

DECEMBER CORN & SOYBEAN OUTLOOK

FRIDAY, DECEMBER 11, 2020

James Mintert, Professor & Director, Center for Commercial Agriculture

Nathan Thompson, Assistant Professor, Dept. of Agricultural Economics

Michael Langemeier, Professor & Associate Director, Center for Commercial Agriculture



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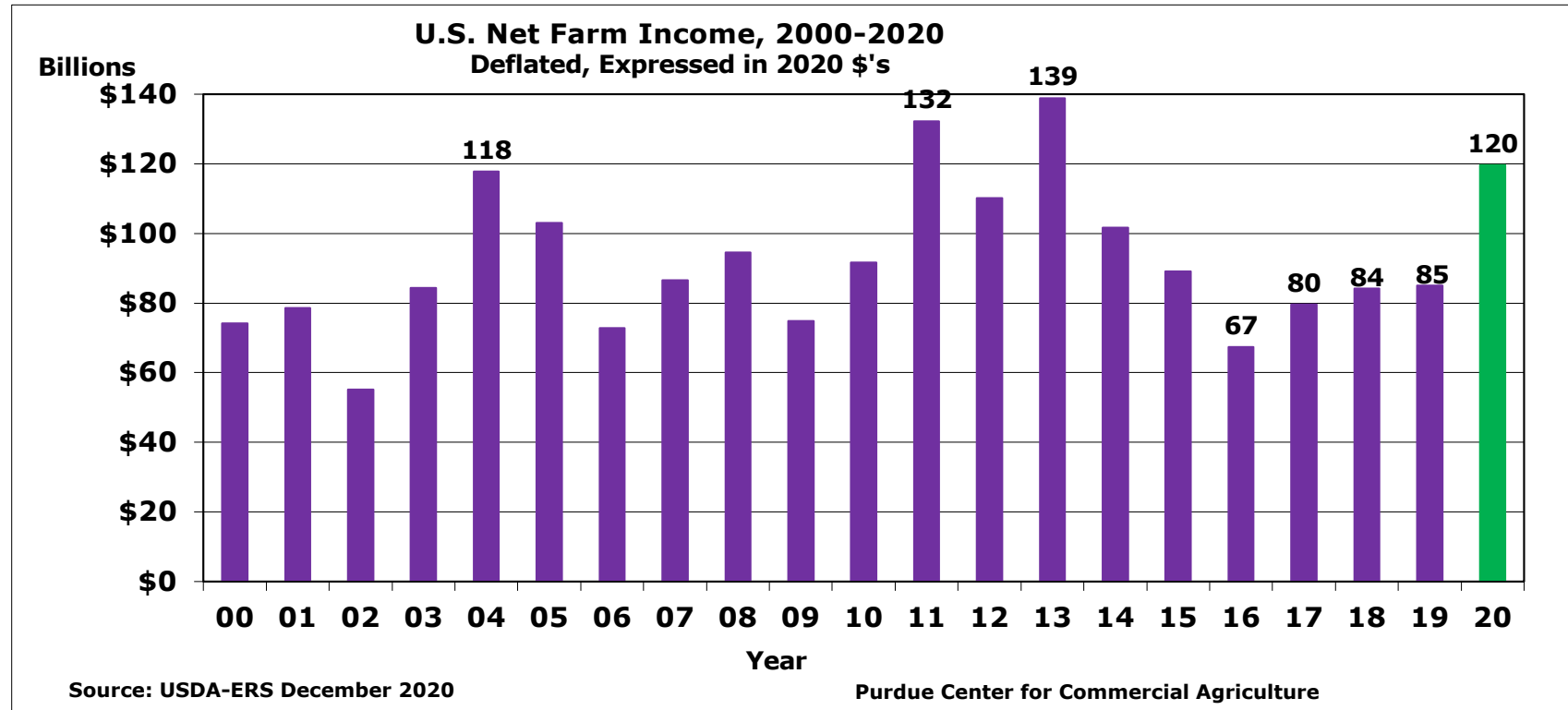
Purdue Top Farmer Conference
January 8, 2021

Details Available at
Purdue.edu/commercialag

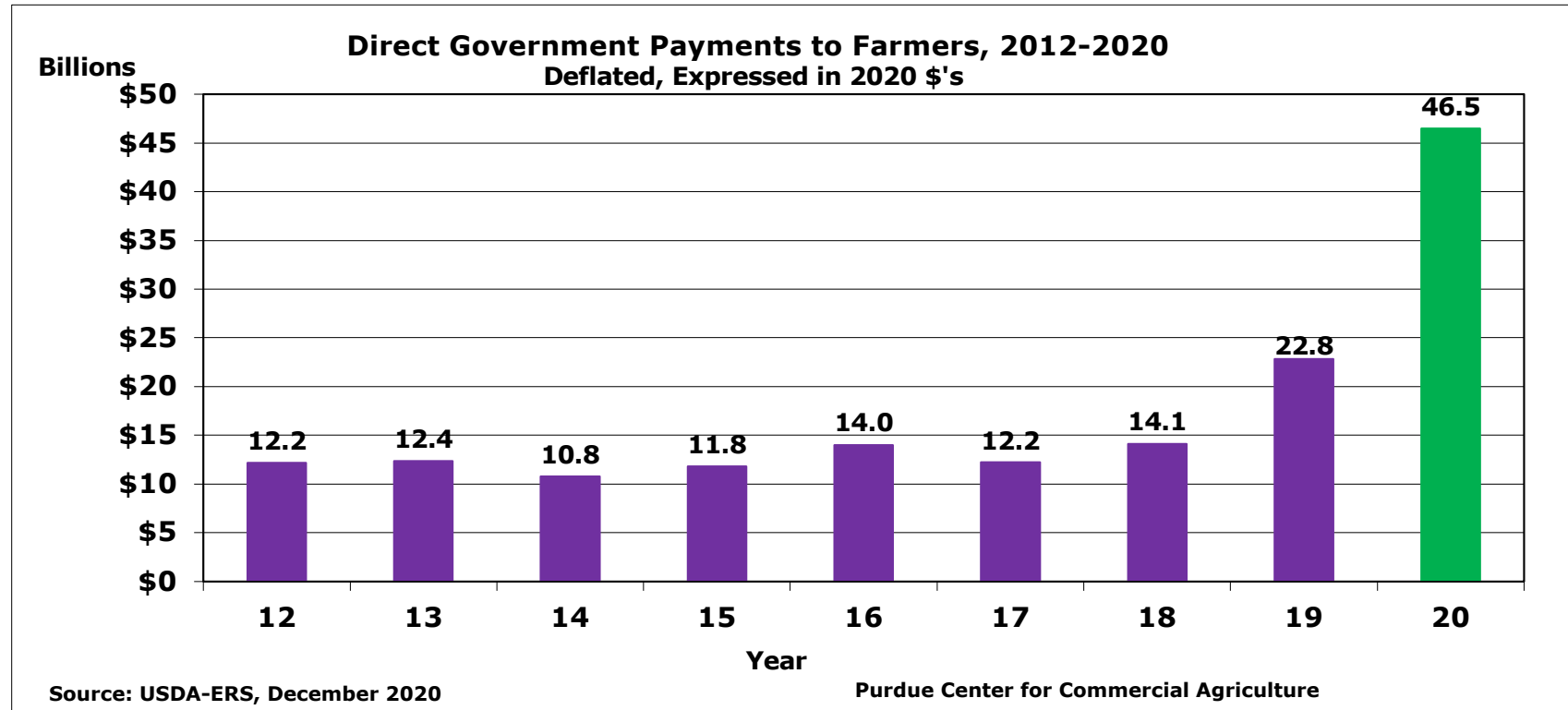


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Revised Net Farm Income Forecast, 3rd Highest on Record

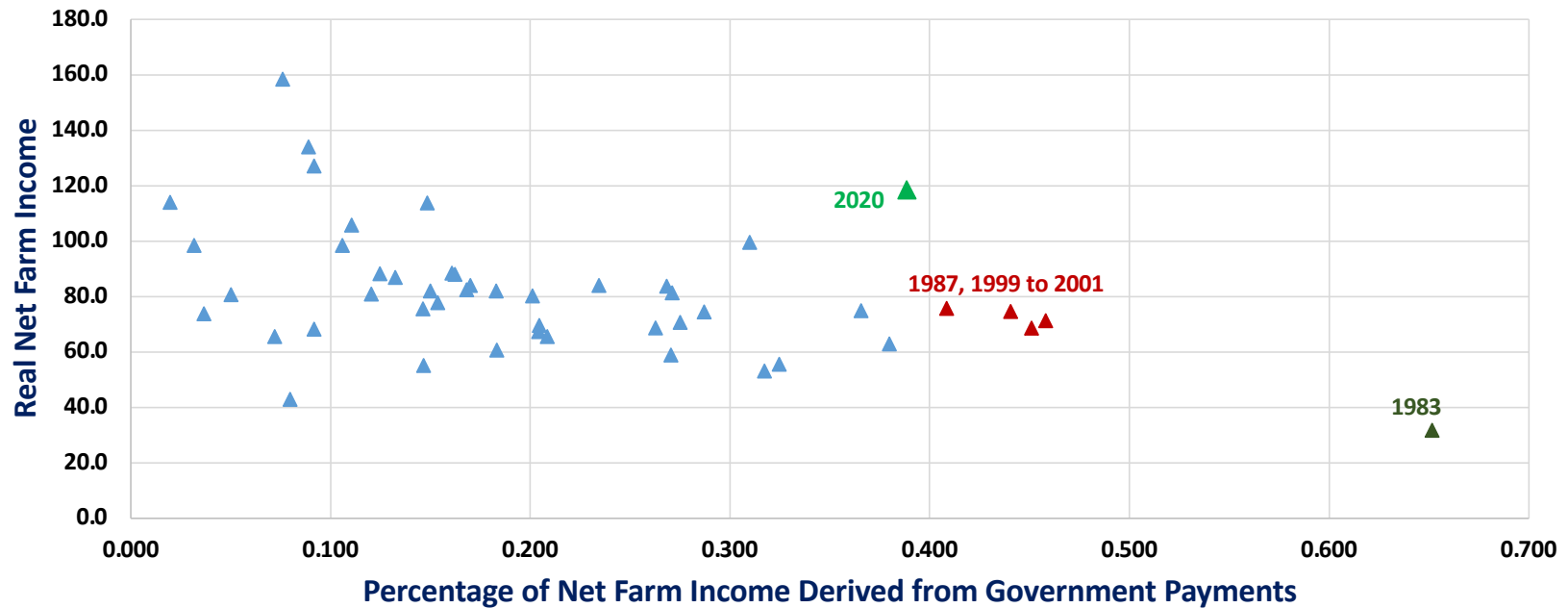


But the Net Farm Income Picture Would Not Be So Bright Without Gov't Payments

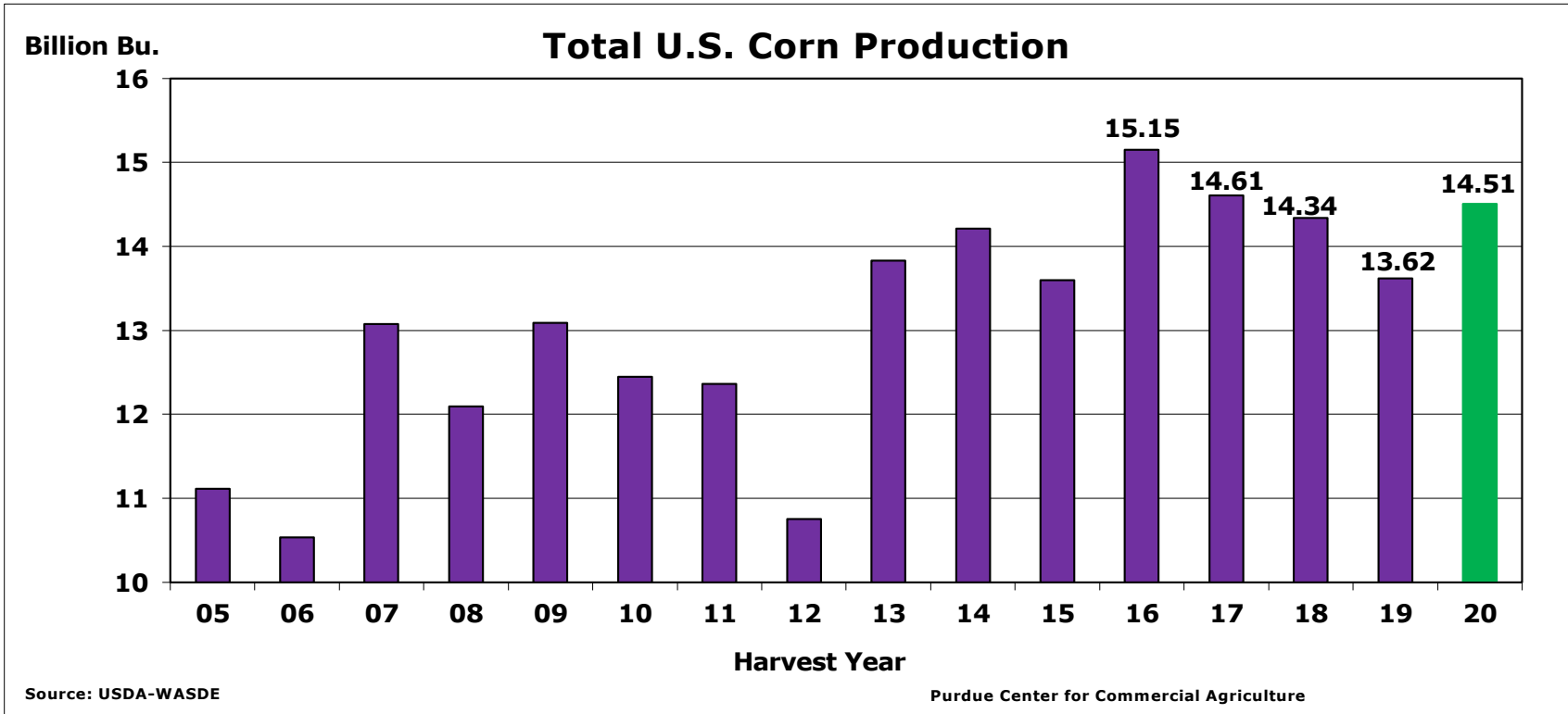


2020 Government Payments are Large in Relation to Net Farm Income

Real Net Farm Income and Percentage
Derived from Government Payments, 1973 to 2020
Source: USDA-ERS

