

# ***JANUARY CORN & SOYBEAN OUTLOOK***

***WEDNESDAY, JANUARY 13, 2021***

**James Mintert, Professor & Director, Center for Commercial Agriculture**

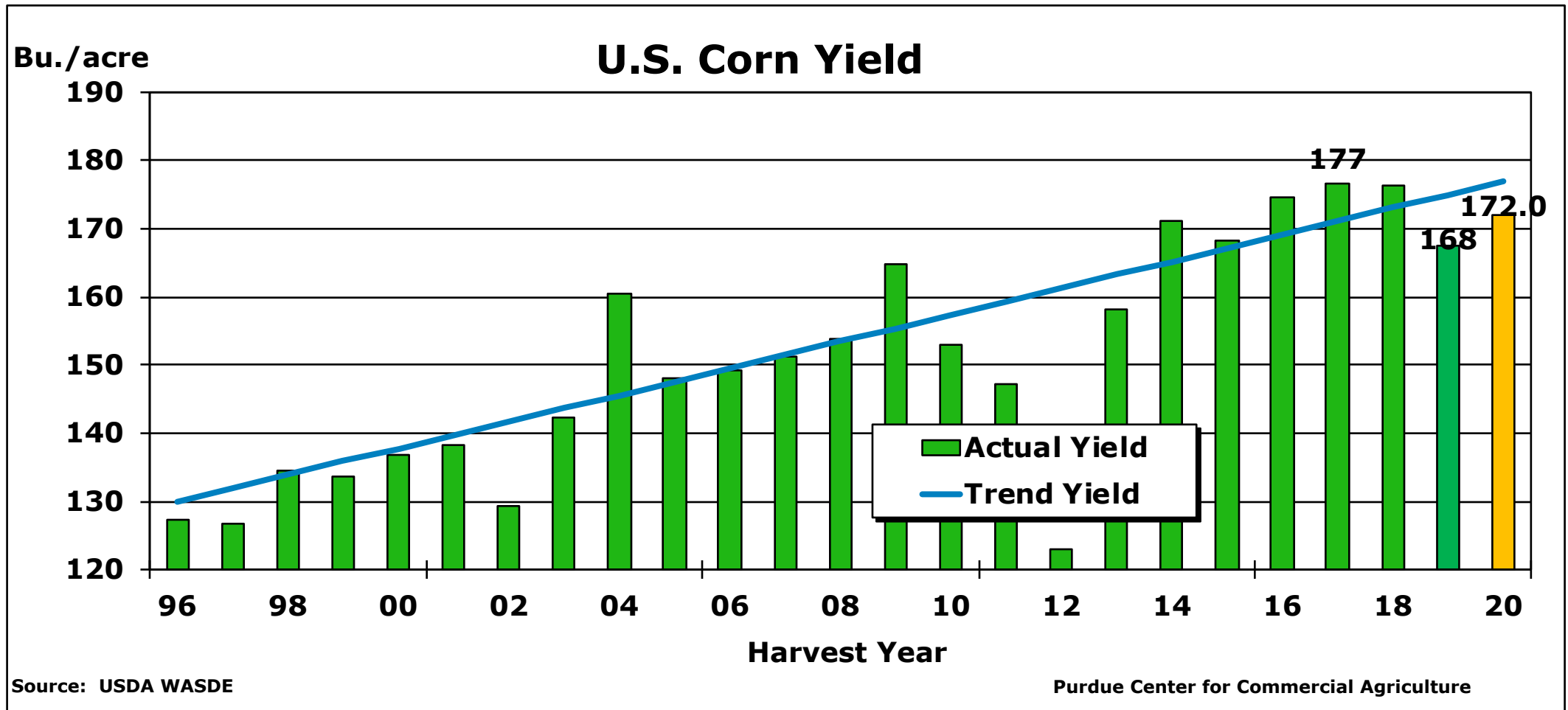
**Nathan Thompson, Assistant Professor, Dept. of Agricultural Economics**

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

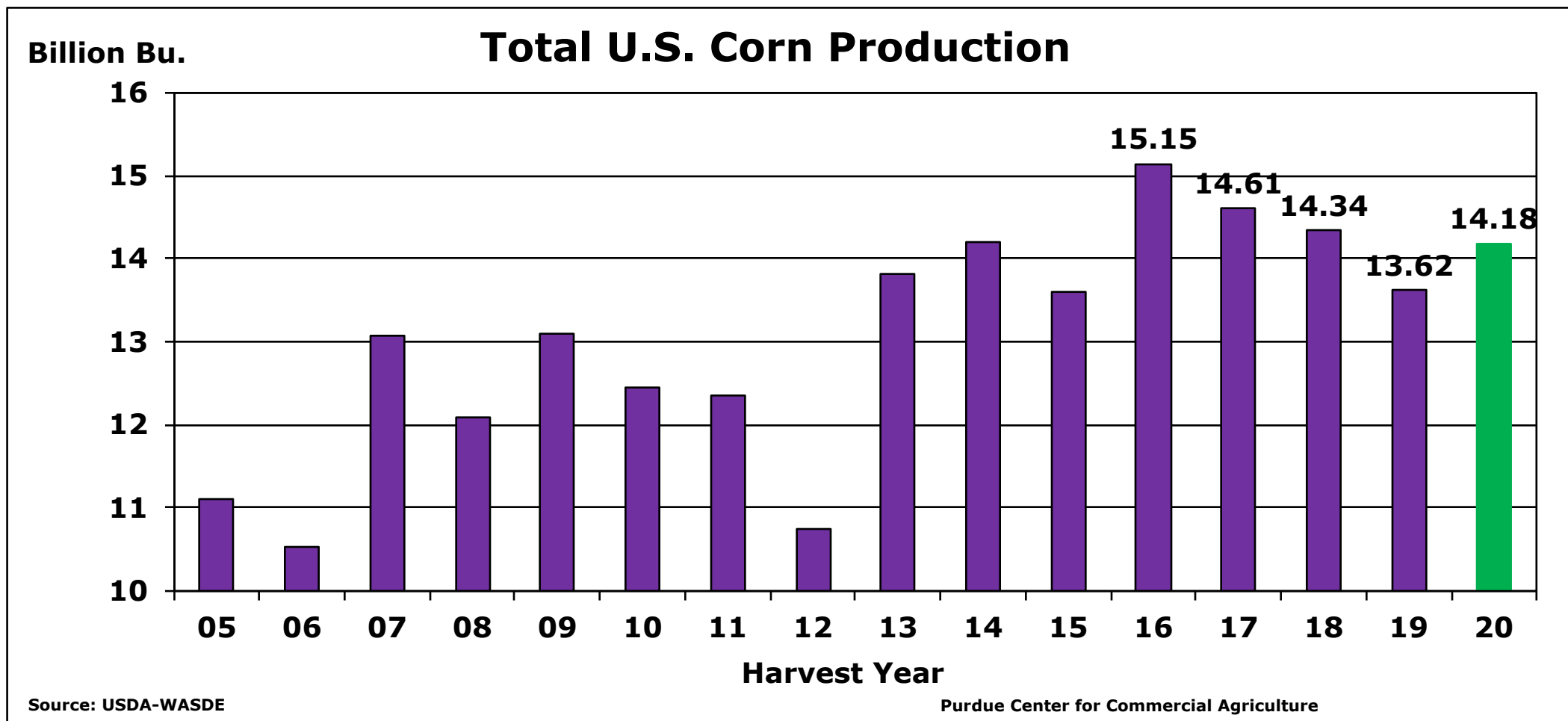


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# USDA Pulled Back Yield Estimate Again...Down 3.8 BPA vs. December Estimate

