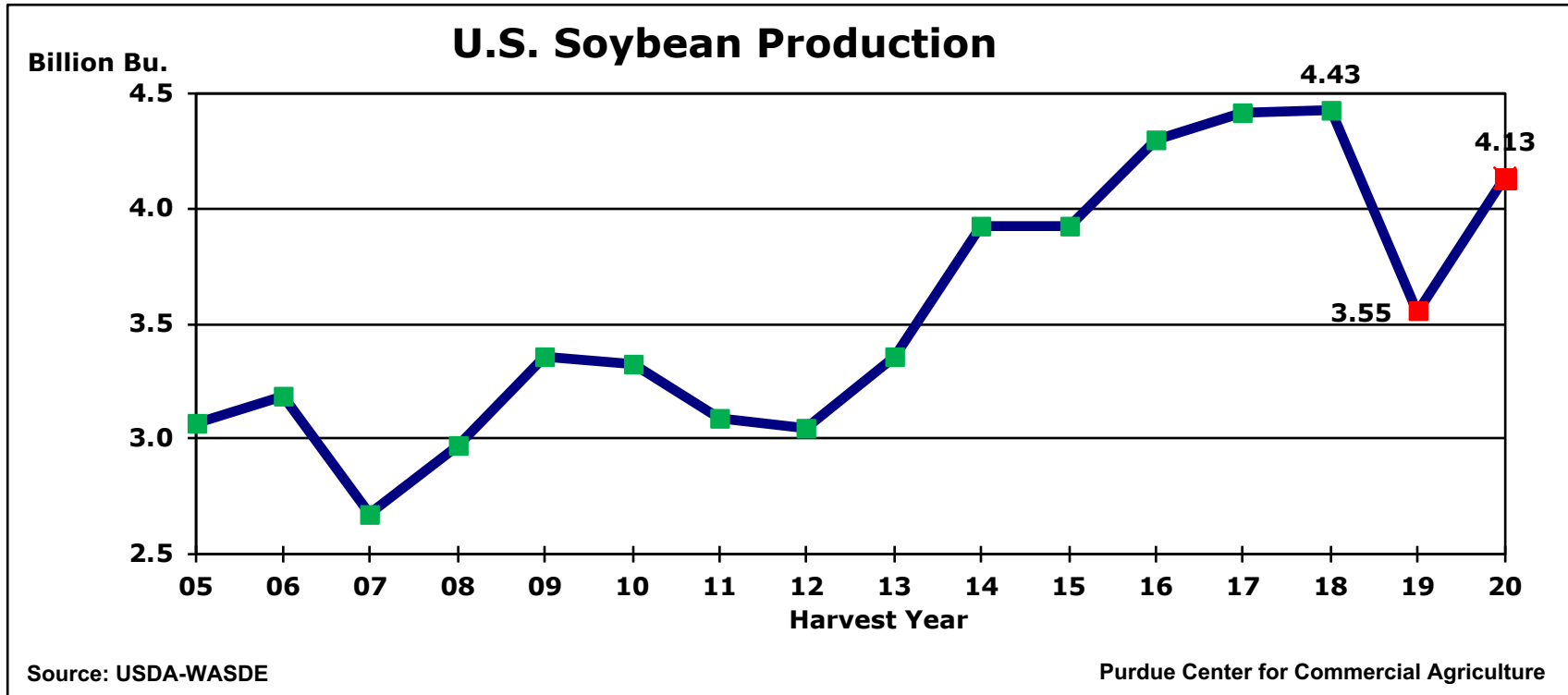
Soybeans Are Off To A Good Start

But August Usually Determines Soybean Yields

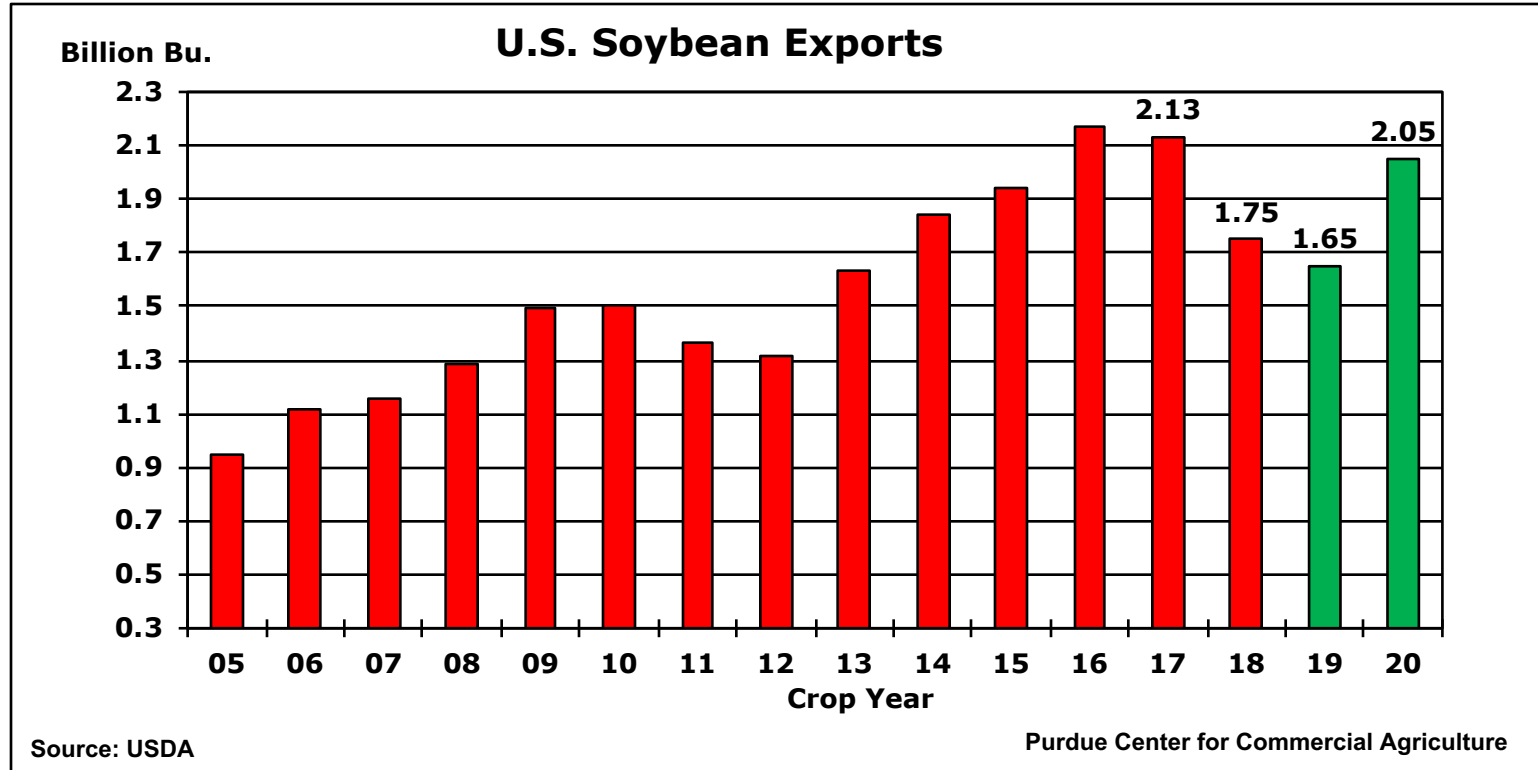