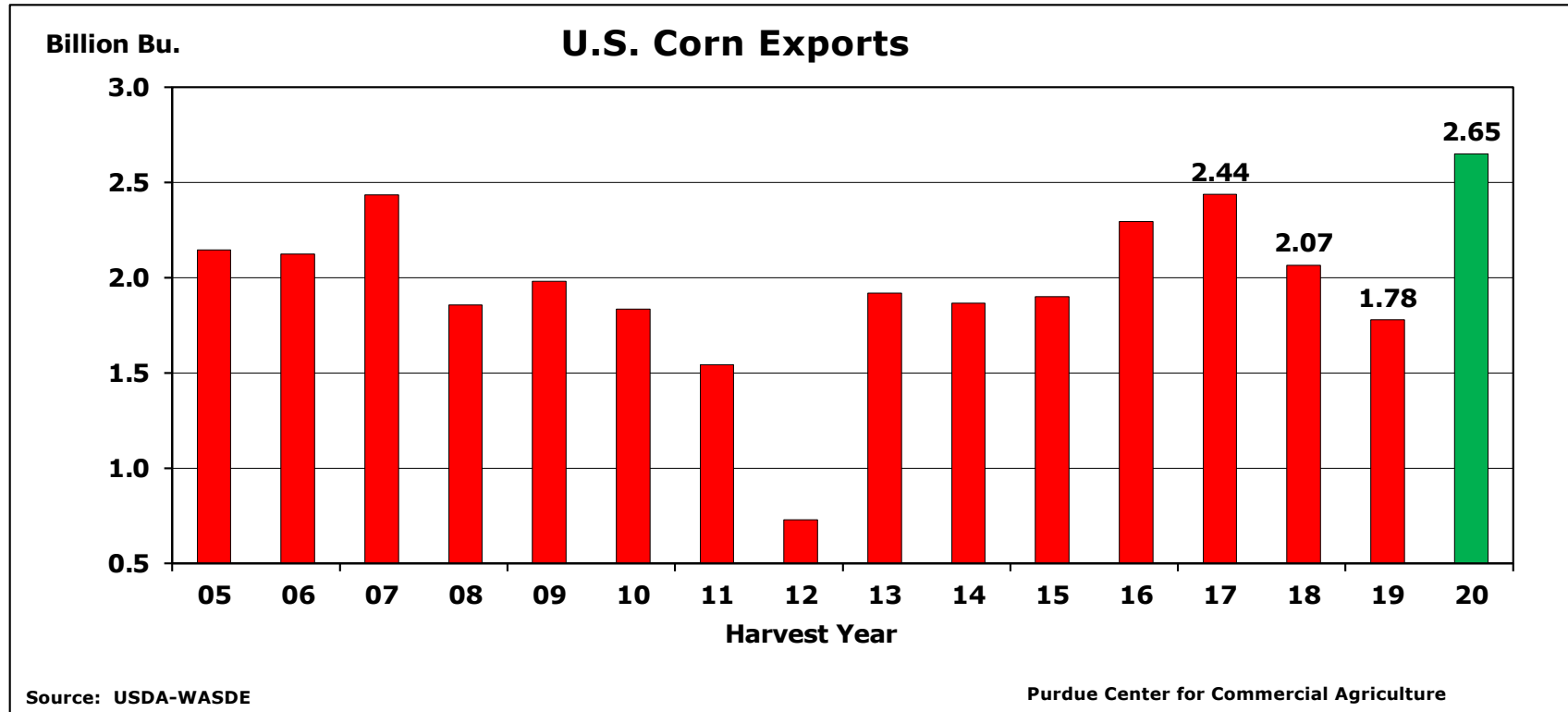


No Change in 2020 Acreage or Yield Estimate ... So No Change in Estimated Production From November

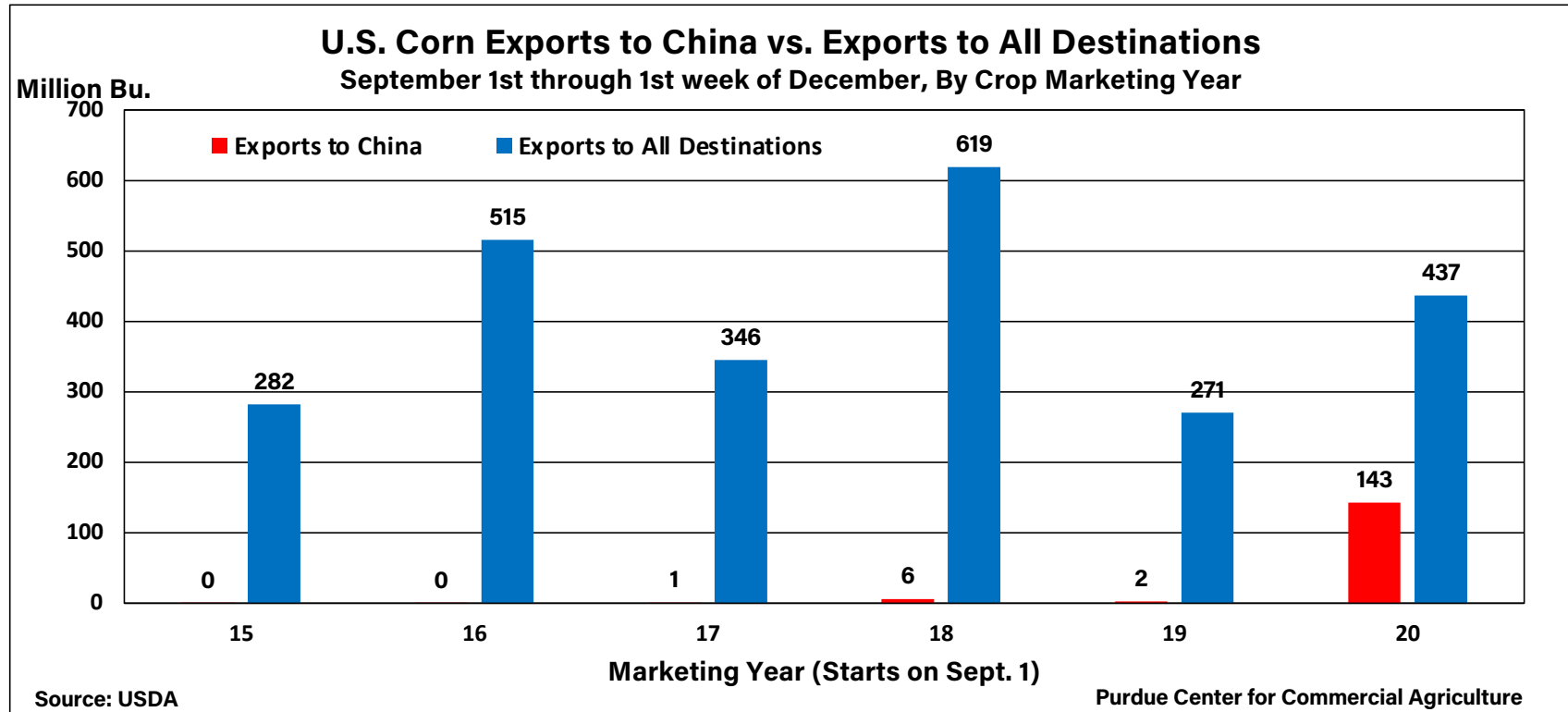


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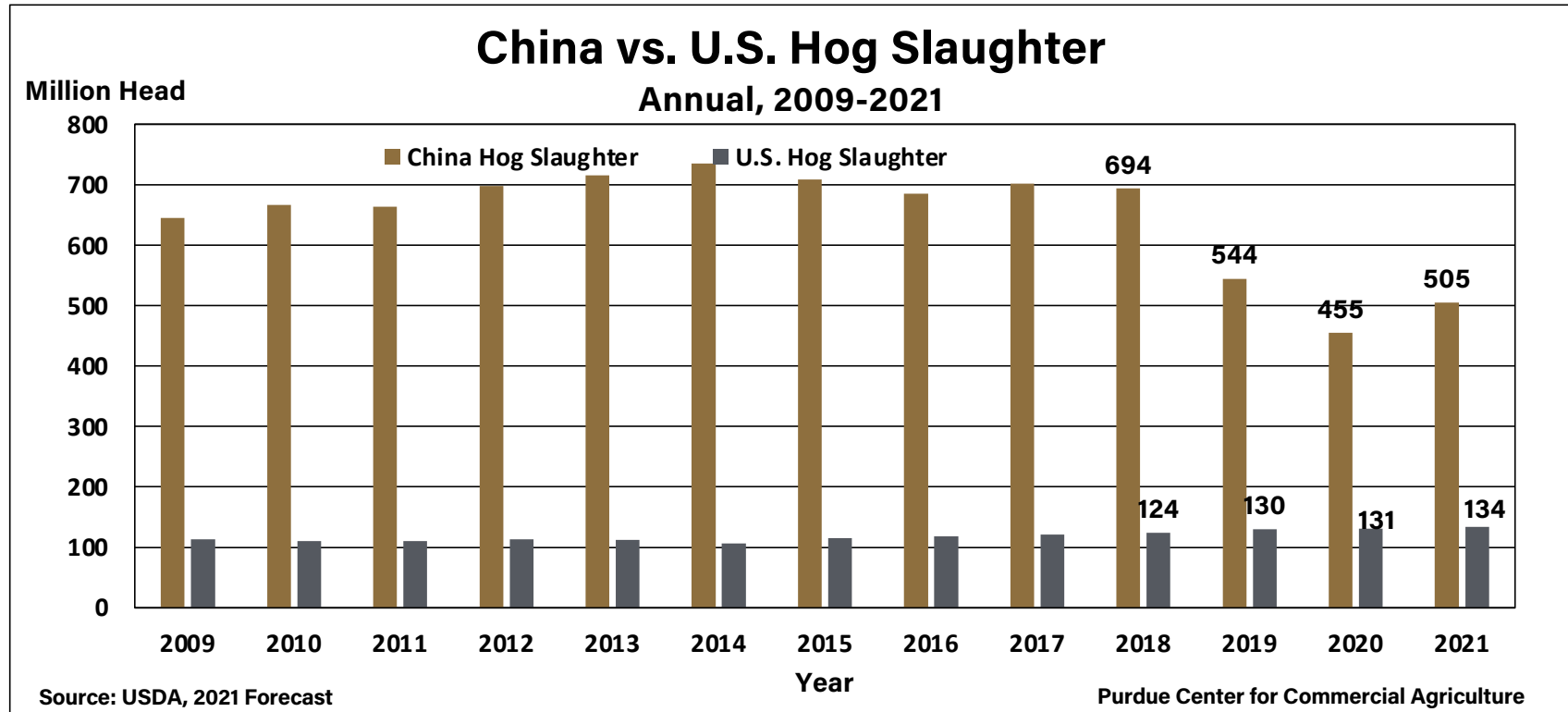
Export Forecast Unchanged from November...Still 50% Higher than in 2019



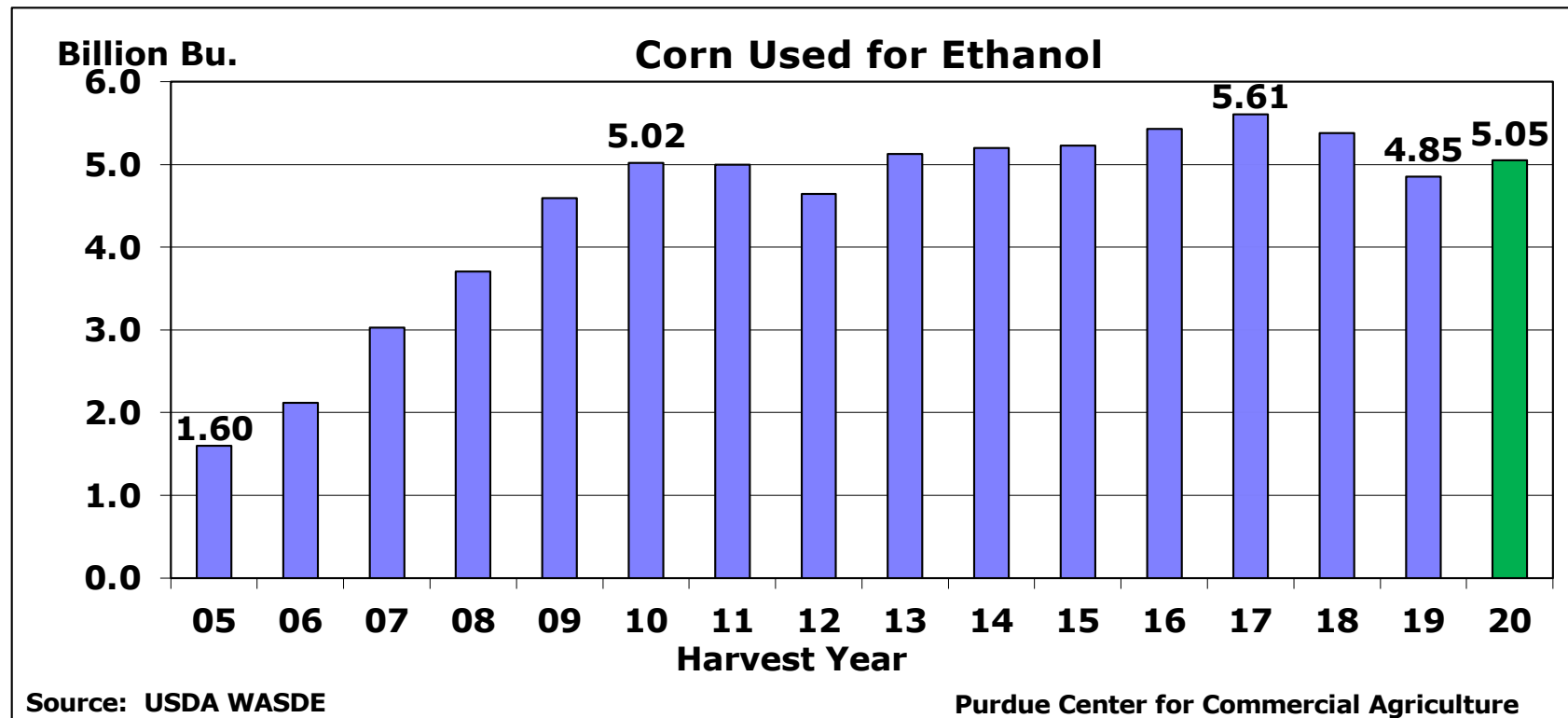
So Far, Total Corn Exports Up 61% This Year, Rise in Exports to China Accounts for 85% of Increase