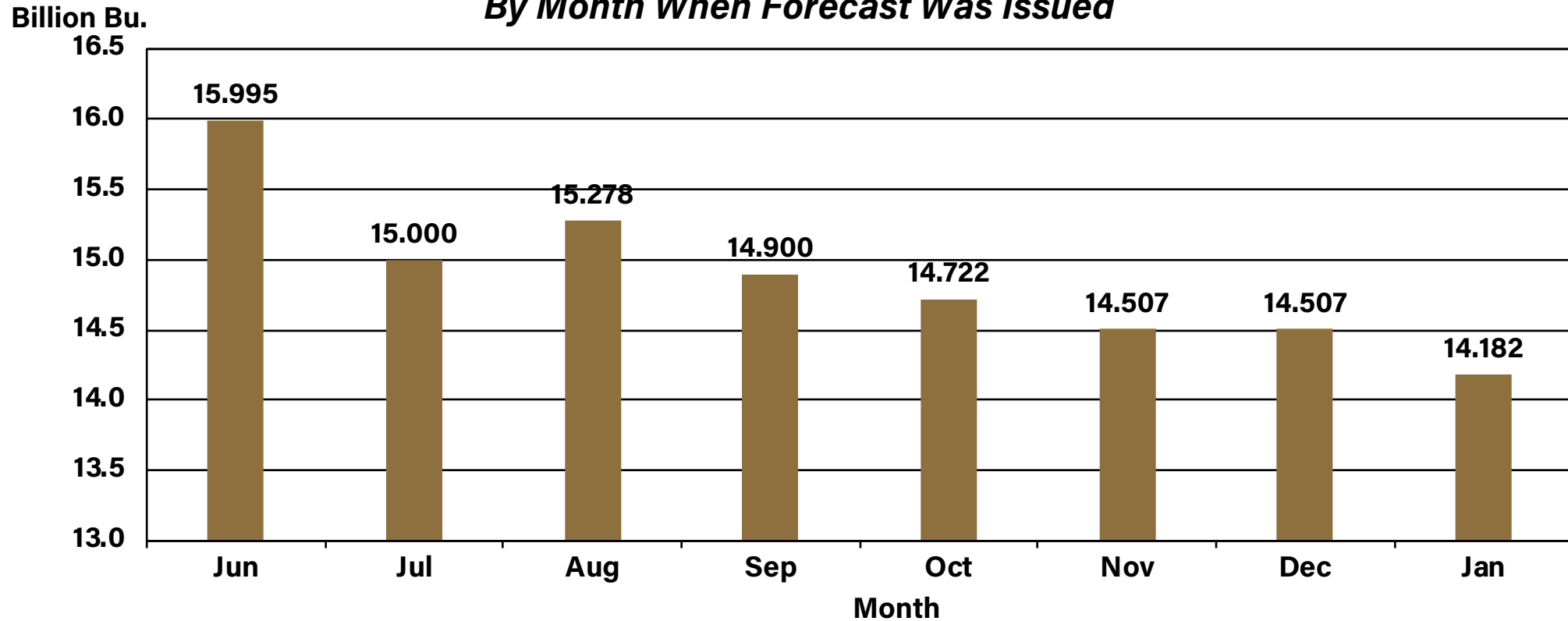


# *Yield Reduction Pulled U.S. Production Down By 2.2% Compared to December*



# USDA's Final Corn Production Estimate Down 12% Compared to Late Spring

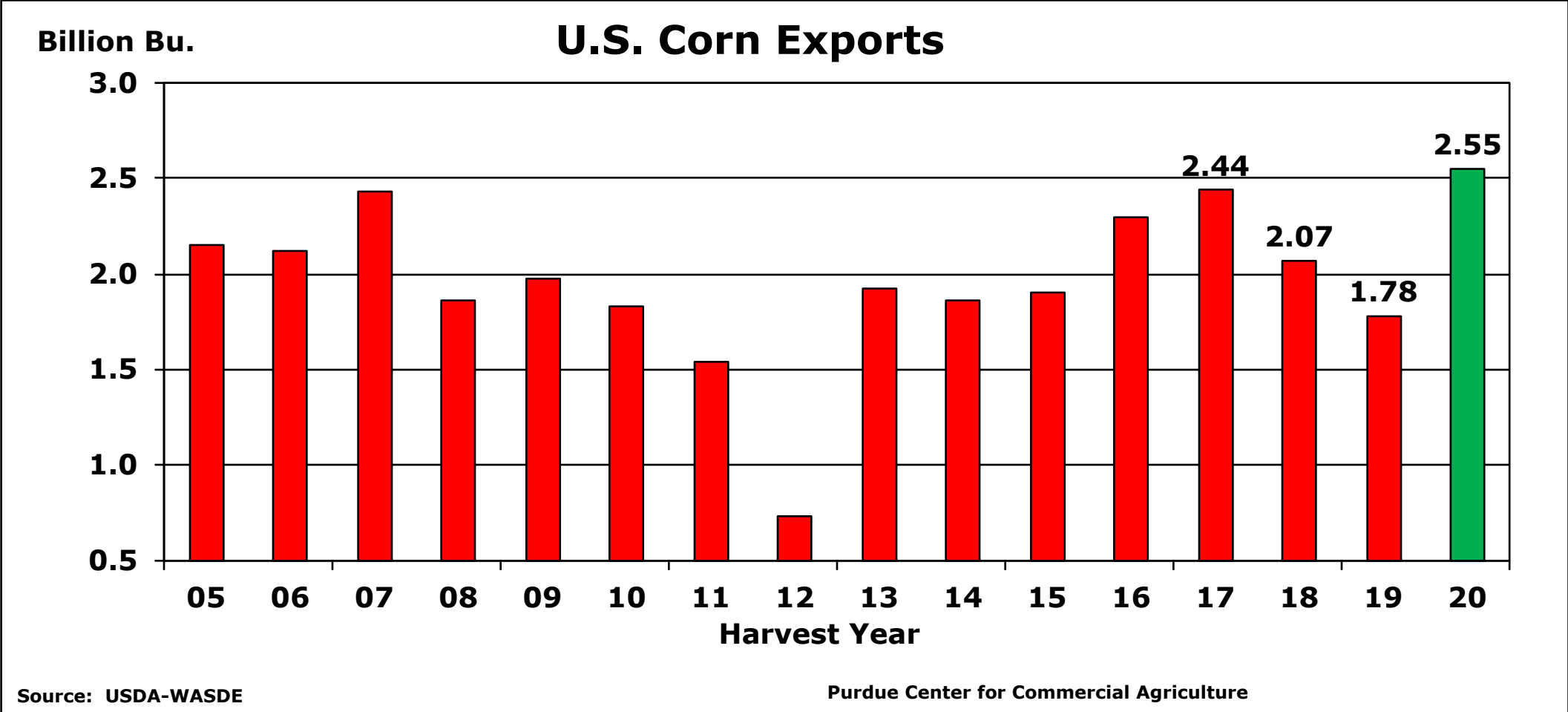
## USDA's 2020 U.S. Corn Production Estimates By Month When Forecast Was Issued