Planting Intentions & Trend Yield

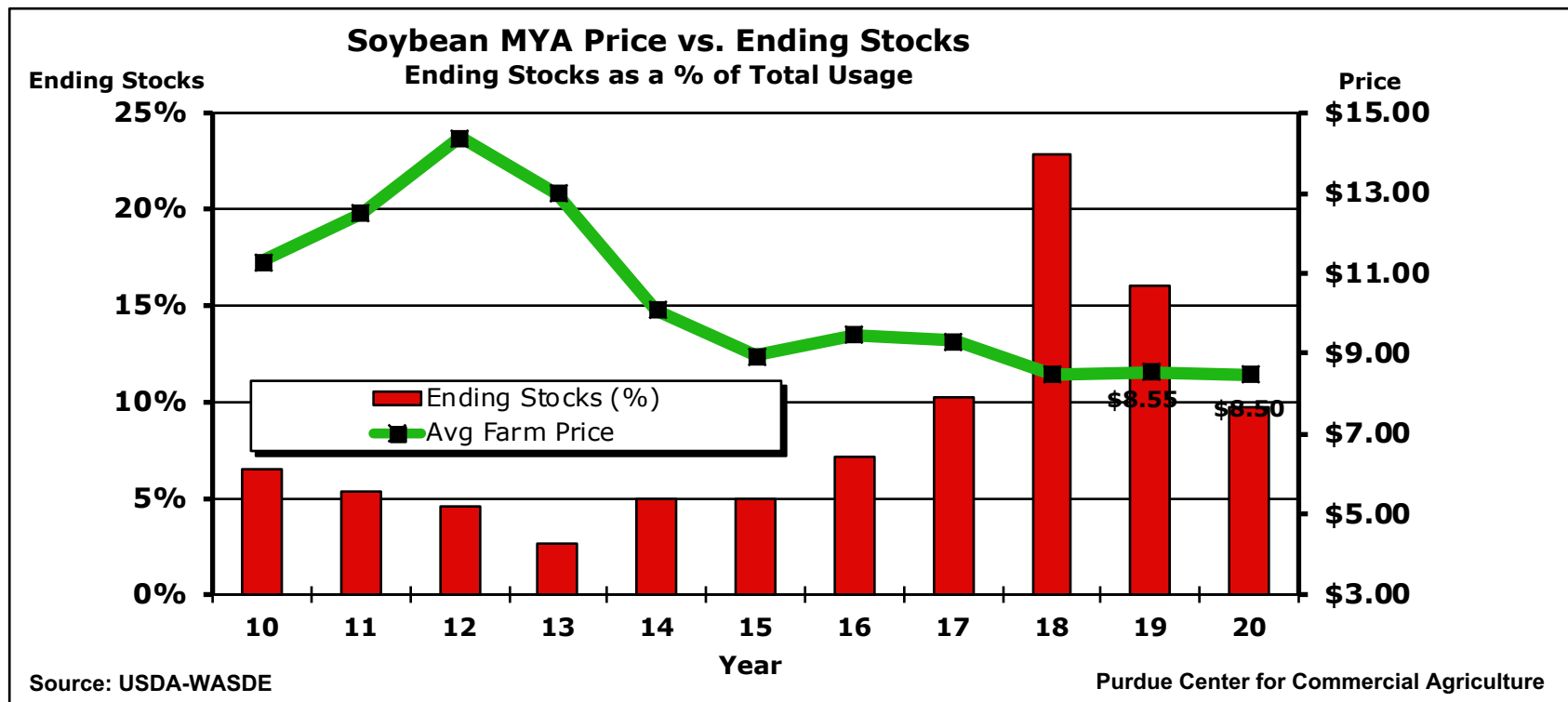
Would Push 2020 Soybean Production Up 16% From 2019