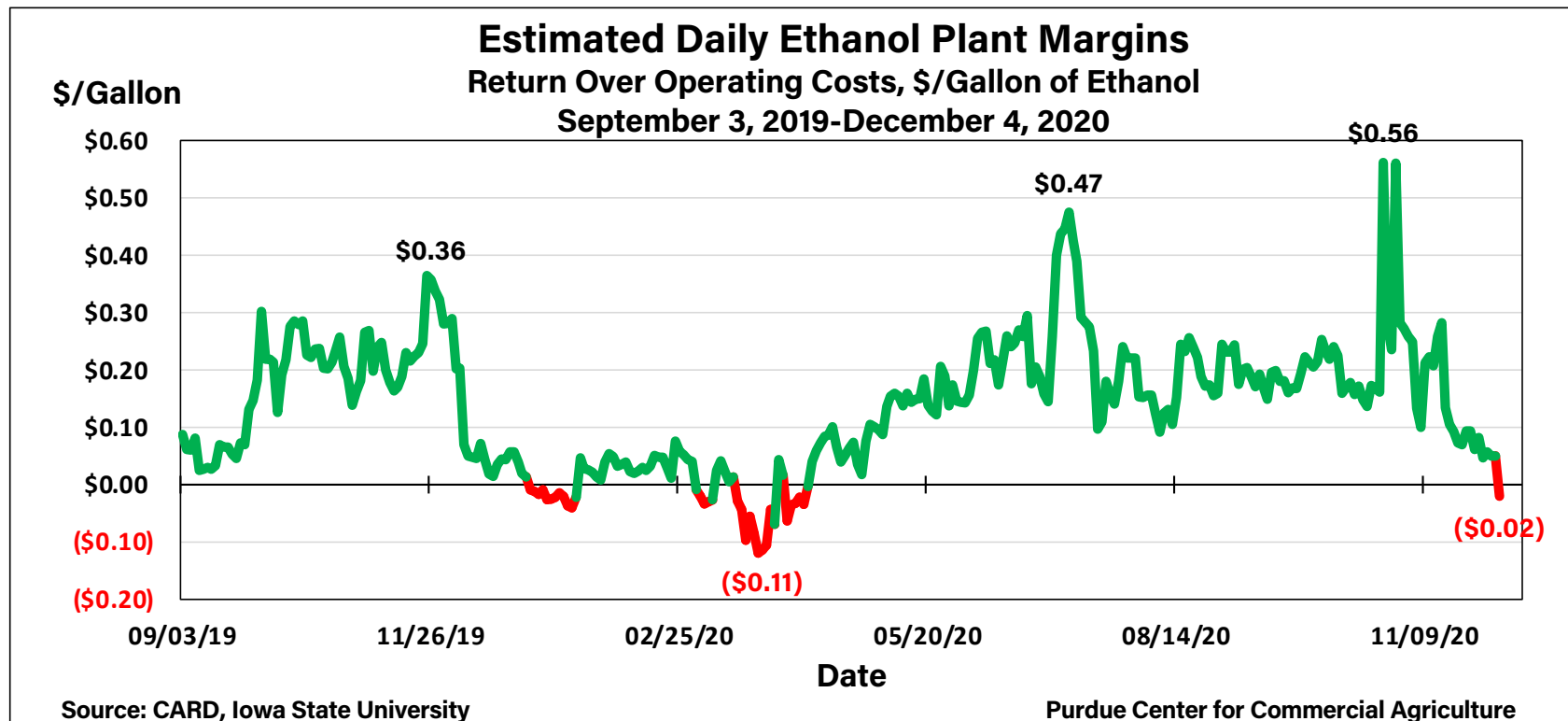
China's Desire To Rebuild Its Pork Industry Is Driving Increases in Corn & Soybean Imports



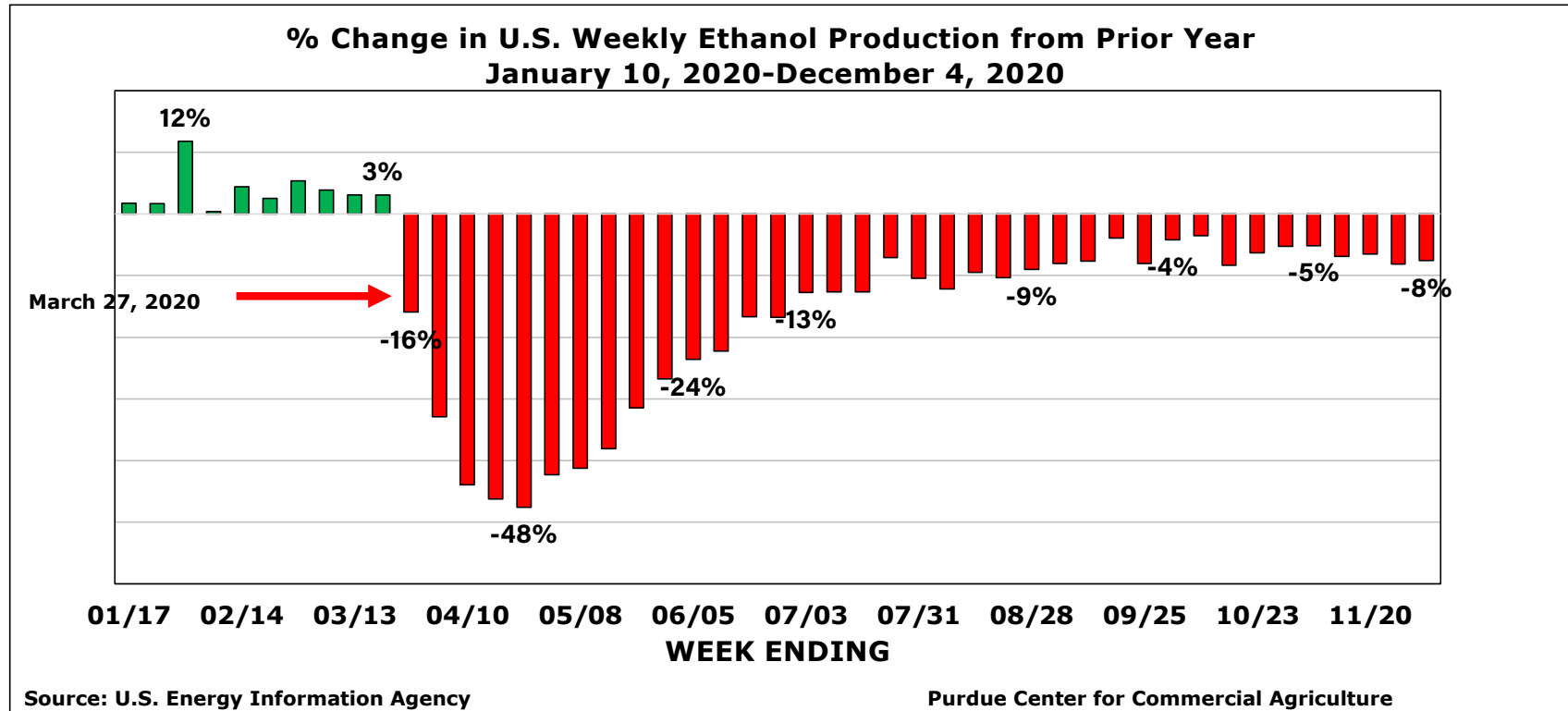
USDA Still Forecasting A Modest Increase in Corn Used for Ethanol...Will It Happen?



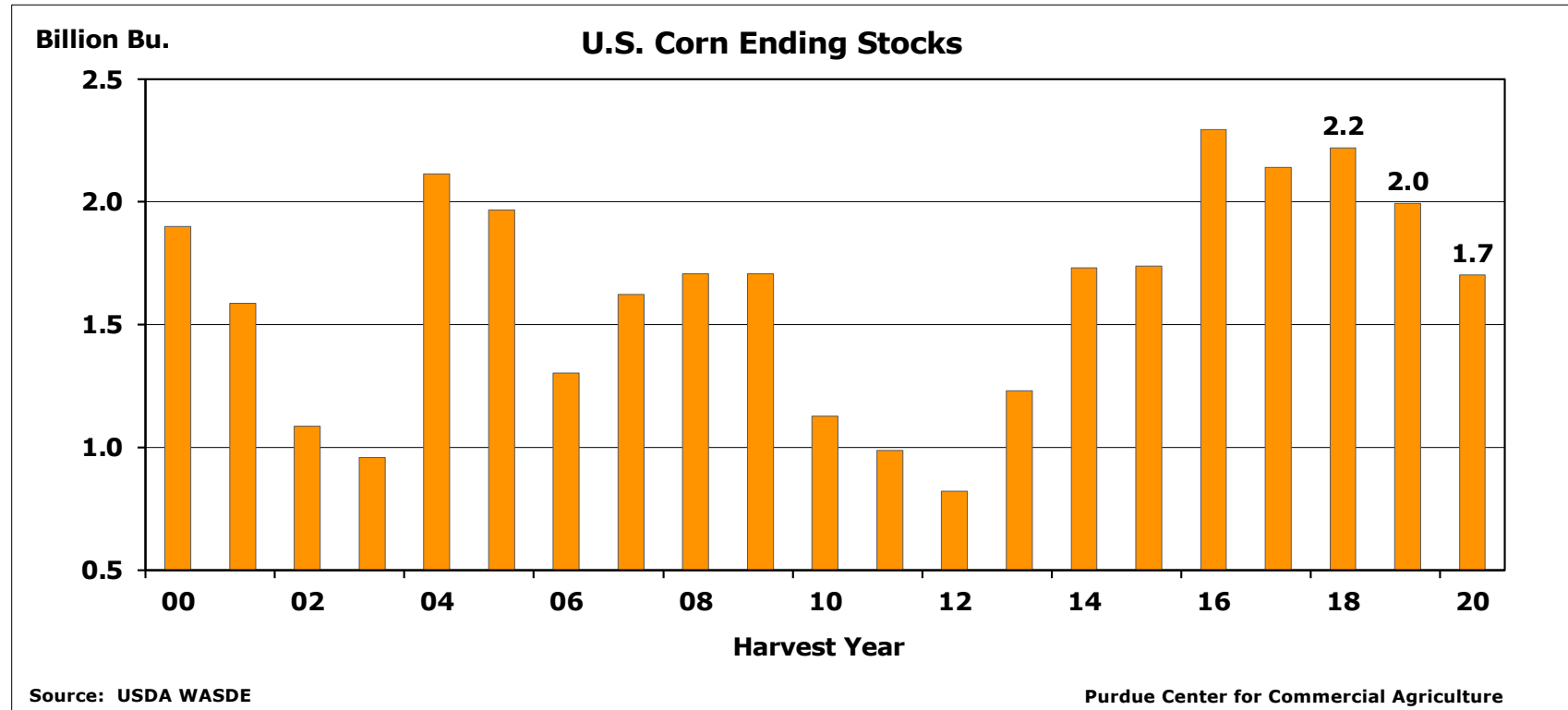
Ethanol Margins Have Collapsed...Again



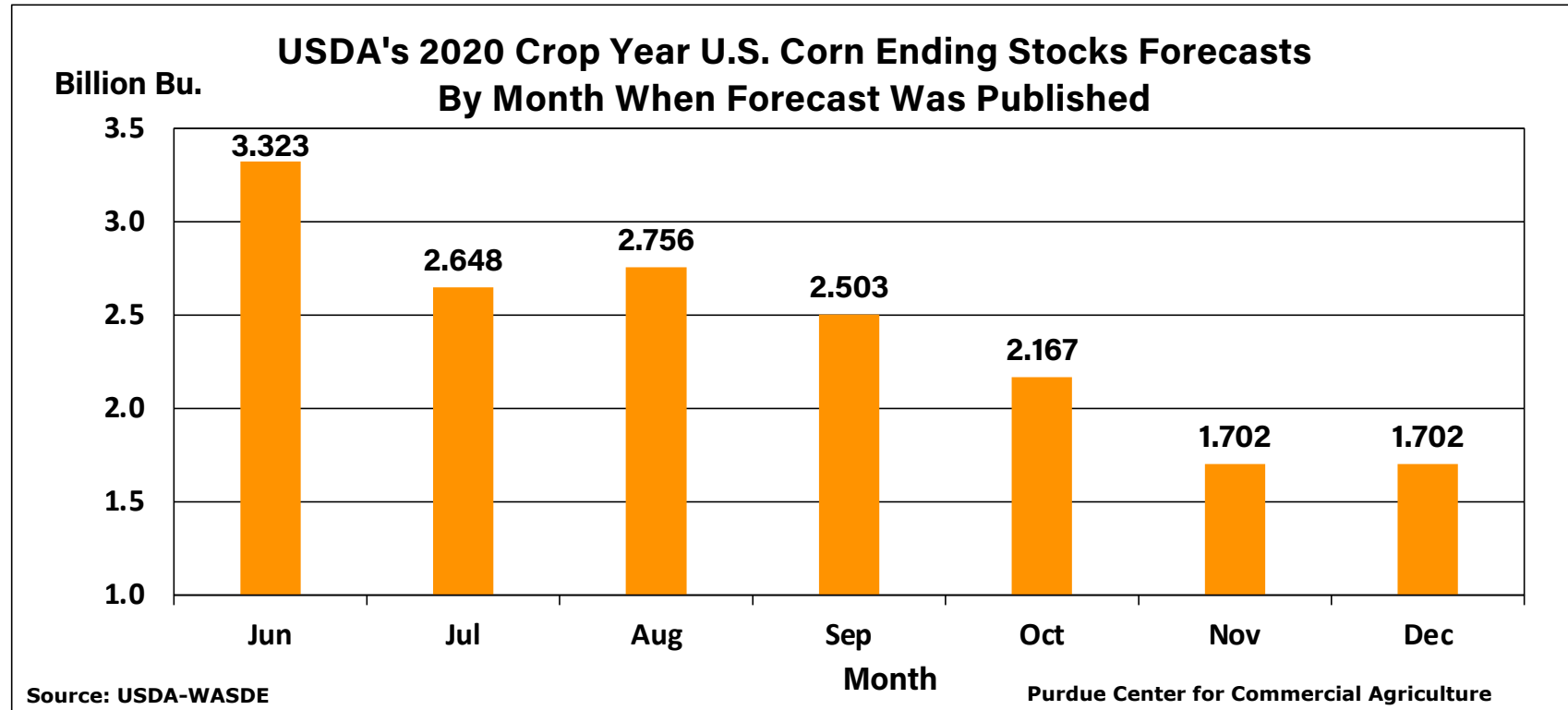
Ethanol Production Remains Below A Year Ago...USDA Forecast Requires Economic Recovery in 2nd Half of Marketing Year



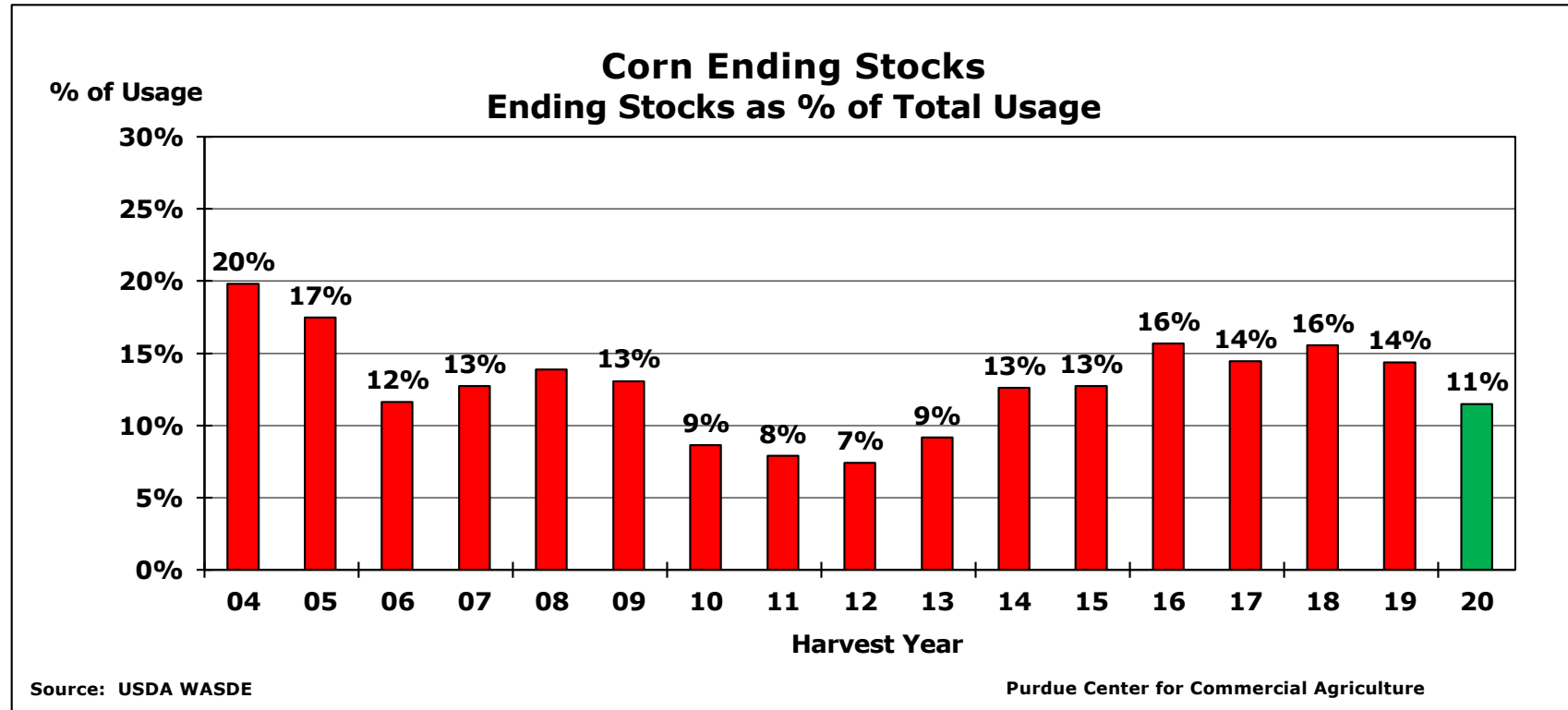
No Change in Projected Ending Stocks at End of 2020 Crop Year From November's Report