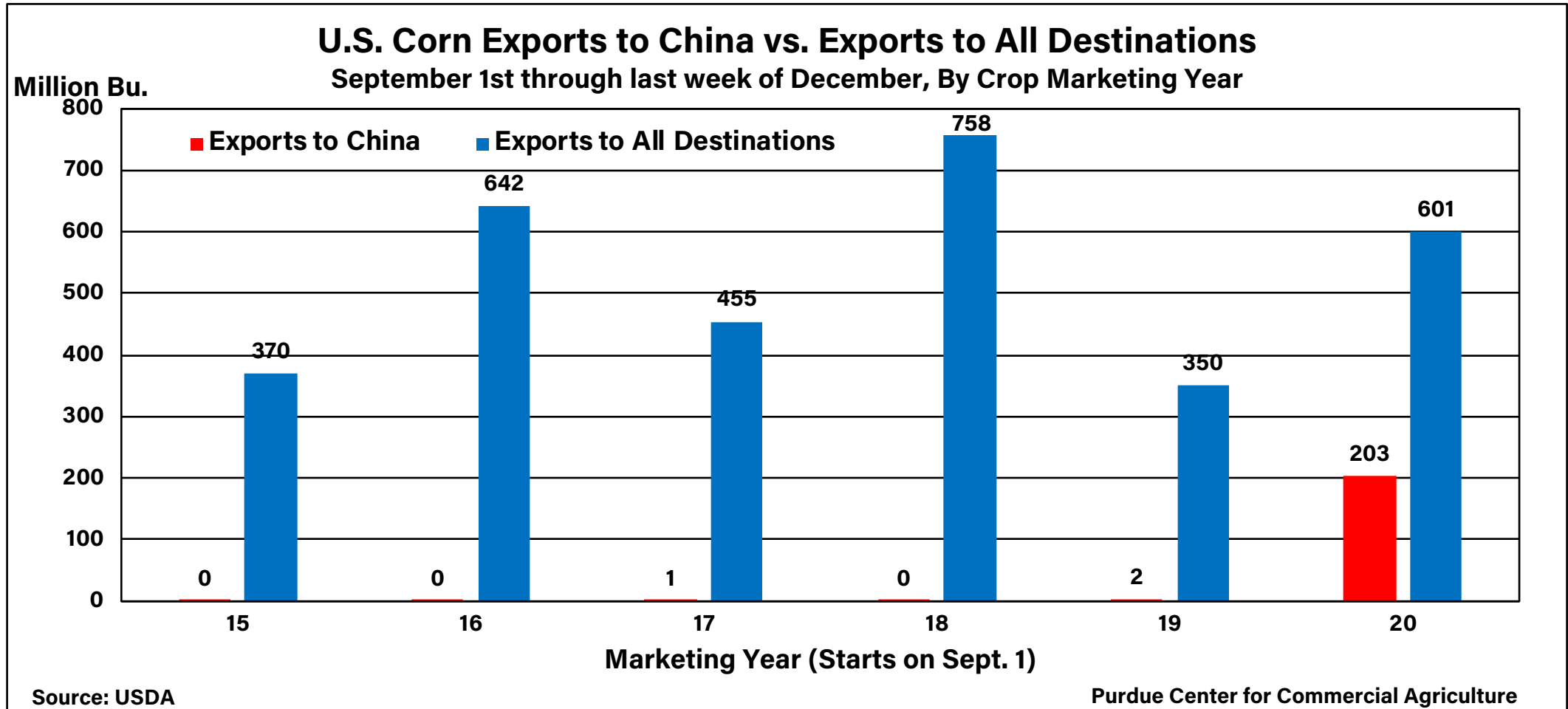
Source: USDA-WASDE

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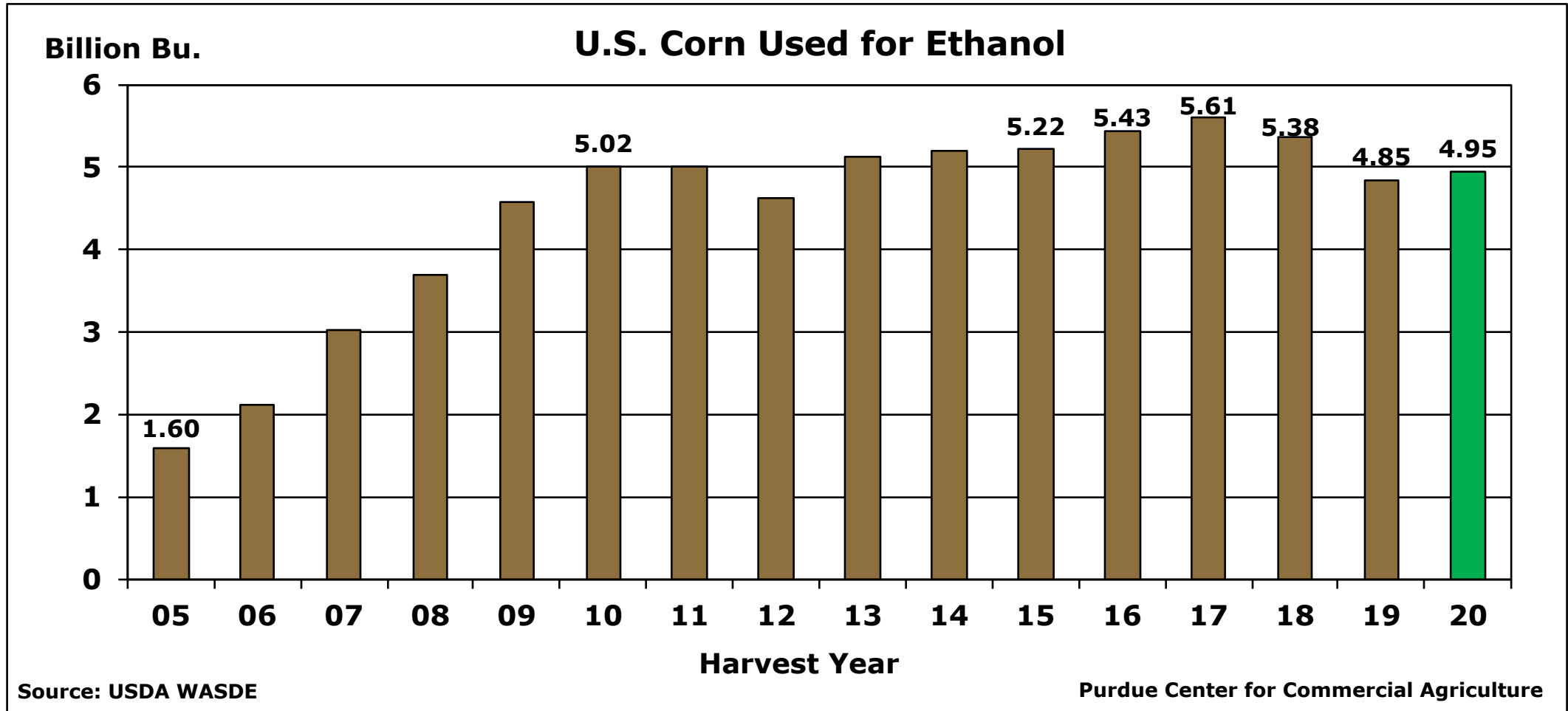
*But Export Forecast Was Reduced by 100 