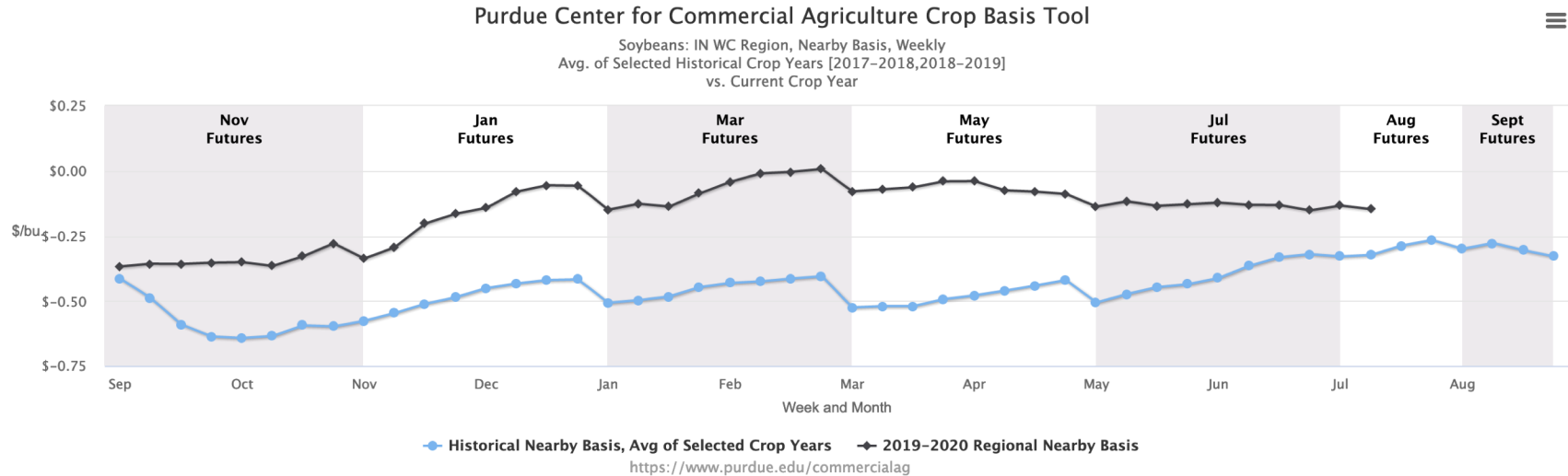
USDA Still Expects Soybean Exports to Rebound in 2020 to Over 2 Billion Bushels 24% Increase From 2019 Crop Year's Forecast