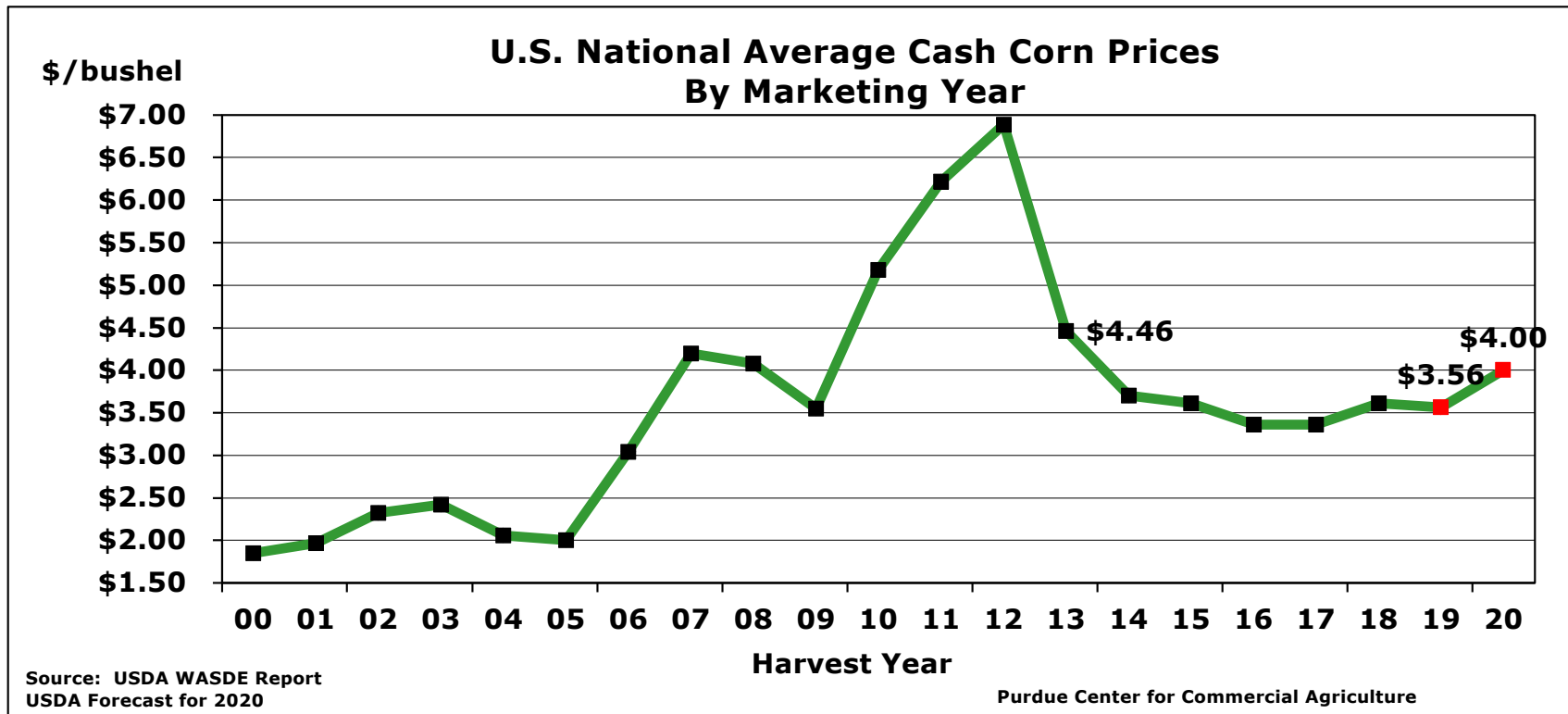
But Projected 2020 Ending Stocks Have Fallen Dramatically Since Late Spring



Will Ending Stocks Tighten Further As 2020 Marketing Year Progresses?

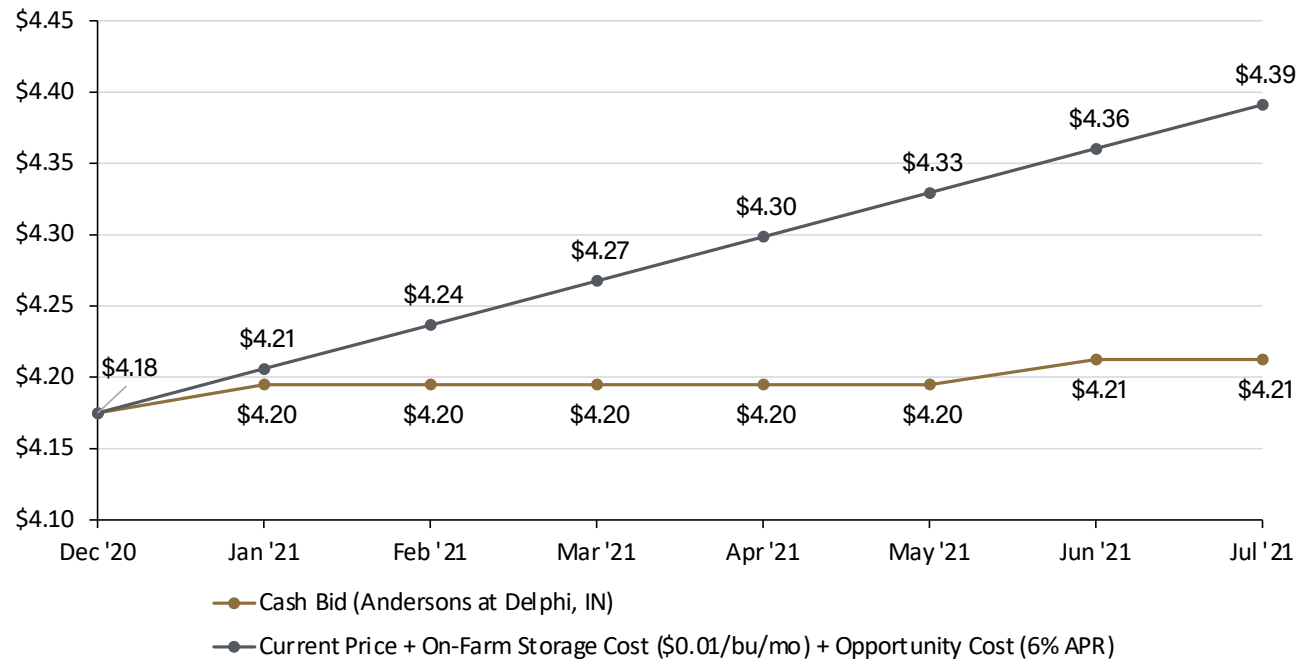


USDA 2020 MYA Price Forecast Unchanged from November Report



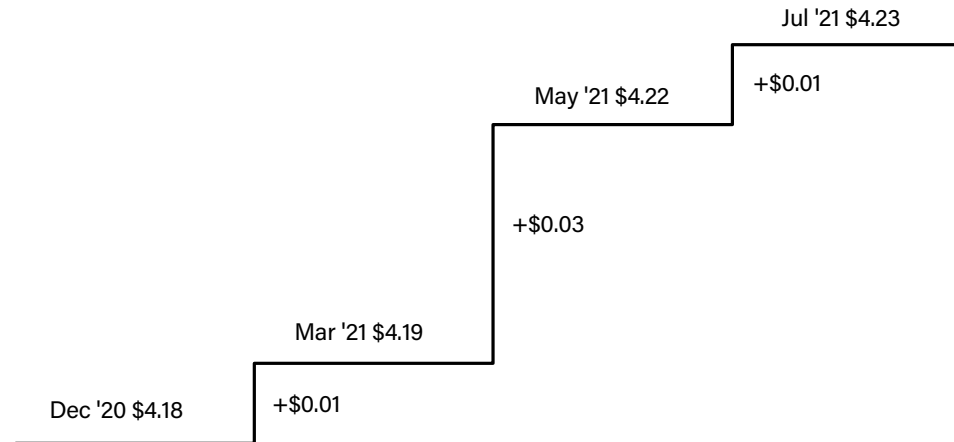
Storage opportunities for corn?

Cash Forward Contract Corn Bids
Central Indiana



Corn futures price spreads

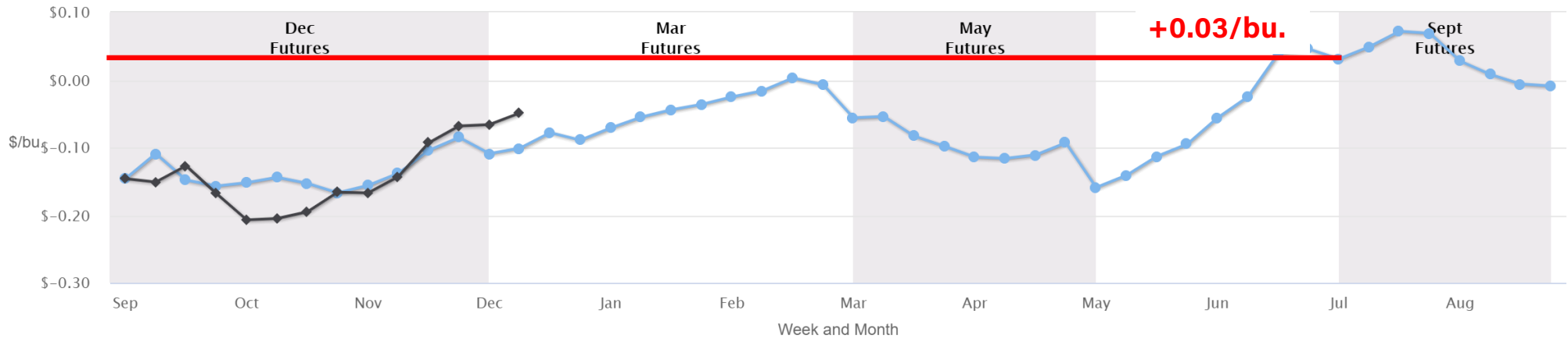
Corn Futures
12/11/2020 @ 10:00am



Corn basis - 3 year average

Purdue Center for Commercial Agriculture Crop Basis Tool

Corn: IN CENTRAL Region, Nearby Basis, Weekly
 Avg. of Selected Historical Crop Years [2017-2018,2018-2019,2019-2020]
 vs. Current Crop Year



— Historical Nearby Basis, Avg of Selected Crop Years — 2020-2021 Regional Nearby Basis

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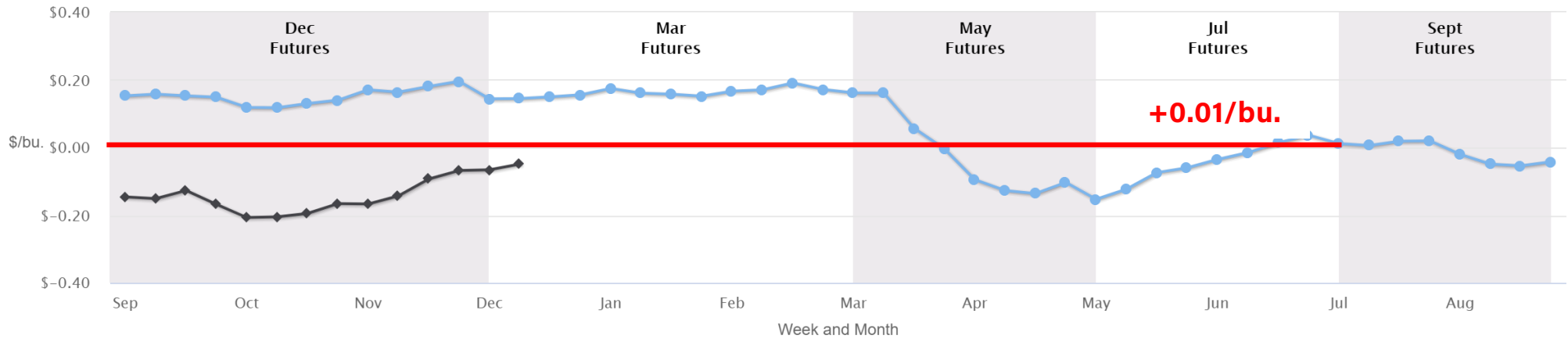


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Corn basis - 2019-2020

Purdue Center for Commercial Agriculture Crop Basis Tool

Corn: IN CENTRAL Region, Nearby Basis, Weekly
 Avg. of Selected Historical Crop Years [2019-2020]
 vs. Current Crop Year



◆ Historical Nearby Basis, Avg of Selected Crop Years
 ◆ 2020-2021 Regional Nearby Basis

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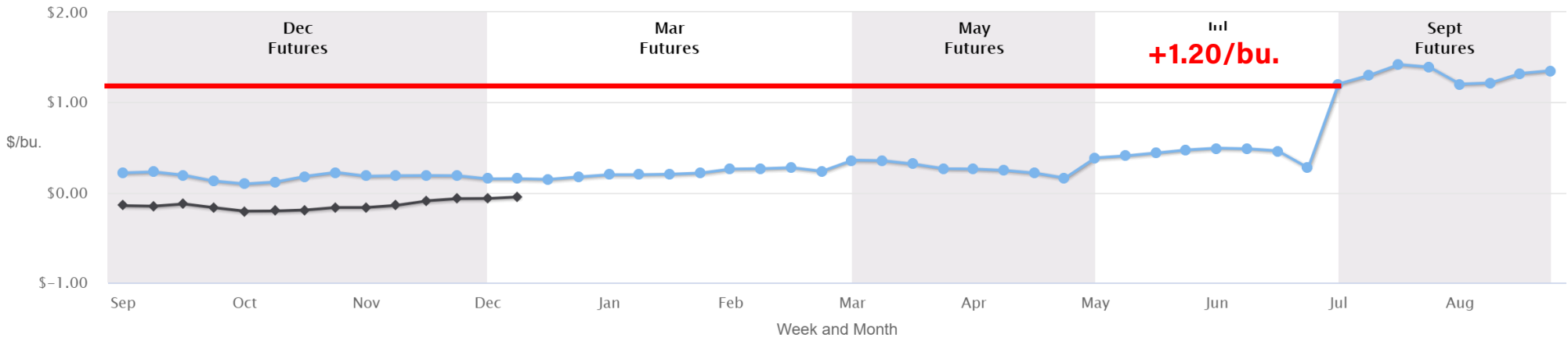