Million Bu. Compared to December's Estimate*



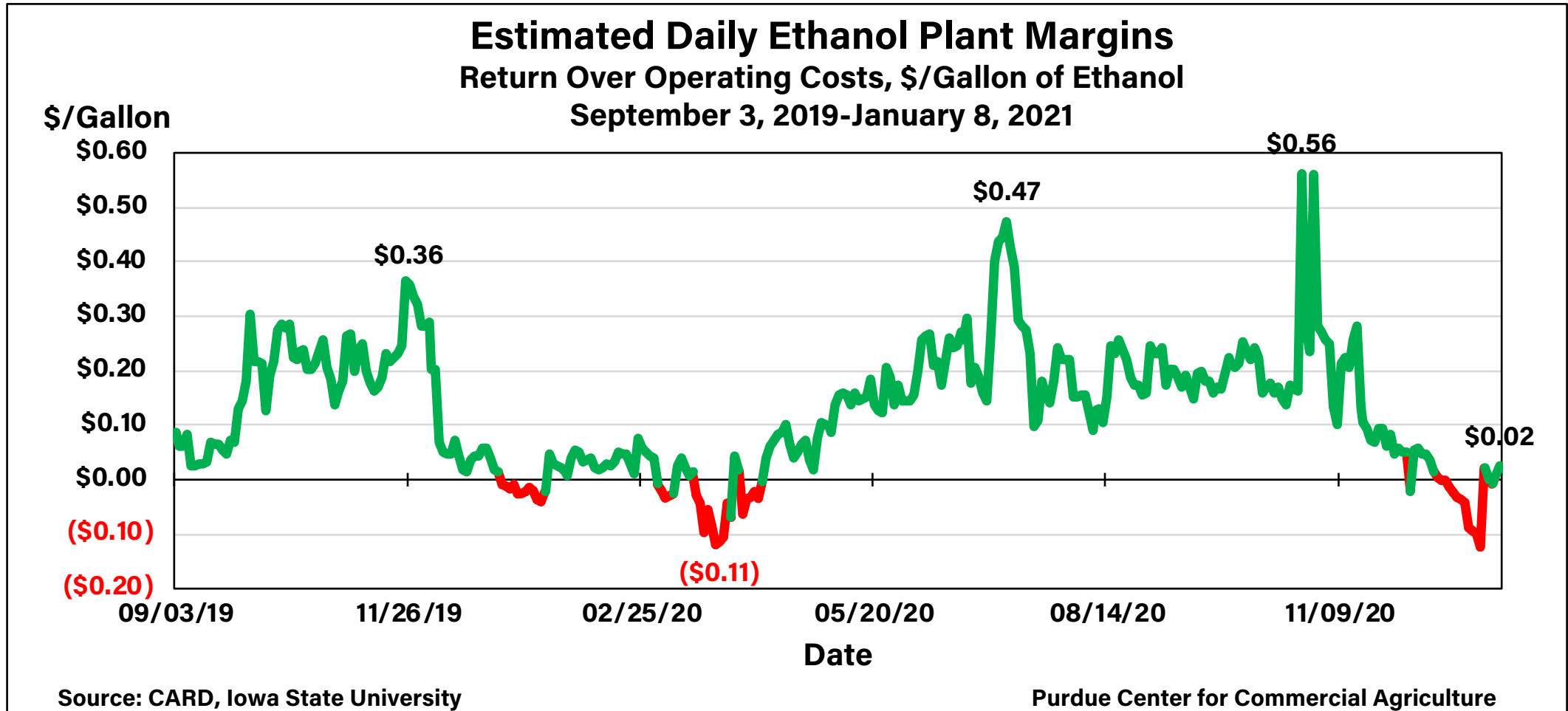
# So Far, Total Corn Exports Up 72% This Year, Rise in Exports to China Accounts for 80% of Increase