\$8.50 MYA Projection Nearly The Same As In 2019

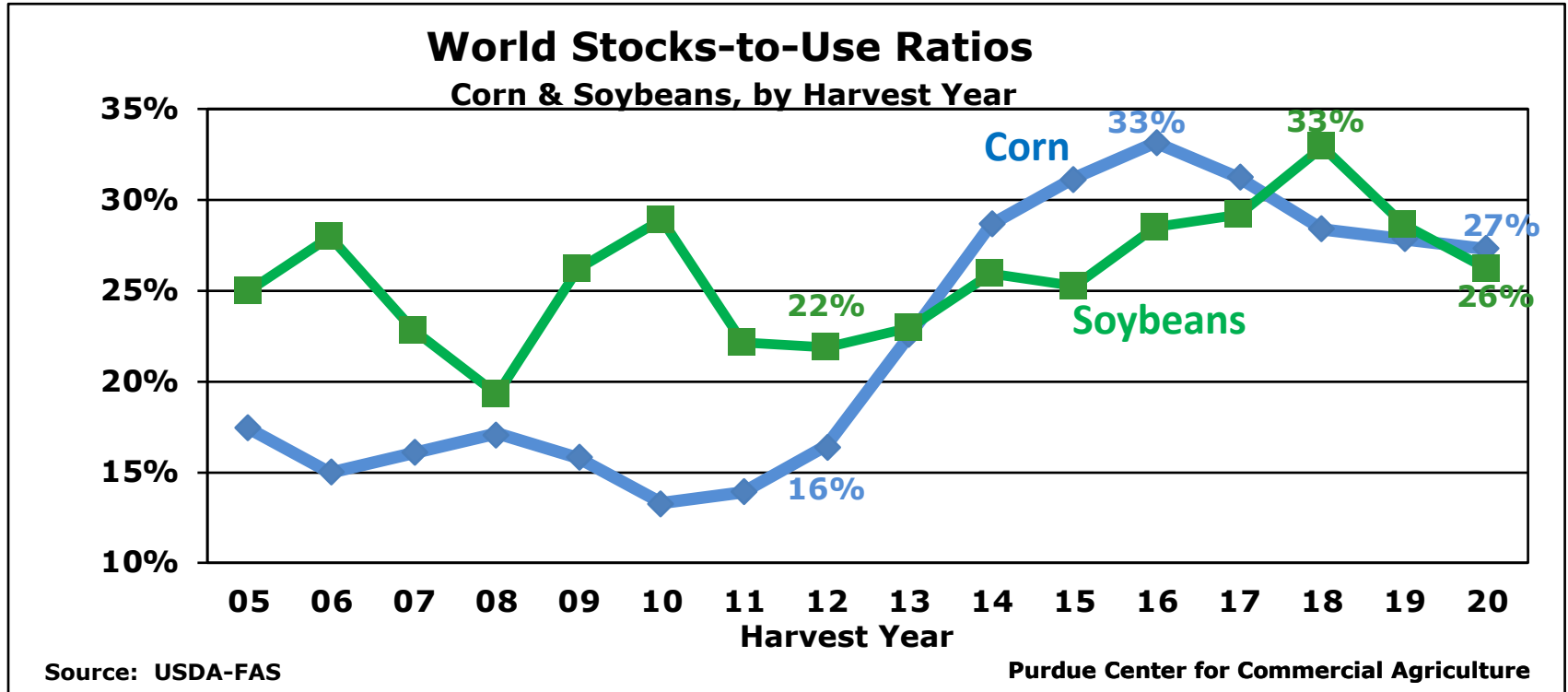


Soybean Basis Still Above 2-Year Average *But Trending Back Down Towards The Average*



World Stocks of Corn & Beans Tightening

But Recovery in Consumer Incomes Around The World Will Be Needed



Looking Ahead to the 2020 Soybean Crop

Nov. 2020 Soybean Futures @ \$8.76/bu.

Late Sept. Central IN Basis Forecast = \$-0.50/bu.

\$8.76 + (\$-0.50) = \$8.26/bu. Expected Sale Price, if hedged

History suggests opportunity to roll this hedge forward at harvest time to take advantage of increase in futures market carry

ARC-CO and PLC Overview

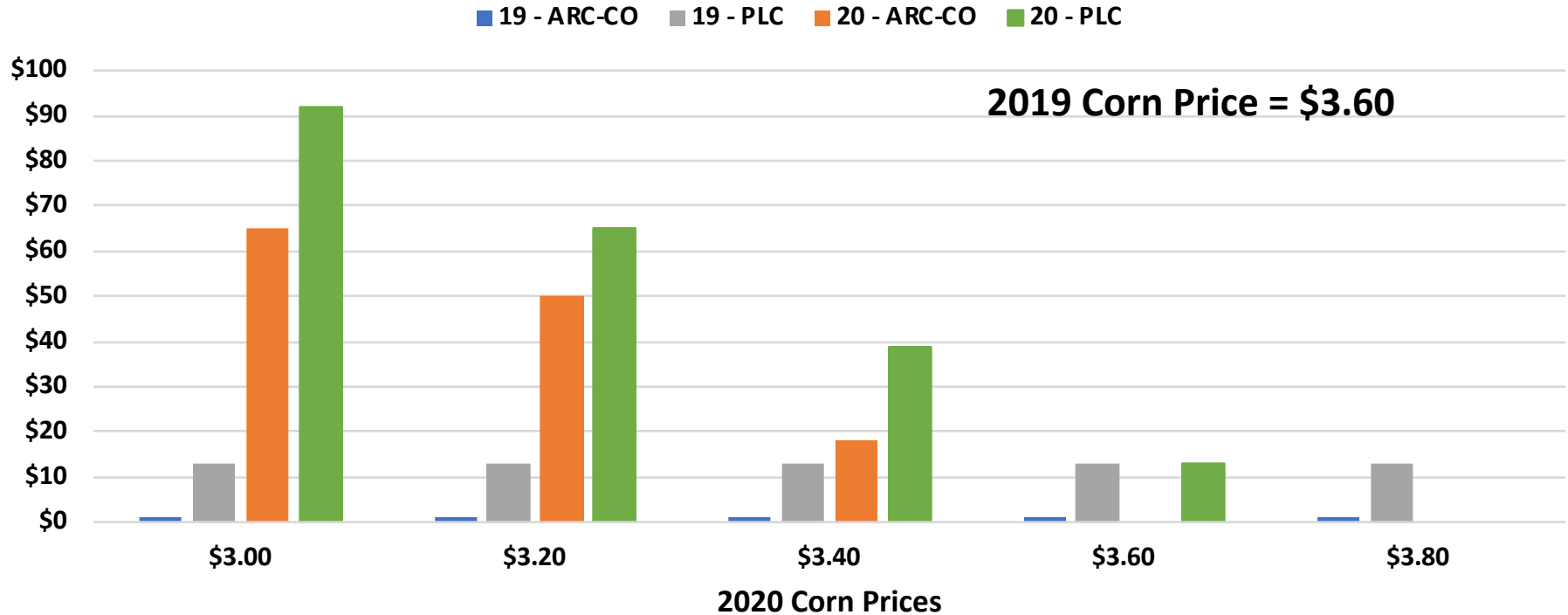
1. ARC-CO (Soybeans):