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Corn basis - 2012-2013

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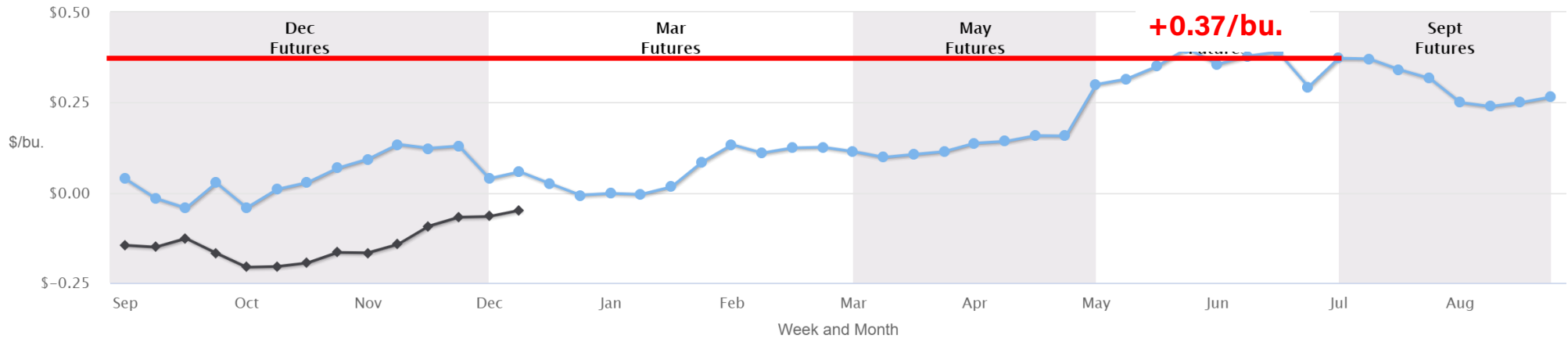


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Corn basis - 2011-2012

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Corn: IN CENTRAL Region, Nearby Basis, Weekly
 Avg. of Selected Historical Crop Years [2011-2012]
 vs. Current Crop Year



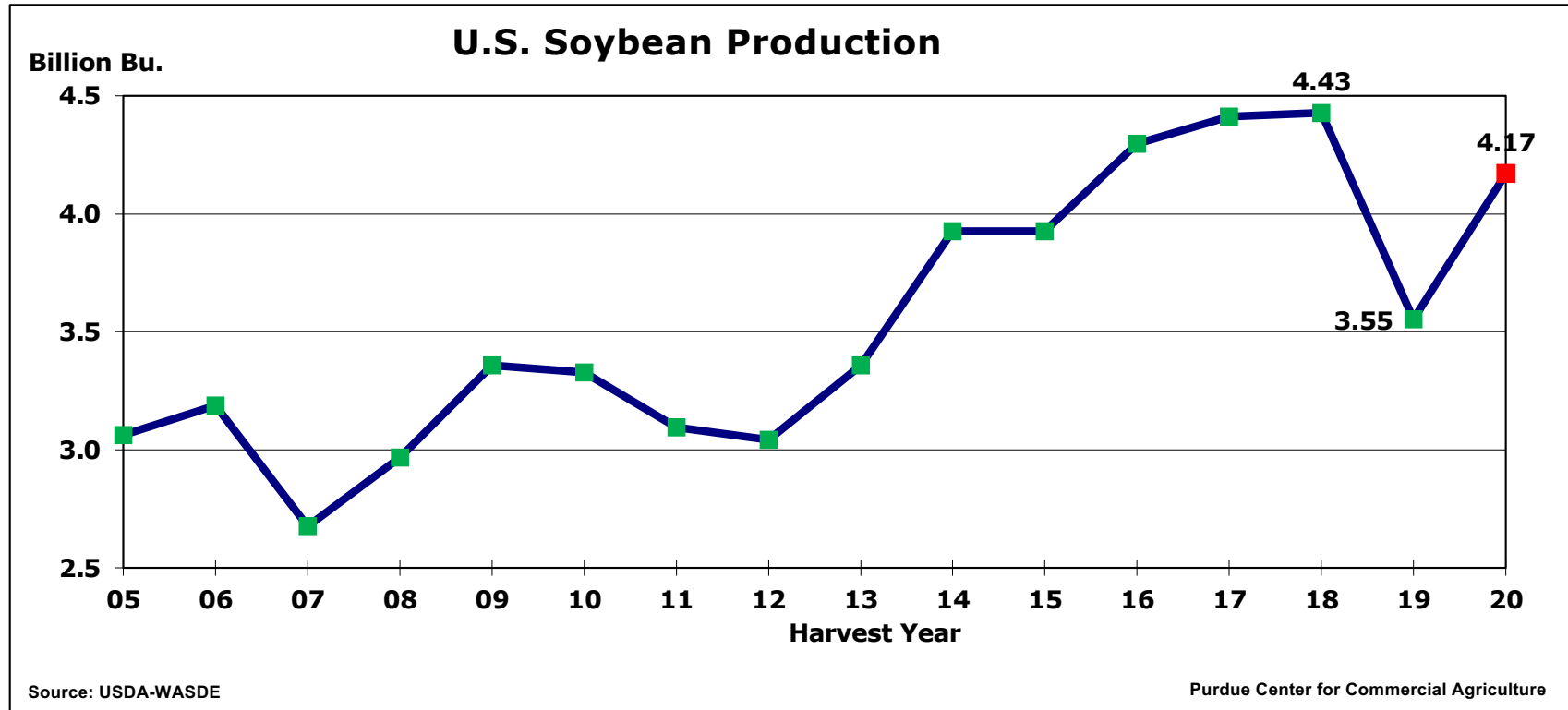
—●— Historical Nearby Basis, Avg of Selected Crop Years —◆— 2020-2021 Regional Nearby Basis

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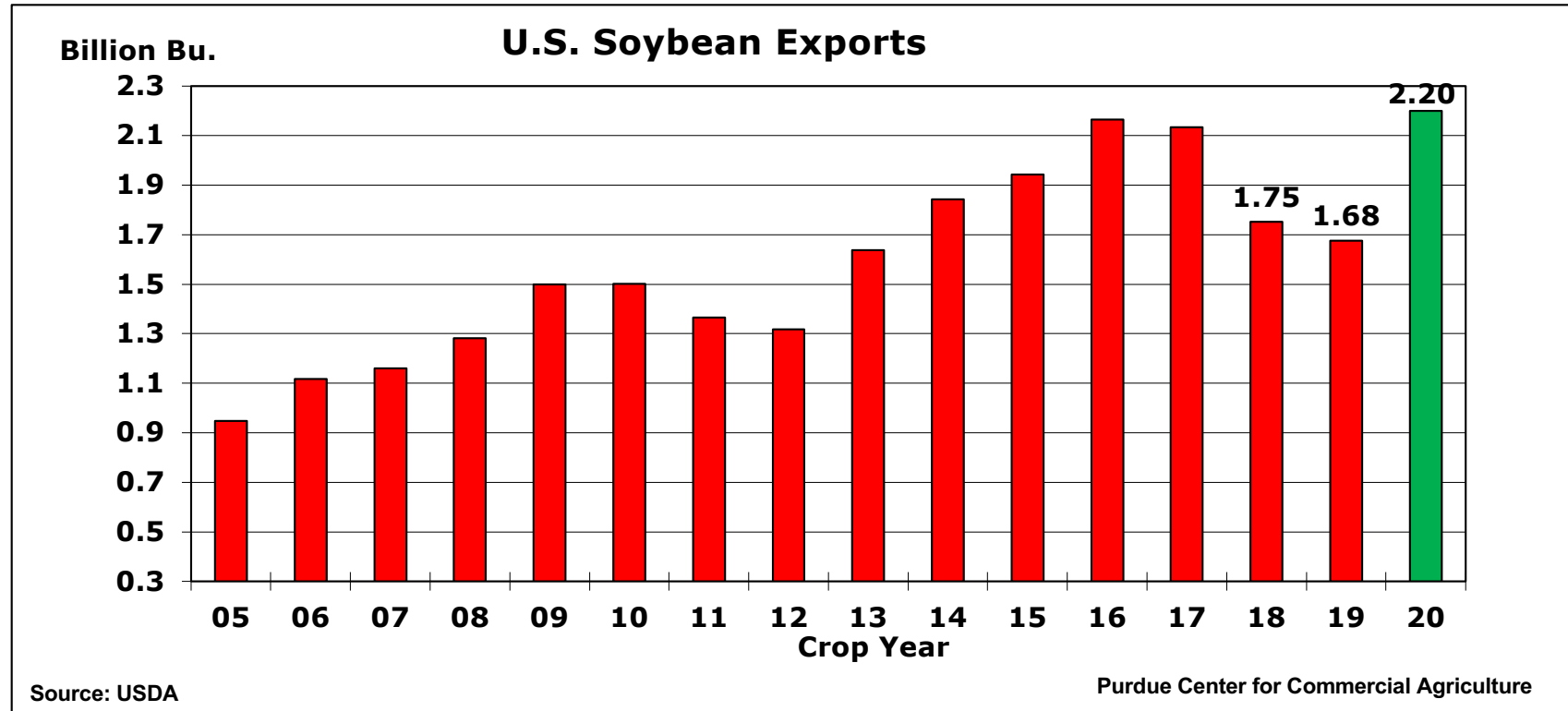


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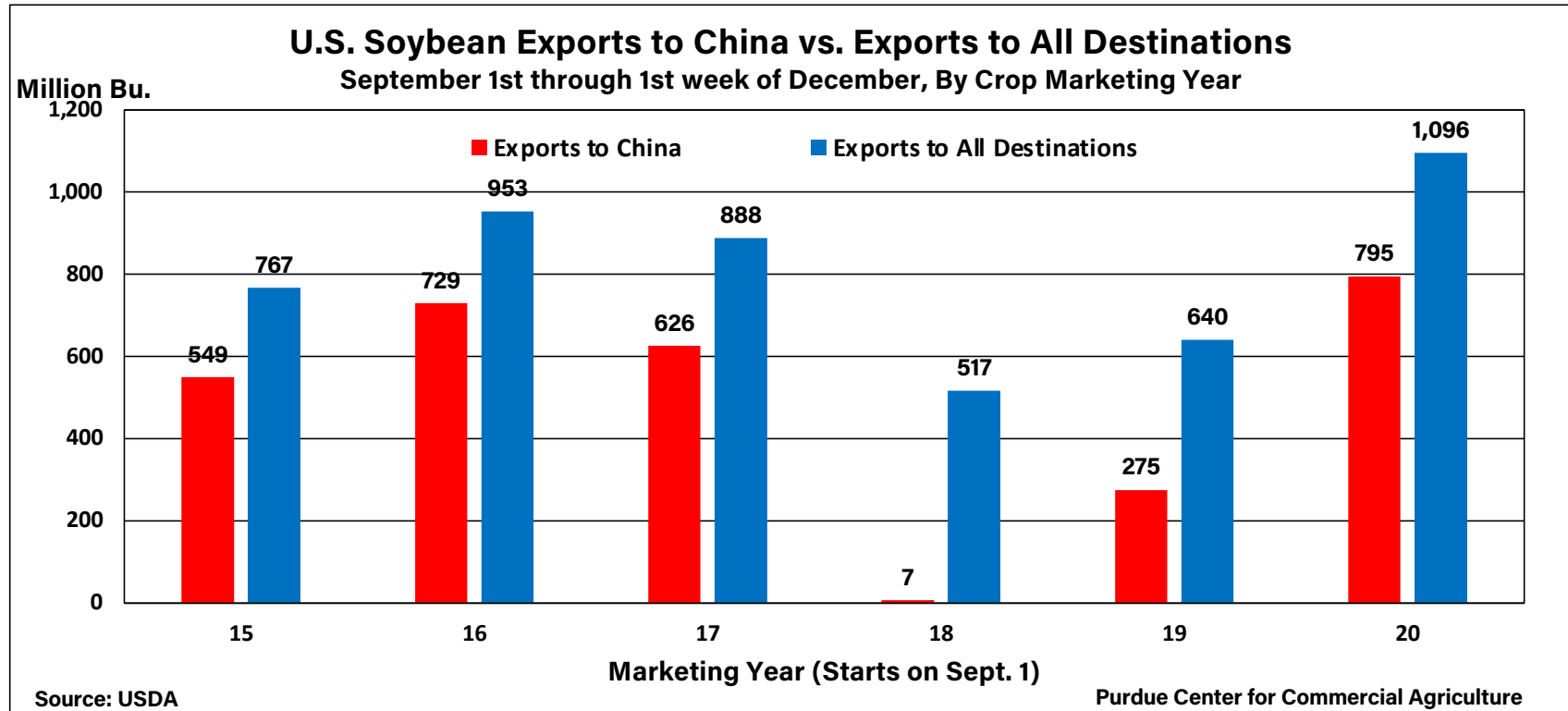
No Change in USDA's Estimate of 2020 U.S. Soybean Crop