# USDA Is A Bit Less Optimistic About Ethanol Usage Than in December



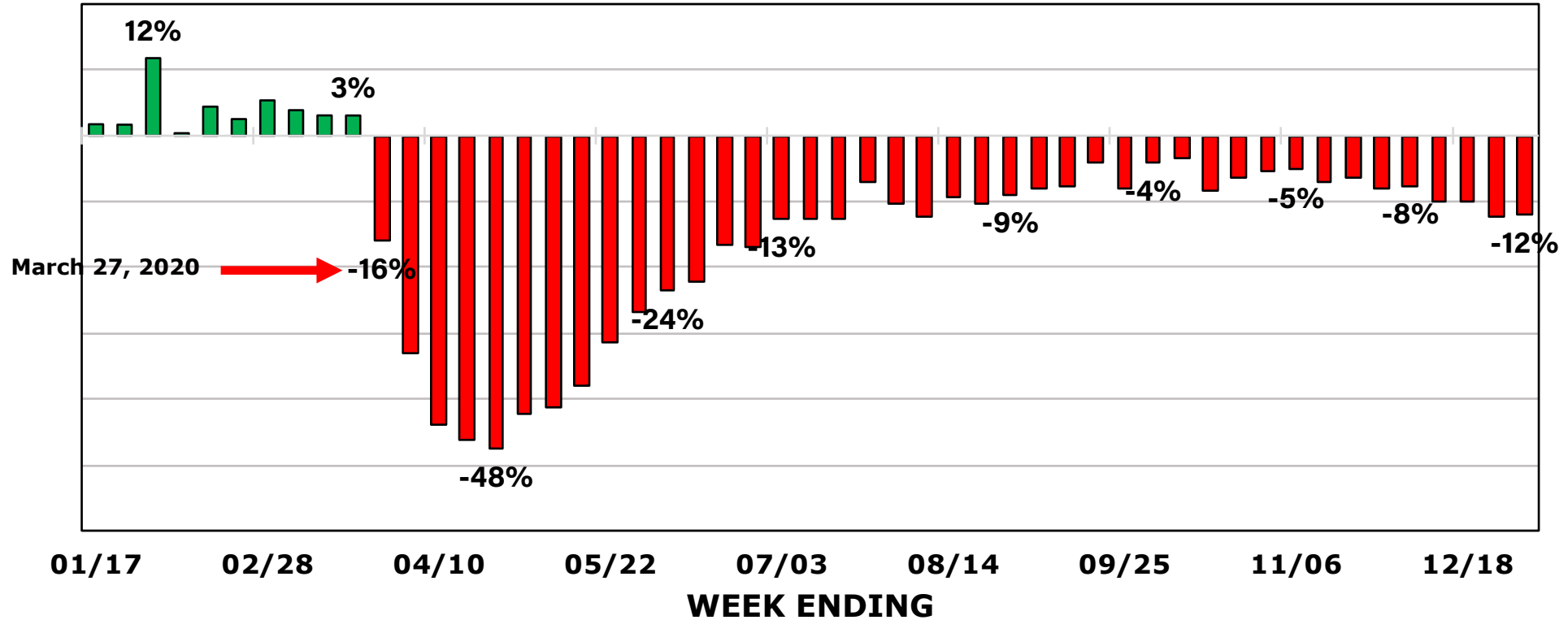
# Ethanol Margins Remain Weak





*And Ethanol Production Remains Below A Year Ago...USDA Pulled Back Estimated Usage for Ethanol In Response*

**% Change in U.S. Weekly Ethanol Production from Prior Year  
January 10, 2020-January 1, 2021**



Source: U.S. Energy Information Agency

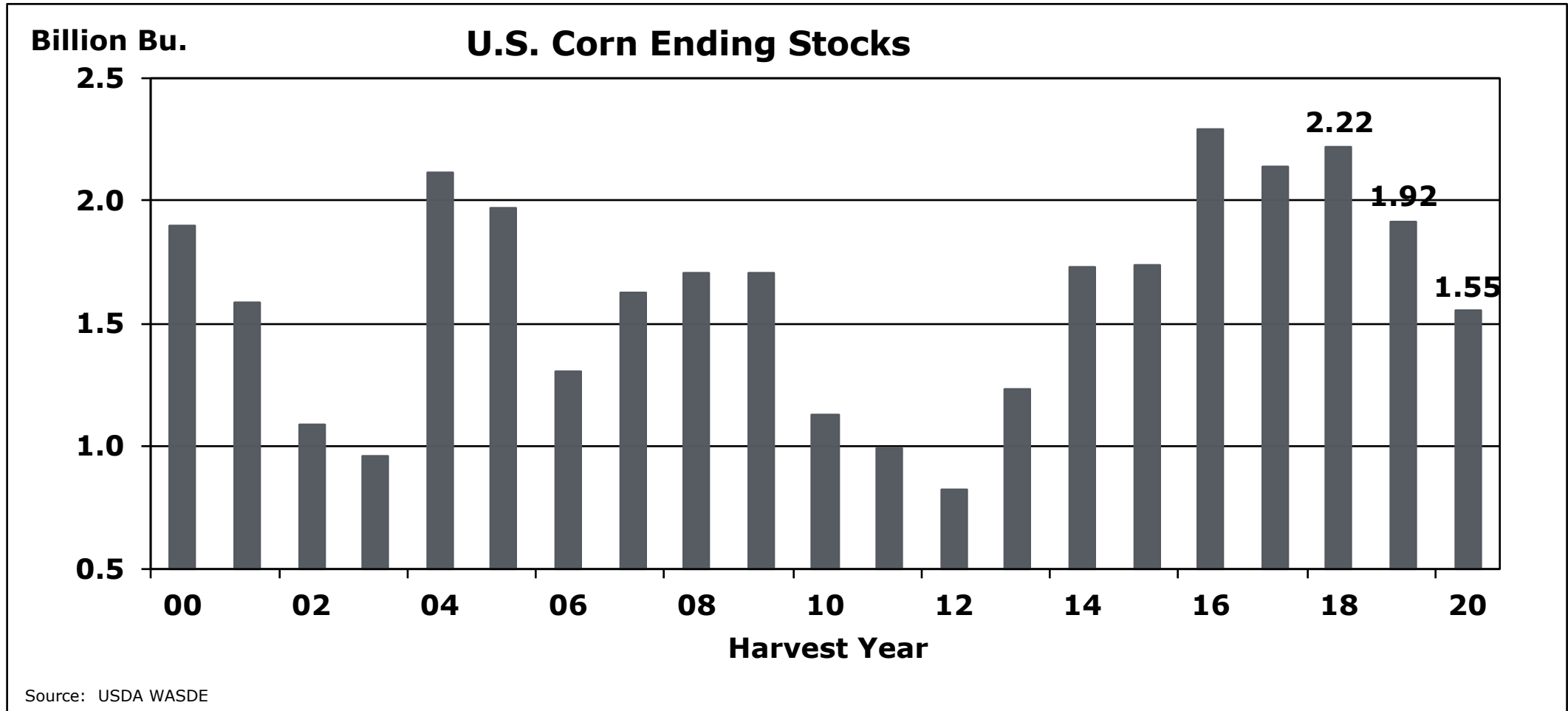
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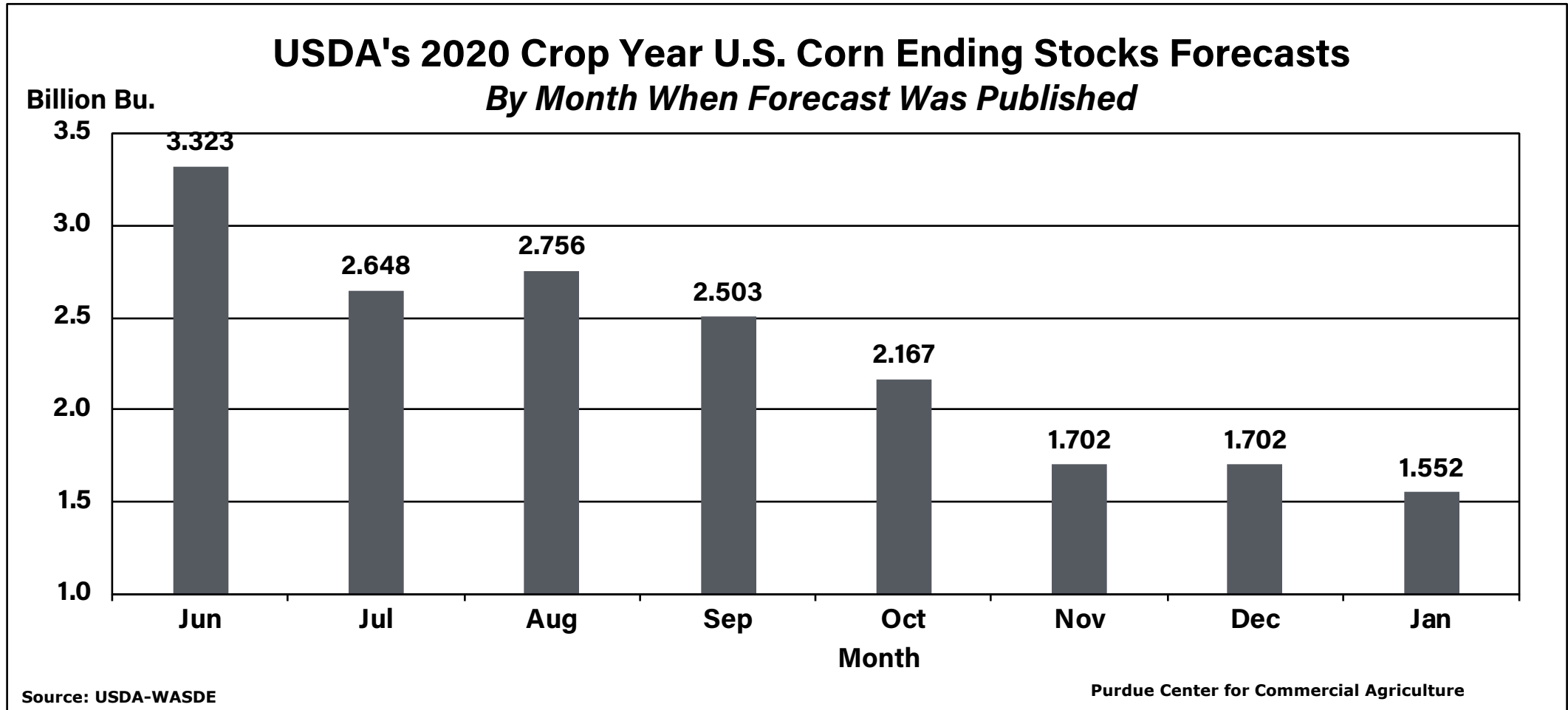
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January 13, 2021 Webinar