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

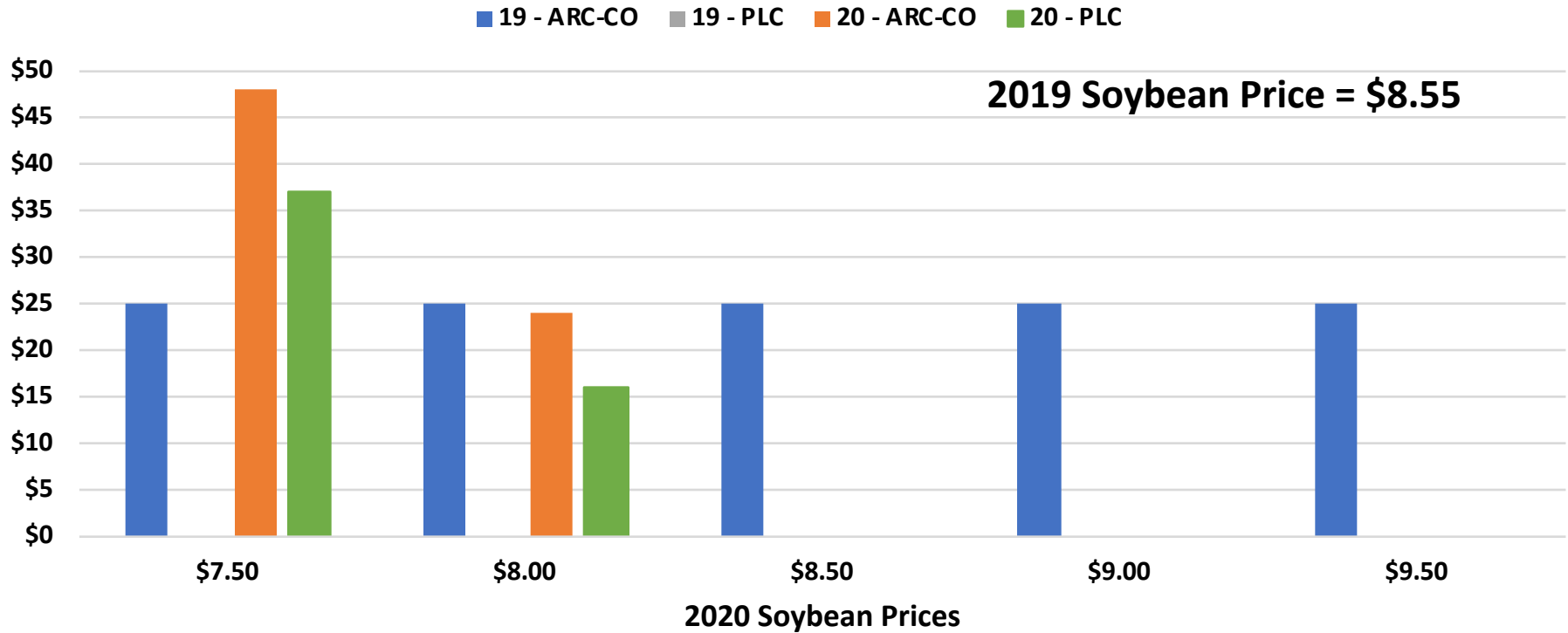
2. PLC (Corn):

- 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 = \$19
- MFP = \$62

3. 2020, Projected:

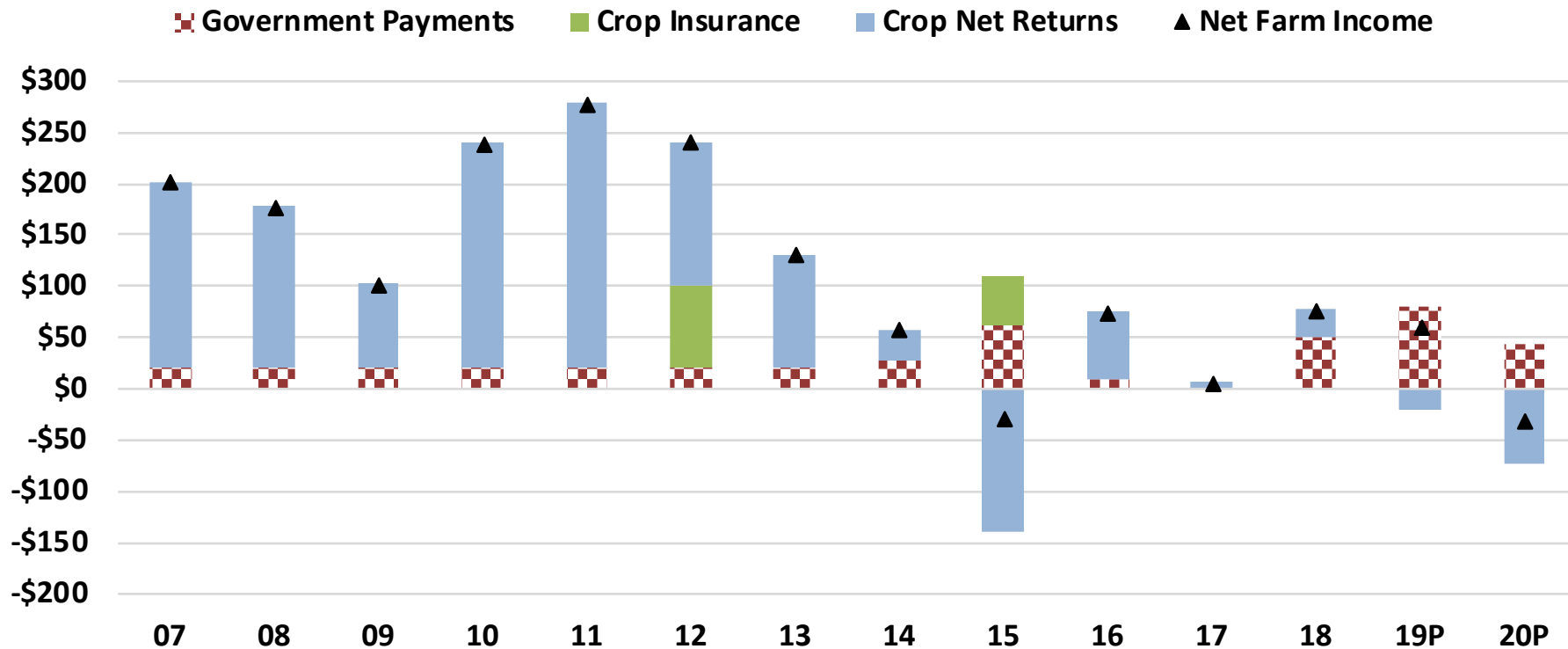
- ARC-CO and PLC = \$23
- CFAP = \$21

Net Return Projections

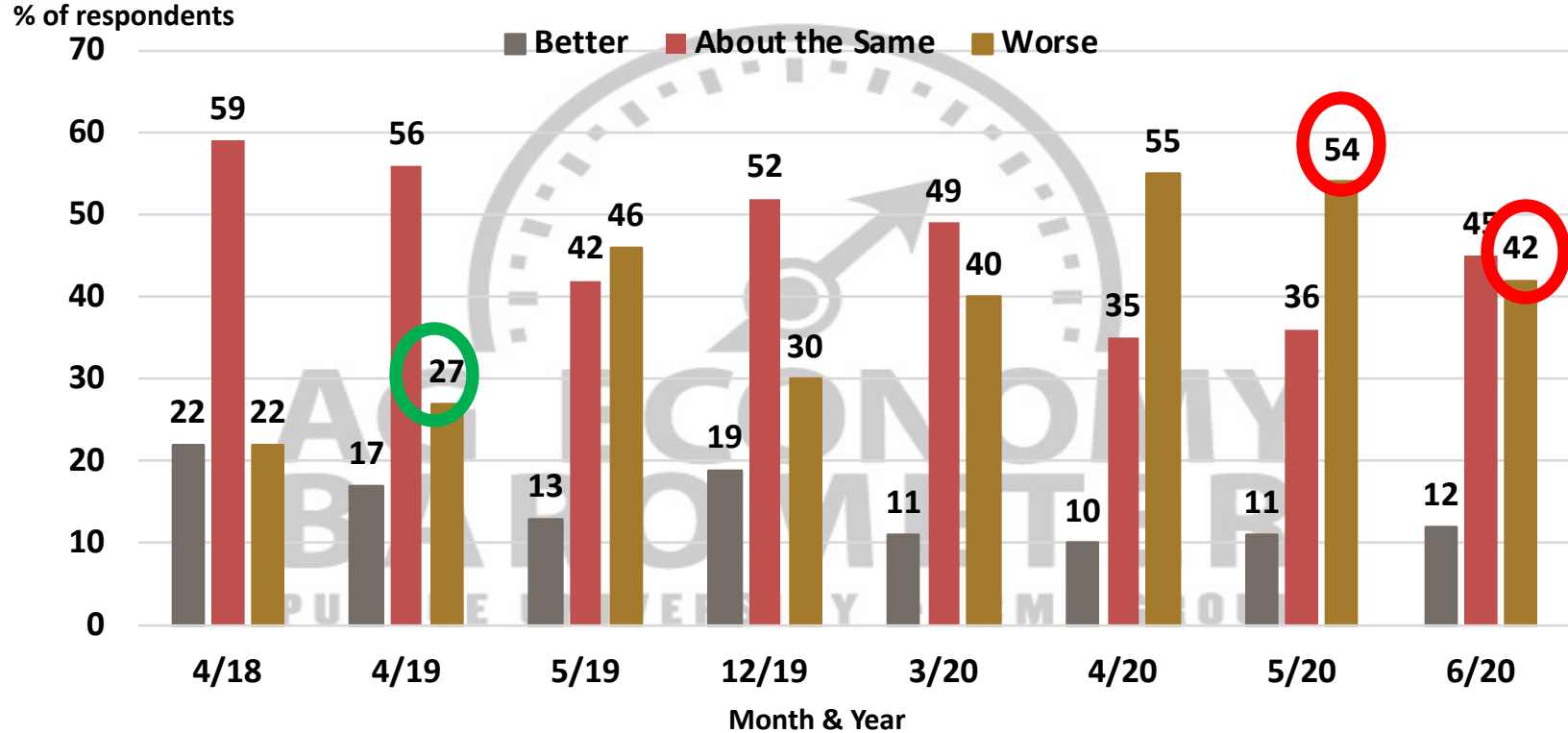
Definitions

- 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