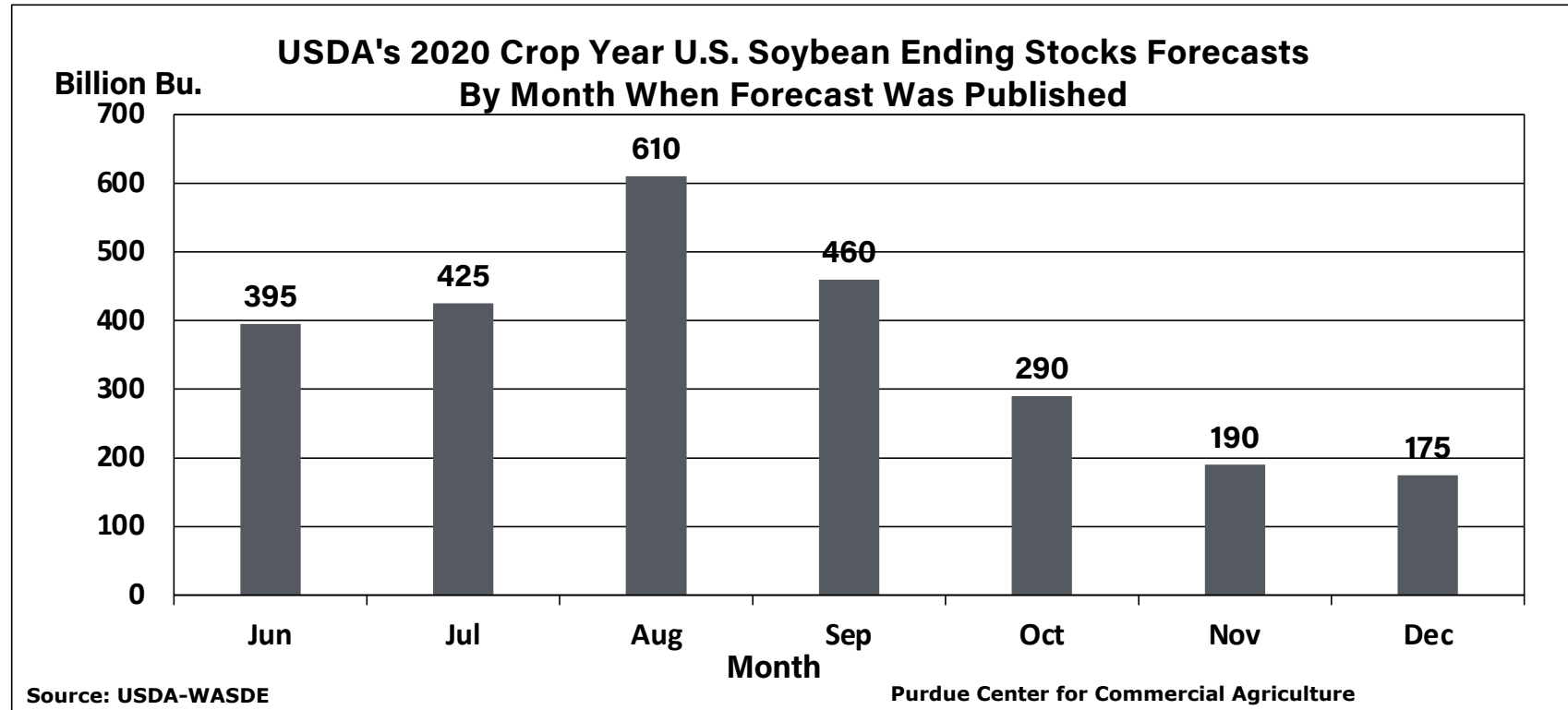
USDA Still Forecasting a 31% Increase in Soybean Exports



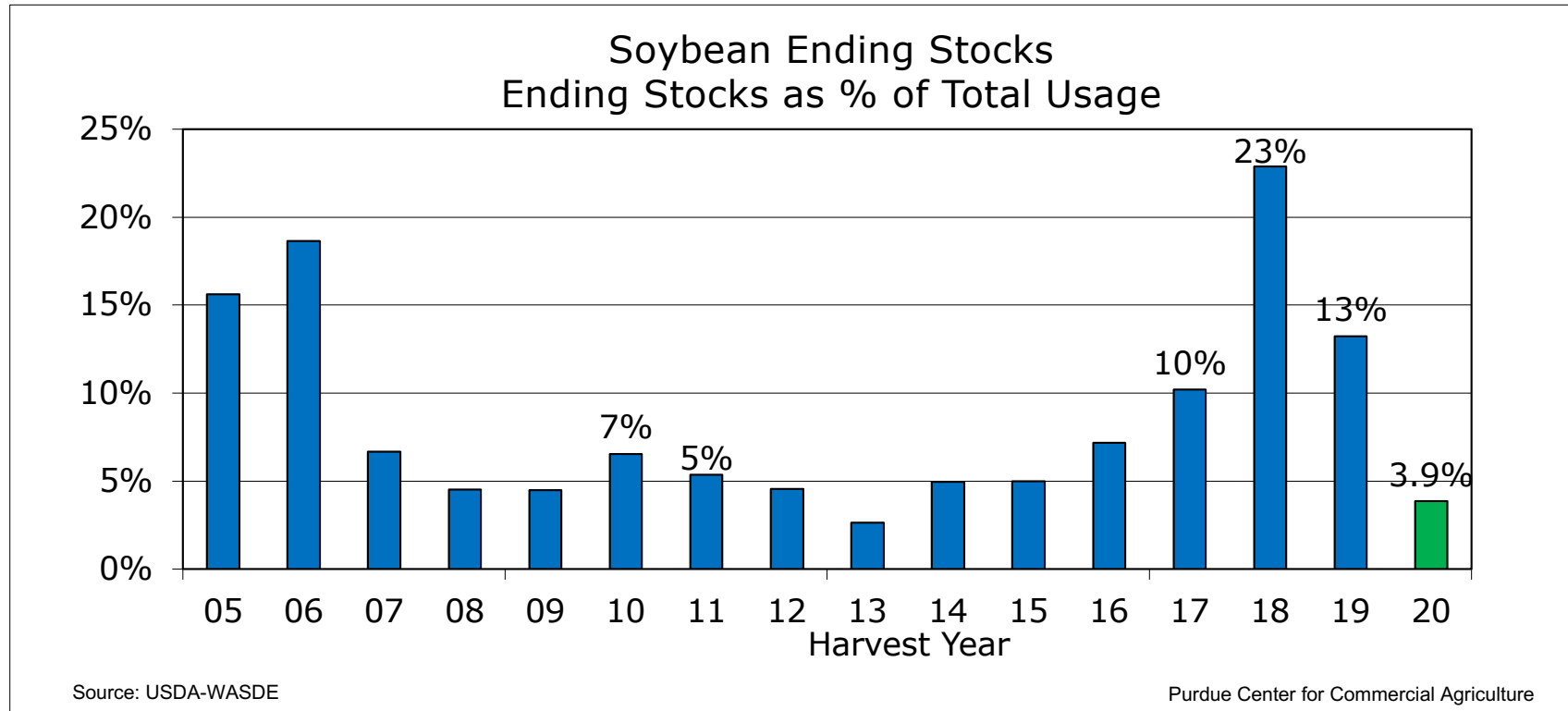
So Far, Total Soybean Exports up 71% This Year, Rise in Exports to China Accounts for All of the Increase



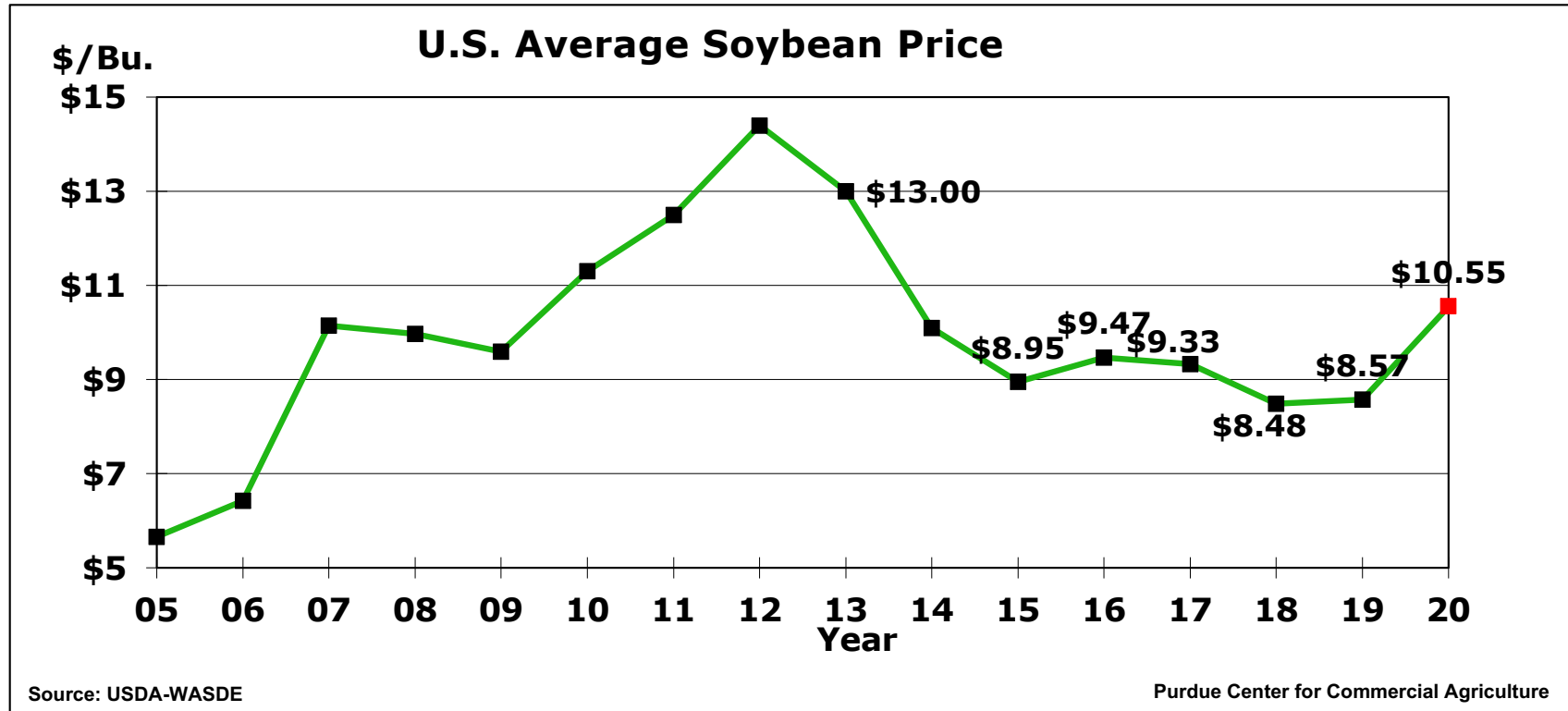
USDA Has Reduced Projected Carryover Into 2021 by 71% Since August
USDA Raised Crush Estimate in December, Reducing Ending Stocks by an Additional 15 million bushels



Soybean Ending Stocks Have Tightened Dramatically, Projected to Fall Below 4%

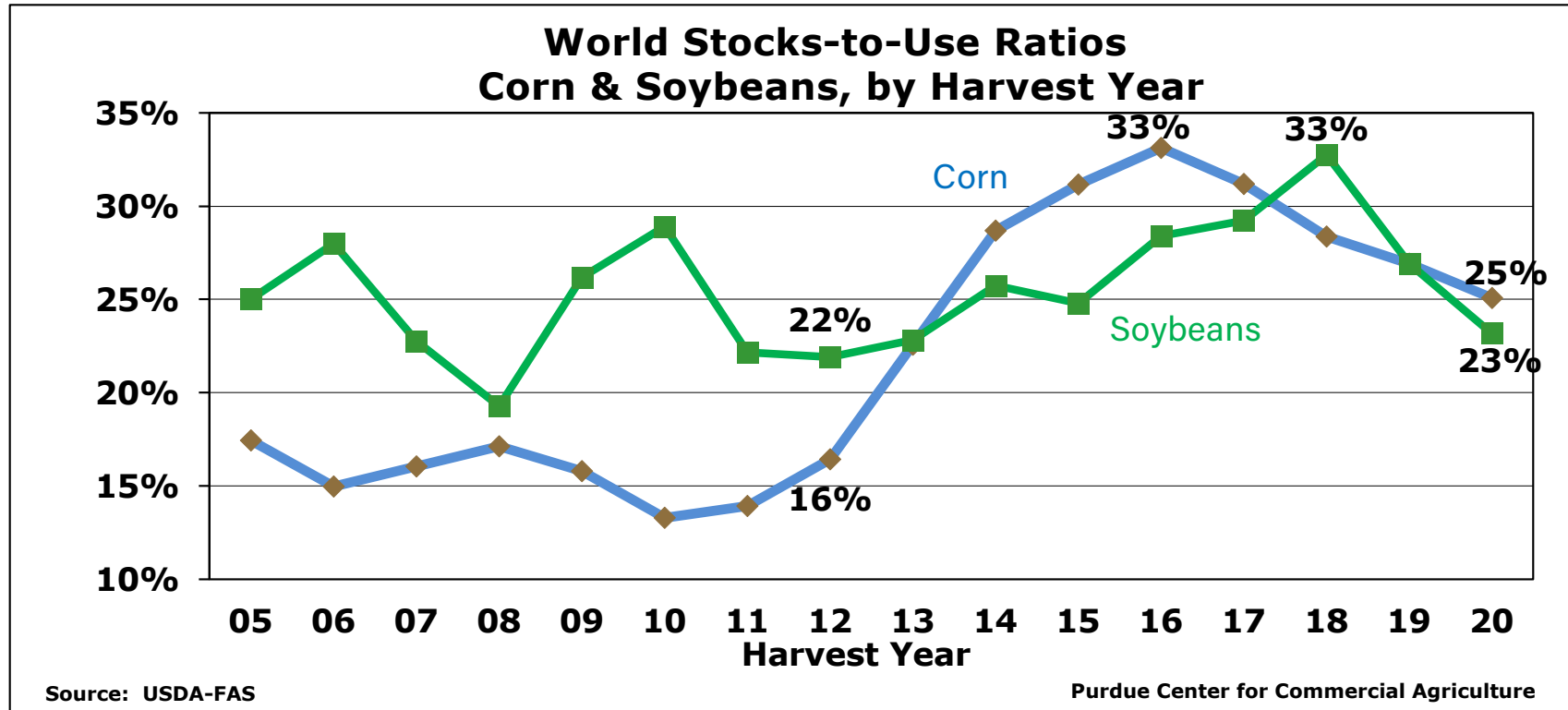


USDA Increased MYA Soybean Price Forecast Again By \$0.15/bu....Highest Price Average Since 2013 Crop Year



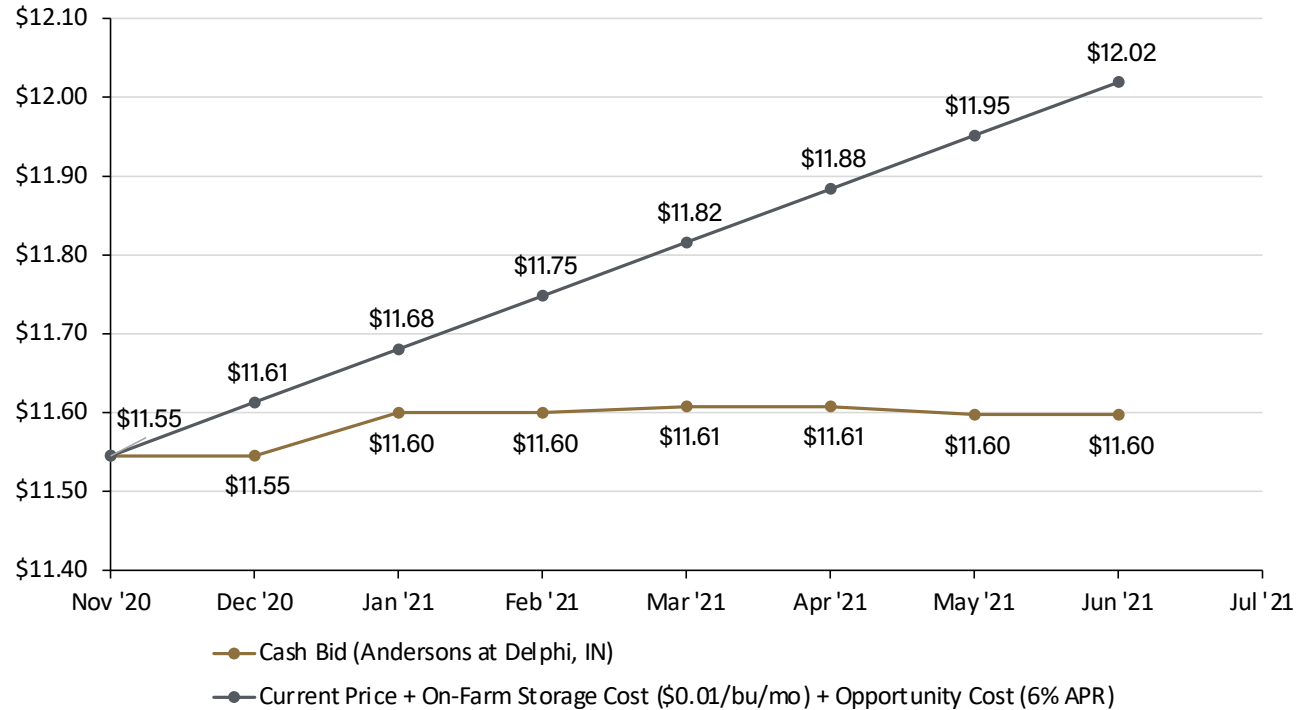
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Not Just U.S. Stocks Are Tightening... World Stocks Are Also Being Drawn Down