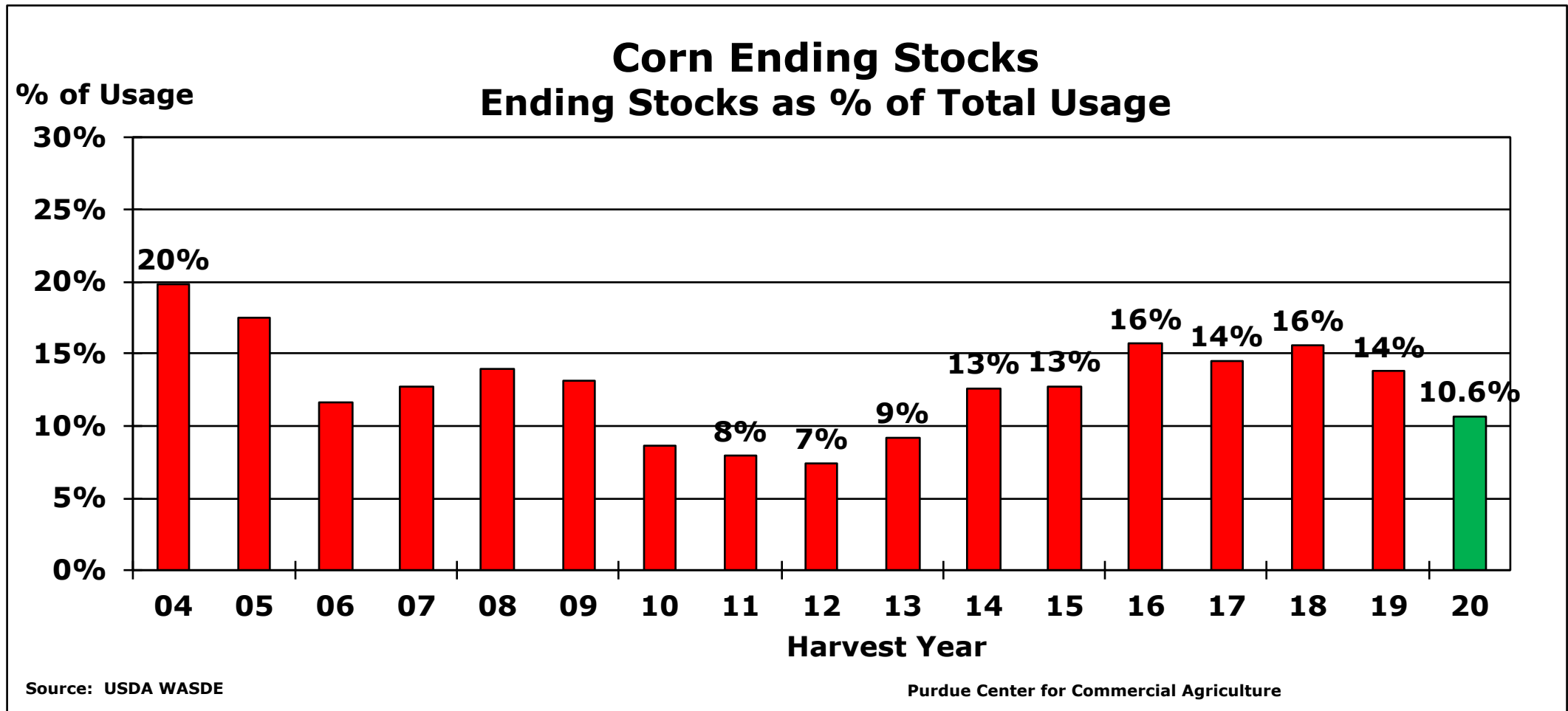
# Projected Ending Stocks Down 150 Million Bushels Compared to December Forecast