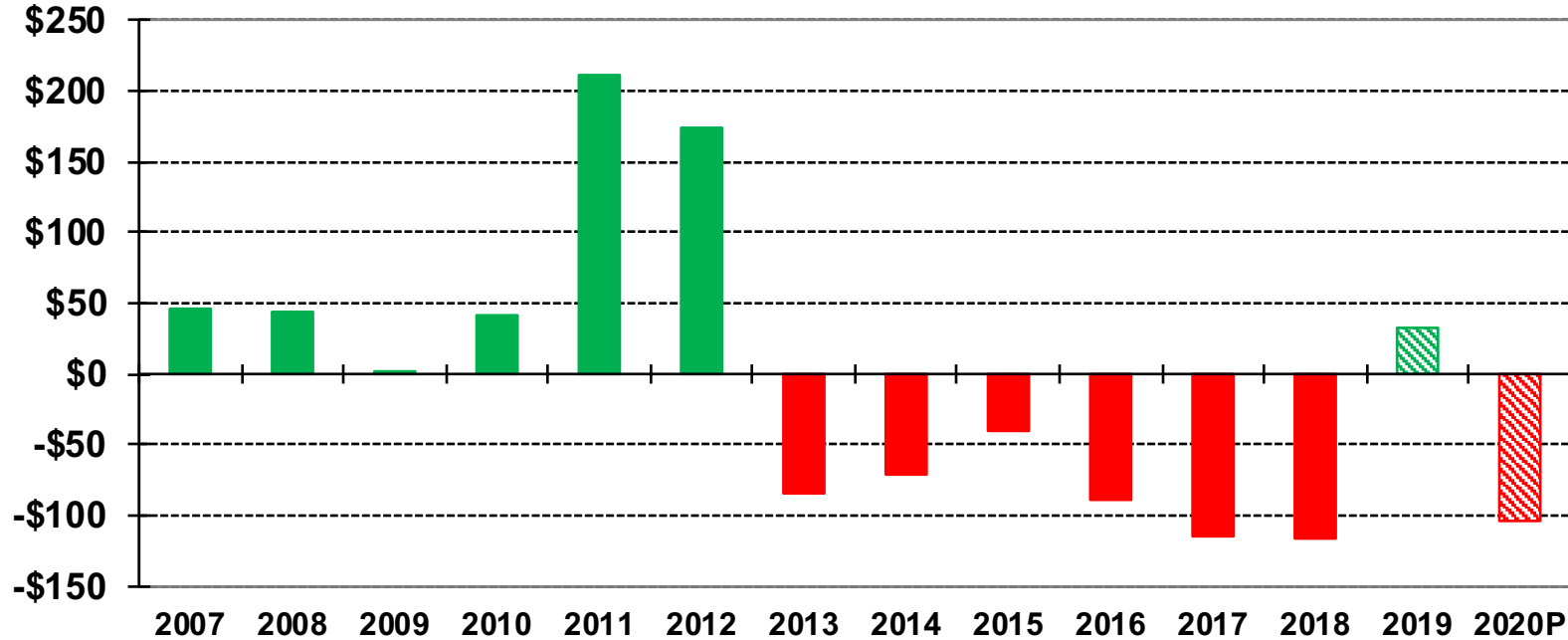


As of today, do you expect your farm's financial performance to be better than, worse than, or about the same as last year?