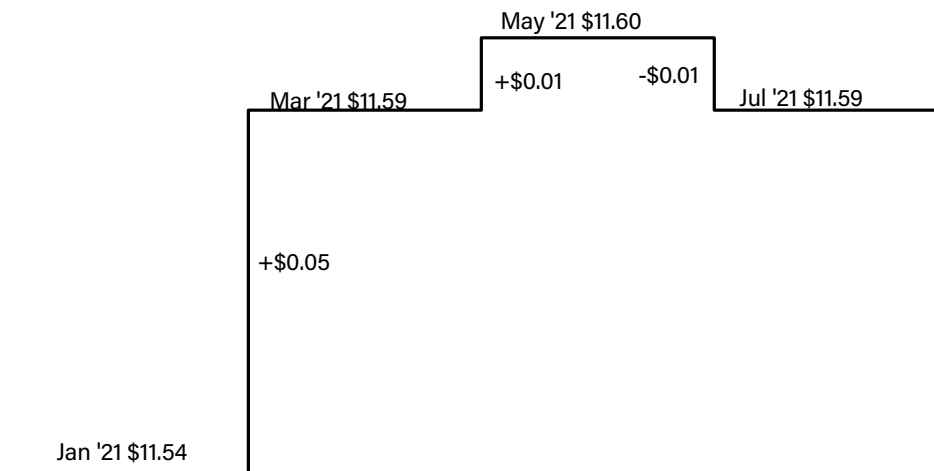
Storage opportunities for soybeans?

Cash Forward Contract Soybean Bids
Central Indiana



Soybean futures price spreads

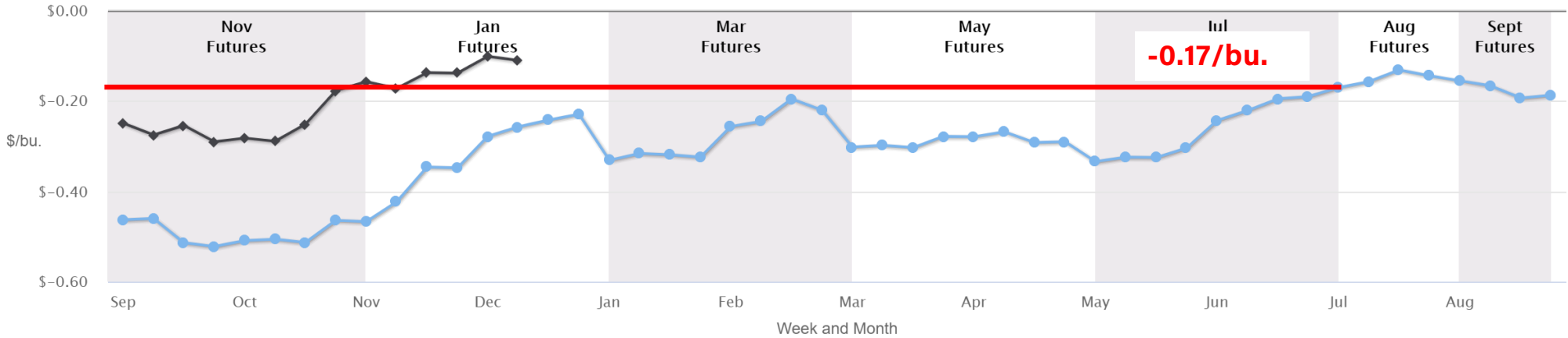
Soybean Futures
12/11/2020 @ 10:00am



Soybean basis - 2 year average

Purdue Center for Commercial Agriculture Crop Basis Tool

Soybeans: IN CENTRAL Region, Nearby Basis, Weekly
 Avg. of Selected Historical Crop Years [2018-2019, 2019-2020]
 vs. Current Crop Year



— Historical Nearby Basis, Avg of Selected Crop Years —◆— 2020-2021 Regional Nearby Basis

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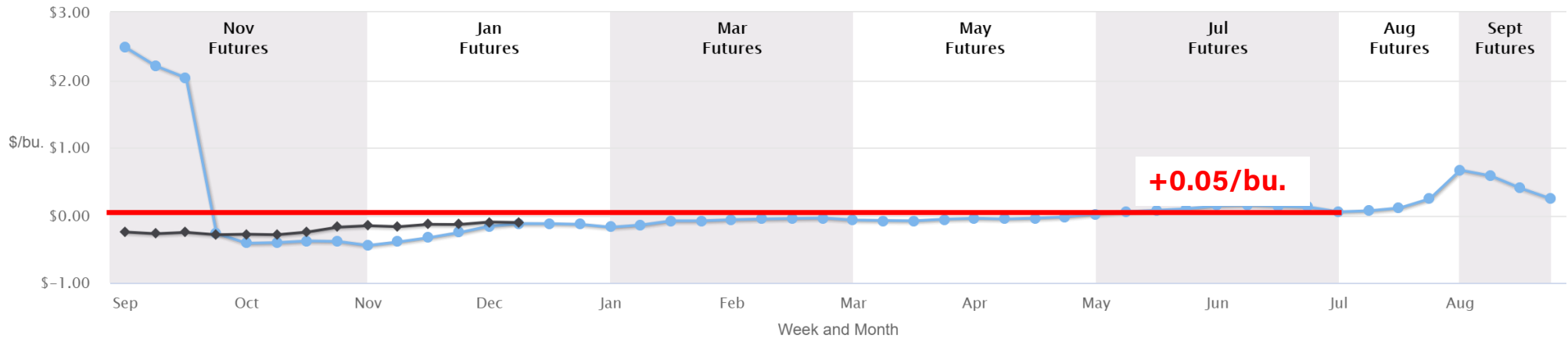


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Soybean basis - 2014-2015

Purdue Center for Commercial Agriculture Crop Basis Tool

Soybeans: IN CENTRAL Region, Nearby Basis, Weekly
 Avg. of Selected Historical Crop Years [2014-2015]
 vs. Current Crop Year



—●— Historical Nearby Basis, Avg of Selected Crop Years —◆— 2020-2021 Regional Nearby Basis

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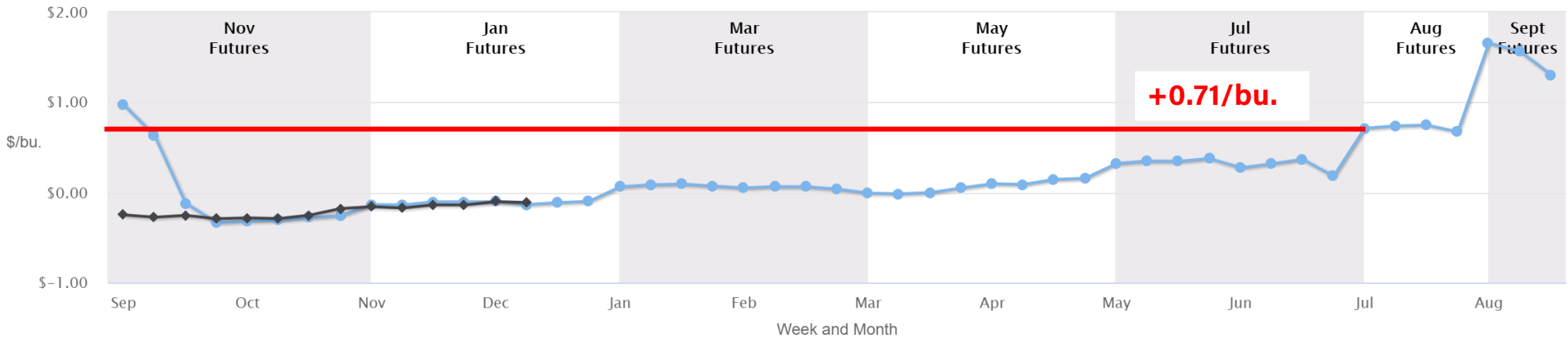


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Soybean basis - 2013-2014

Purdue Center for Commercial Agriculture Crop Basis Tool

Soybeans: IN CENTRAL Region, Nearby Basis, Weekly
 Avg. of Selected Historical Crop Years [2013-2014]
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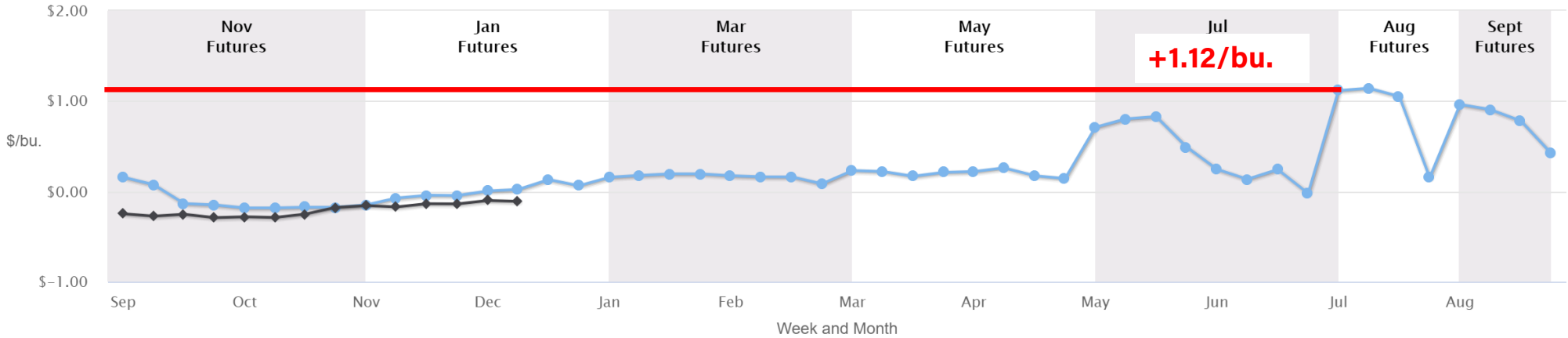


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Soybean basis - 2012-2013

Purdue Center for Commercial Agriculture Crop Basis Tool

Soybeans: IN CENTRAL Region, Nearby Basis, Weekly
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— Historical Nearby Basis, Avg of Selected Crop Years — 2020-2021 Regional Nearby Basis

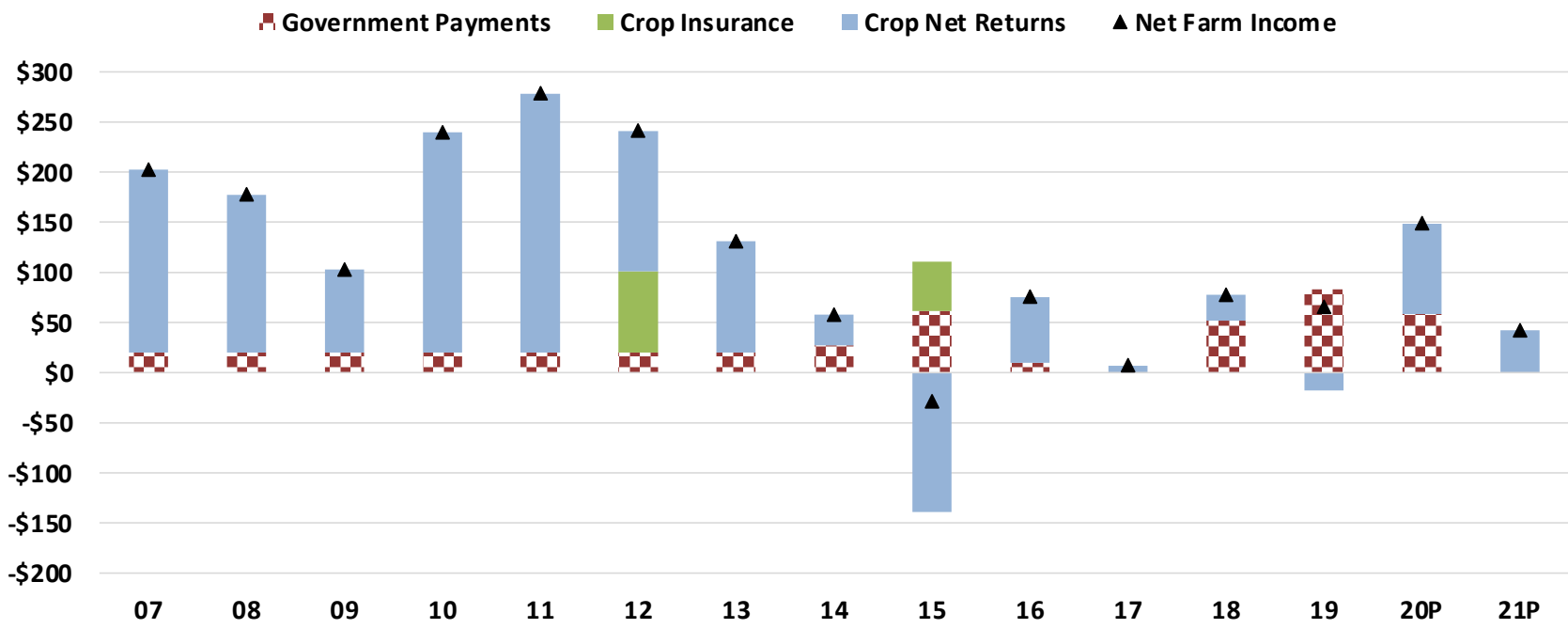
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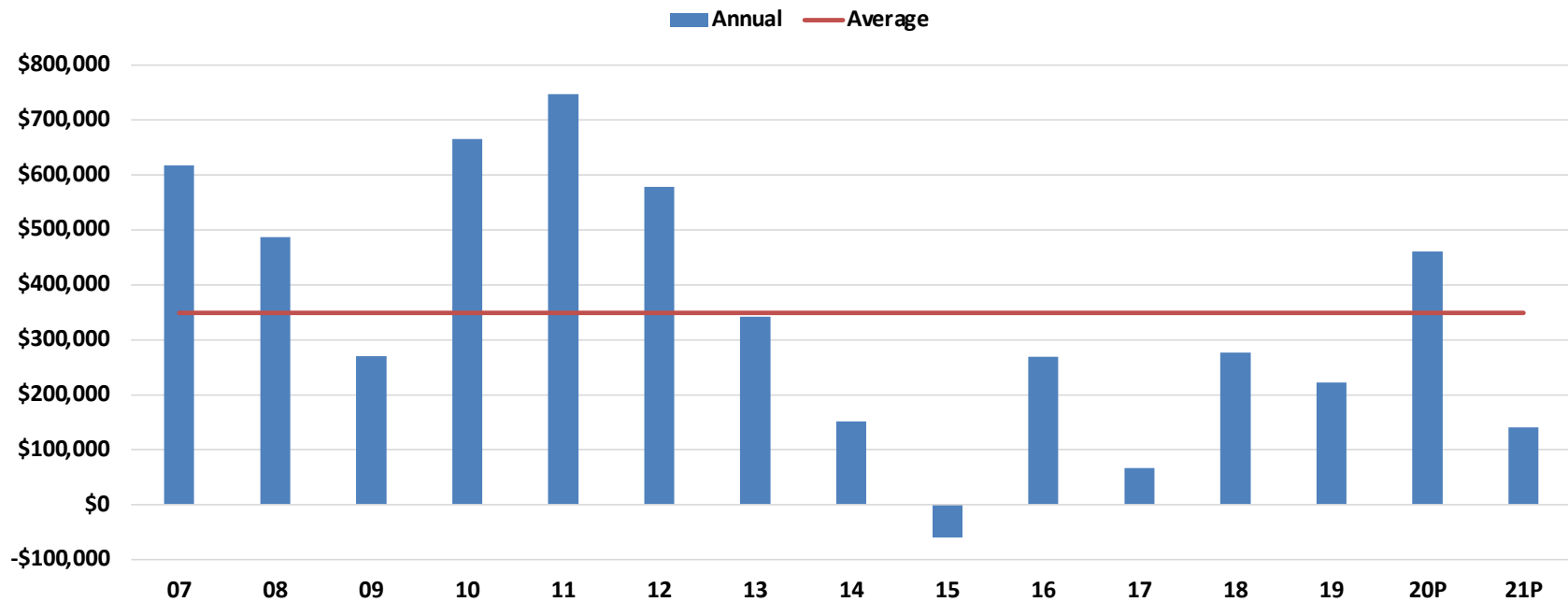
Net Farm Income per Acre in 2020 is Projected to be the Highest Since 2013