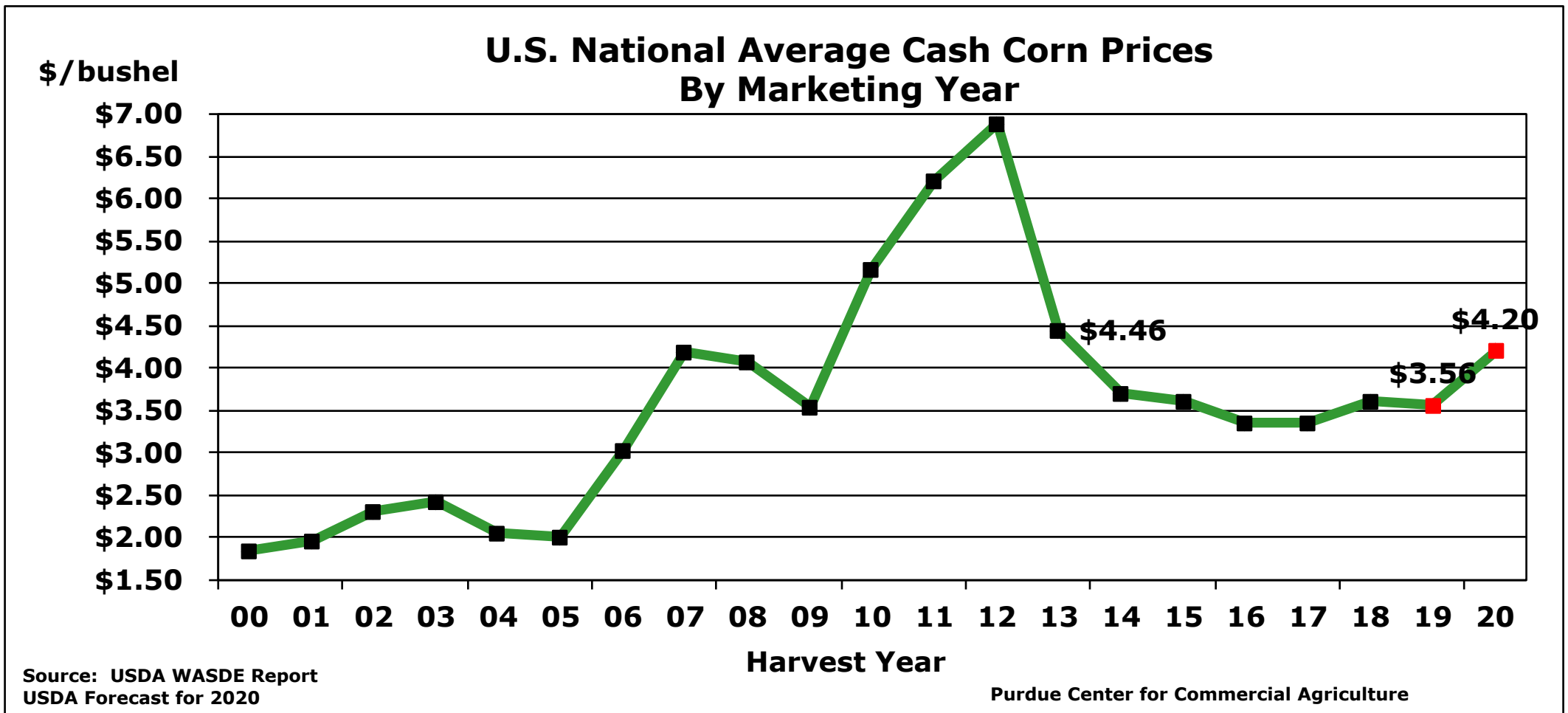
# *But Projected 2020 Ending Stocks Are Down More Than 50% vs. June Estimate*