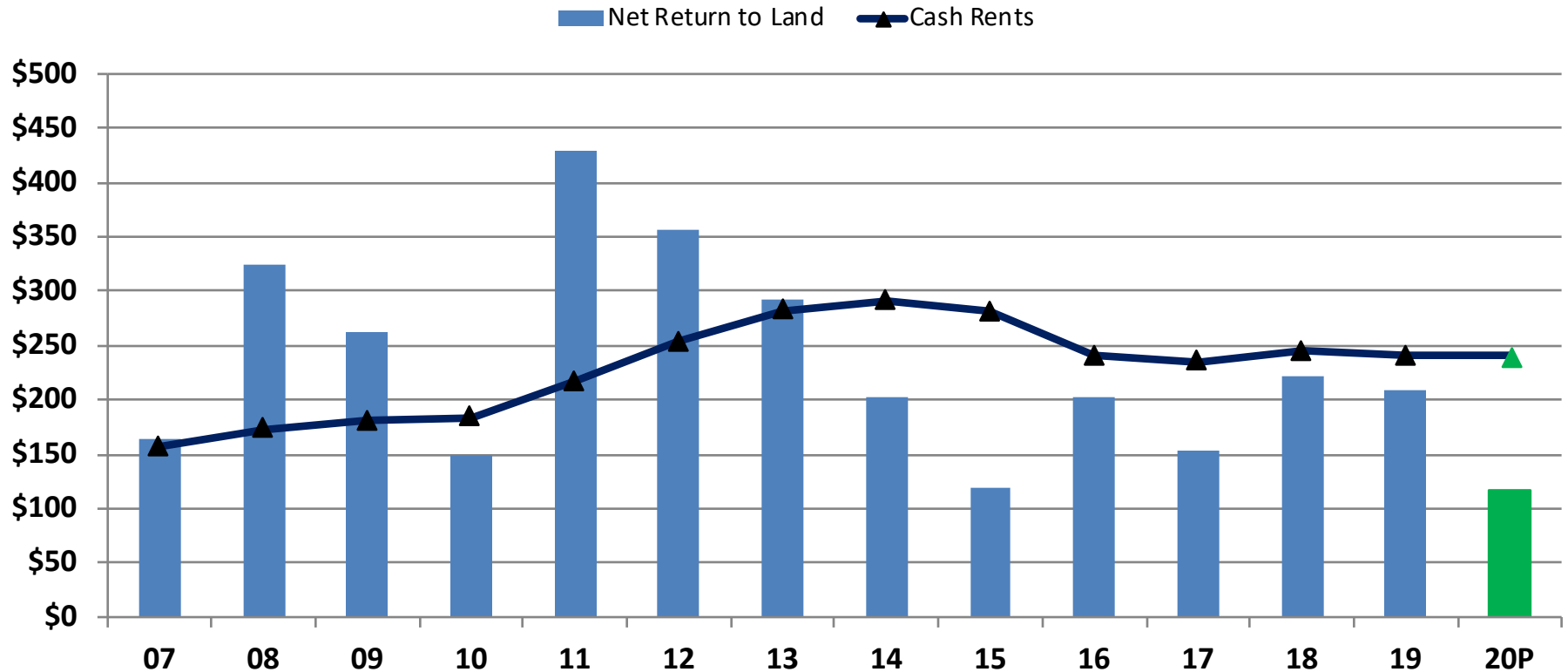


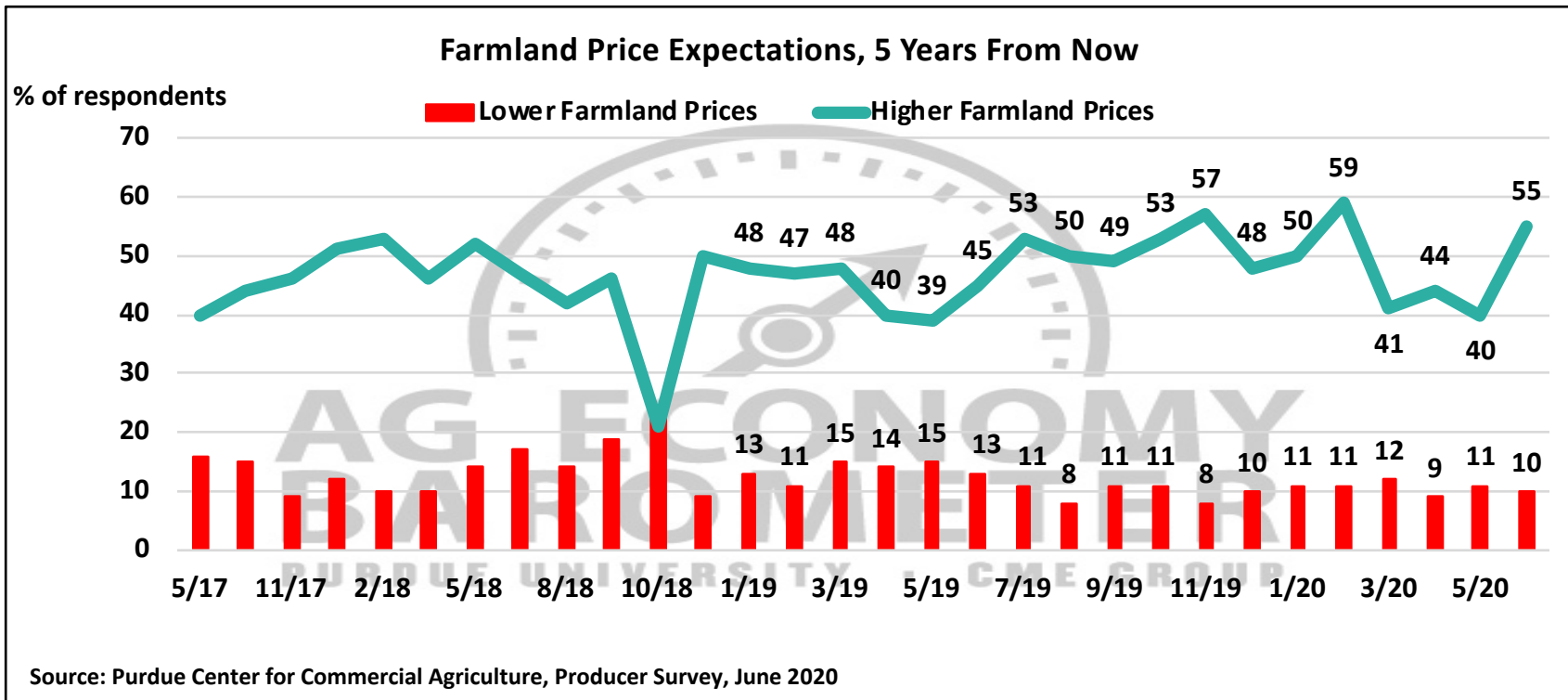
Source: Purdue Center for Commercial Agriculture, Producer Survey, June 2020

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



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

August Crop Report Panel following August Crop Report's Release August 12, 2020

**More info & register at
purdue.ag/webinar**



Center for
Commercial Agriculture

July 13, 2020