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



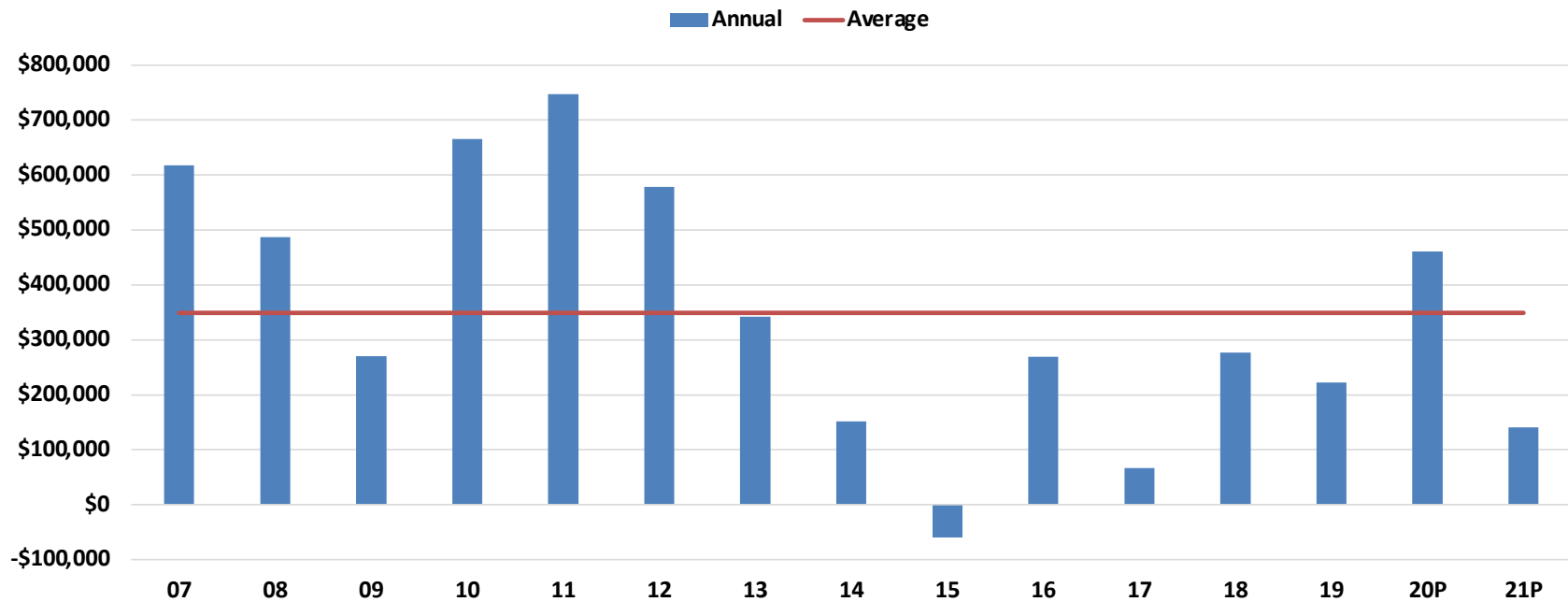
Strong Capital Debt Repayment Margin in 2020 Signals an Improvement in Liquidity and Enhanced Ability to Replace Machinery and Equipment

Capital Debt Repayment Margin
West Central Indiana Case Farm



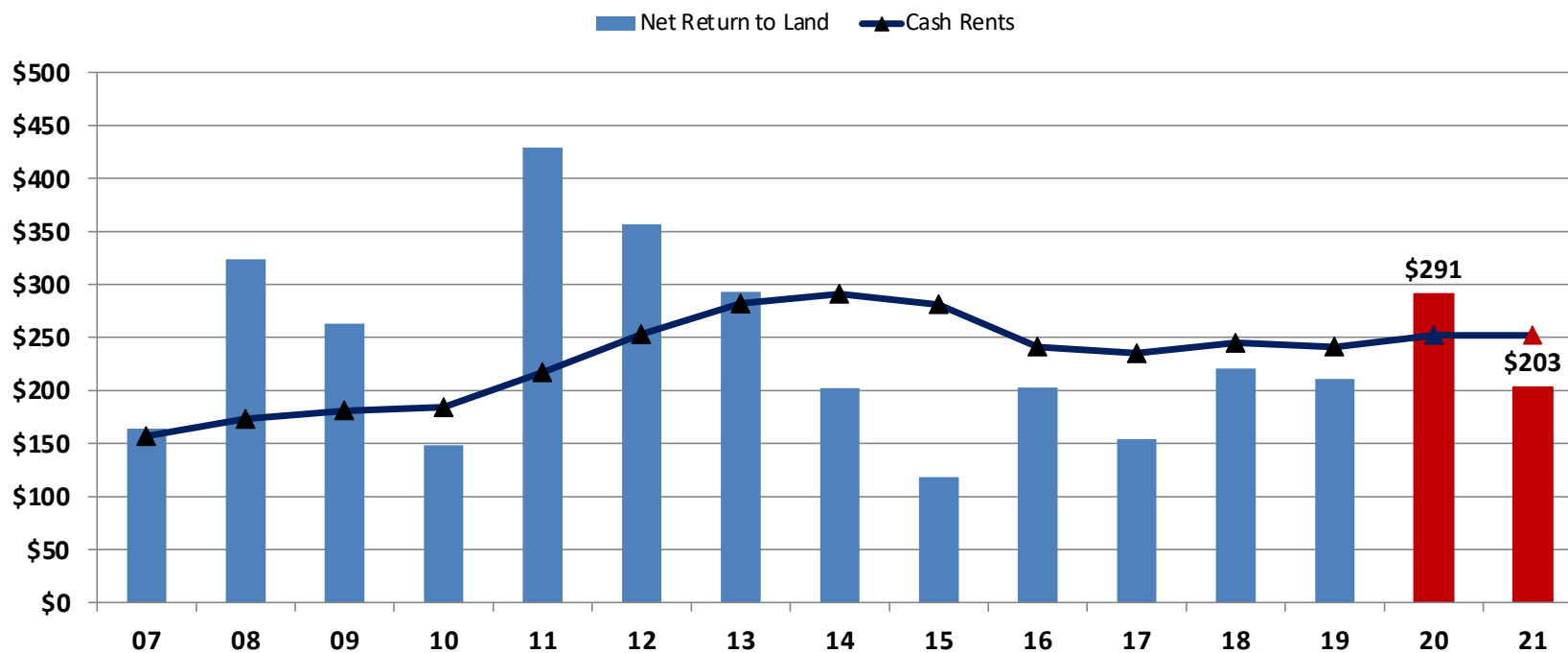
Strong Capital Debt Repayment Margin in 2020 Signals an Improvement in Liquidity and Enhanced Ability to Replace Machinery and Equipment

Capital Debt Repayment Margin
West Central Indiana Case Farm



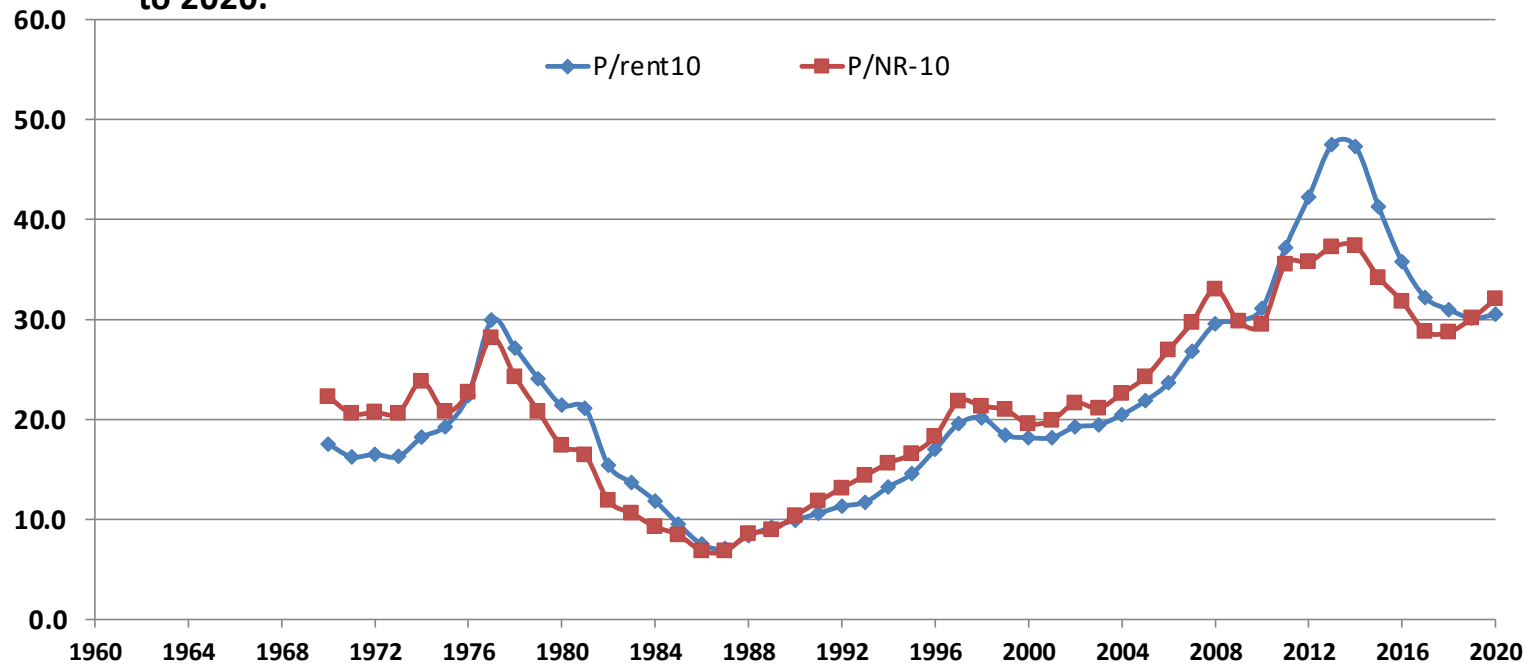
Upward Pressure on 2021 Cash Rental Rates

Cash Rent and Net Return to Land, West Central Indiana



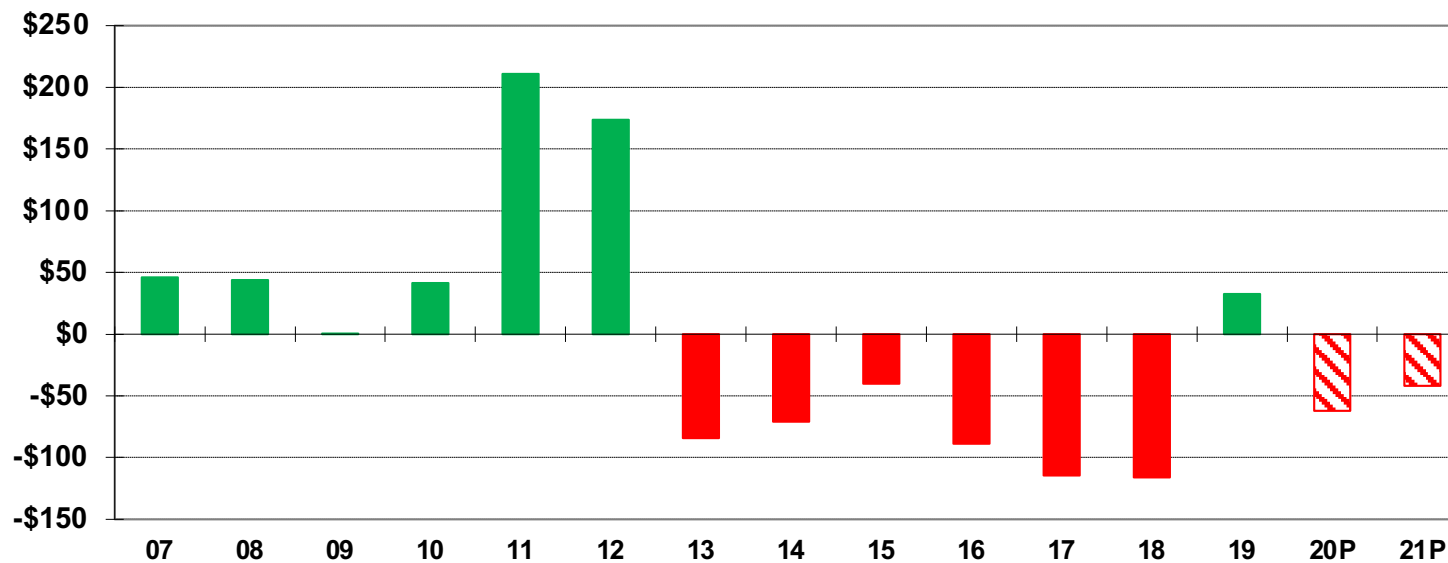
Ten-Year Average Cash Rent (P/rent10) is Similar to Ten-Year Average Net Return to Land (P/NR-10)

Ten-Year Moving Average of Cyclically Adjusted P/rent, P/OO, and P/E Ratios, 1960 to 2020.



Net Return Prospects for Corn and Soybeans for 2021 are Similar

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



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