# Was This the Last Ending Stocks Surprise?

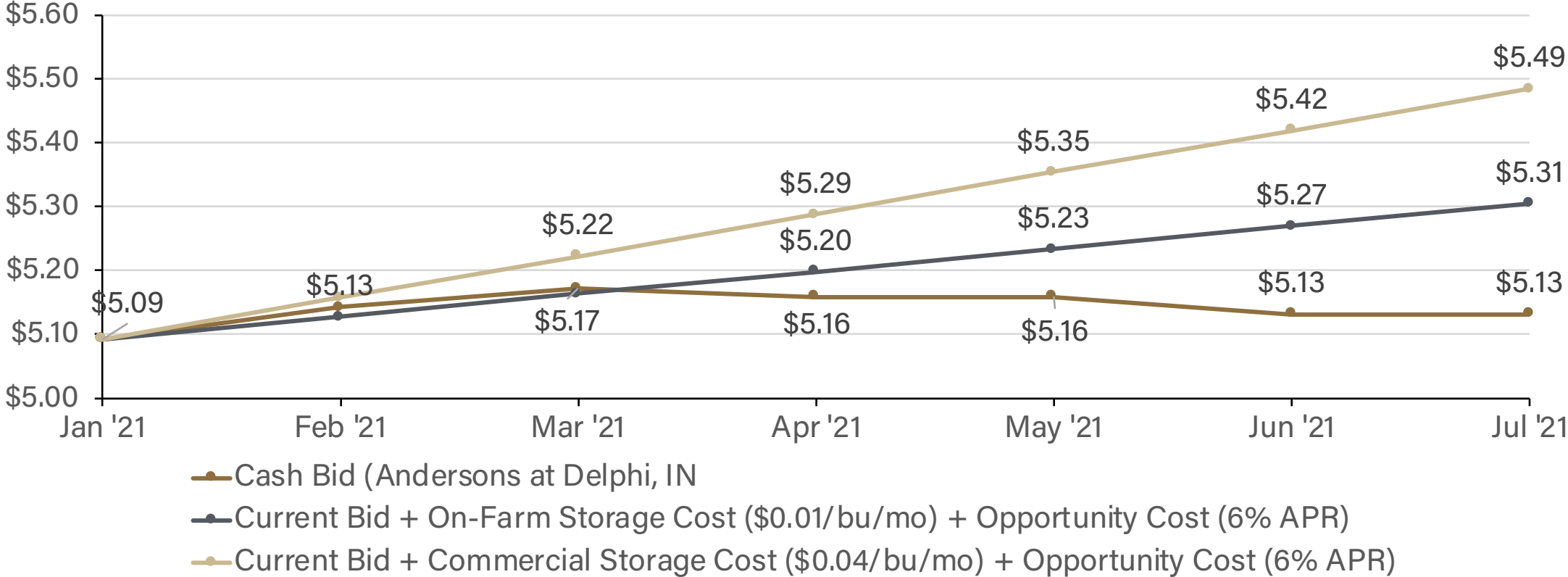


# USDA Raised MYA Price Forecast \$0.20 to \$4.20/bu.



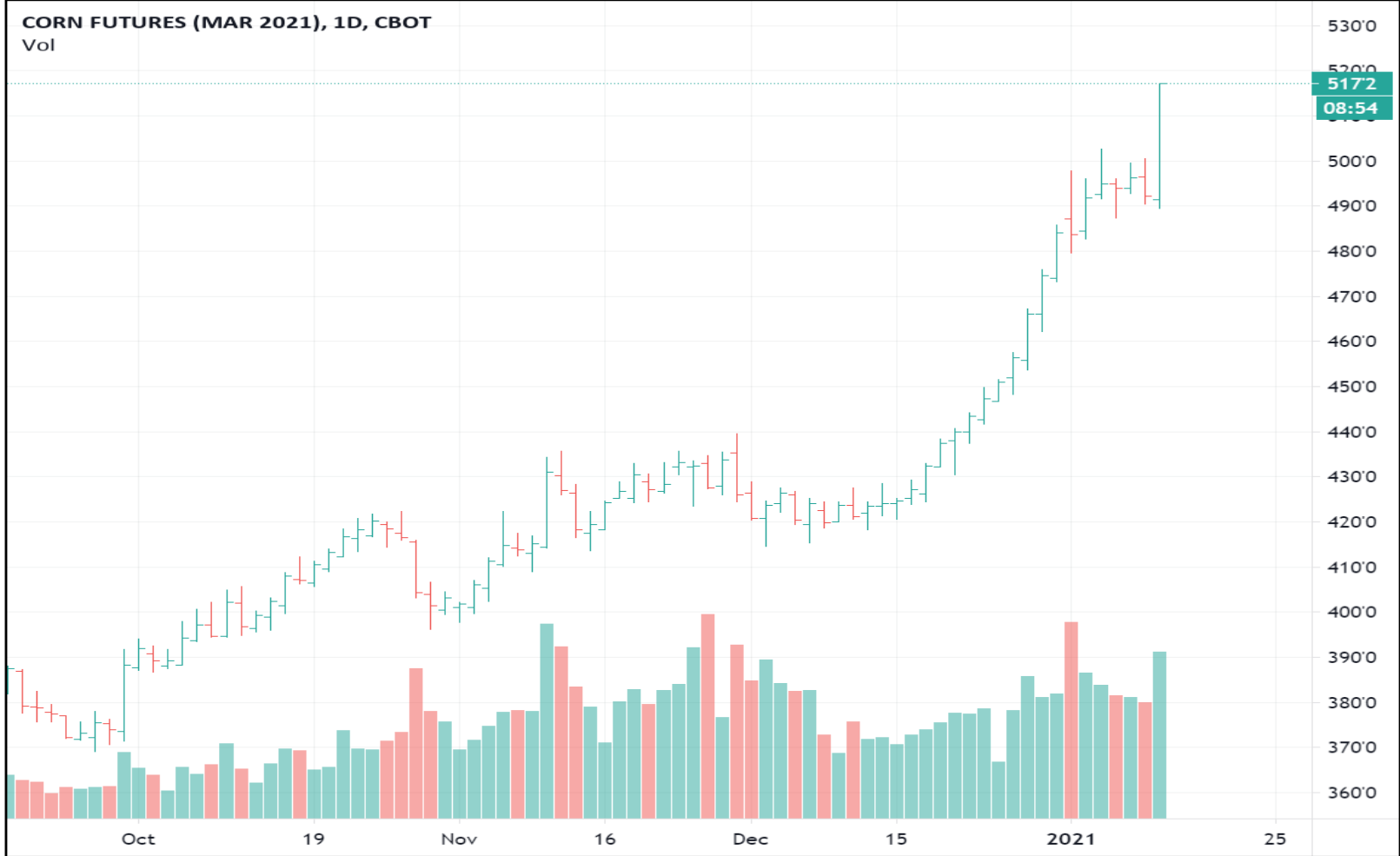
# Storage opportunities for corn?

Cash Forward Contract Corn Bids  
Central Indiana



# March '21 corn futures

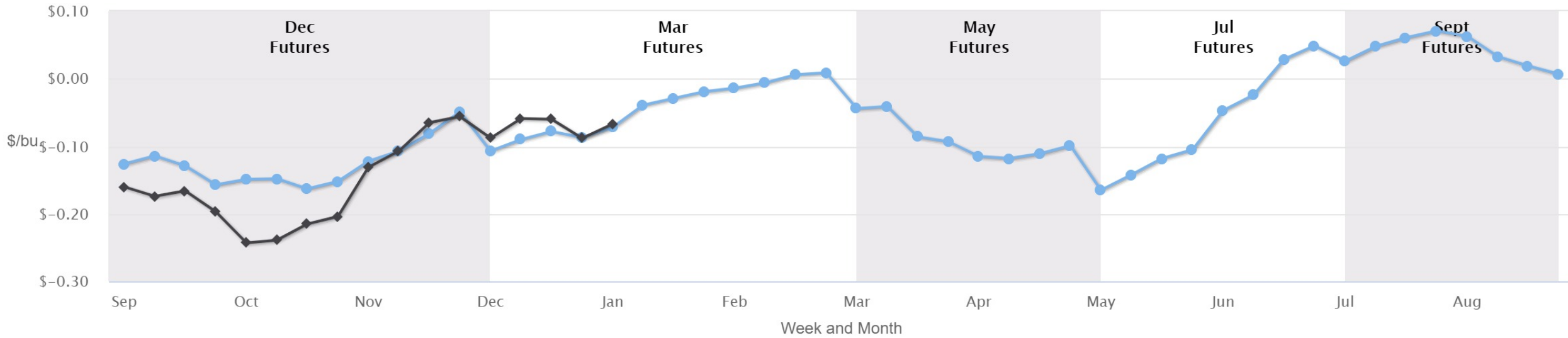
CBOT:ZCH2021, D 517'2 ▲ +25'0 (+5.08%) O:491'4 H:517'2 L:489'2 C:517'2



# Corn basis - North Central Indiana - 3 year average

## Purdue Center for Commercial Agriculture Crop Basis Tool

Corn: IN NC 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

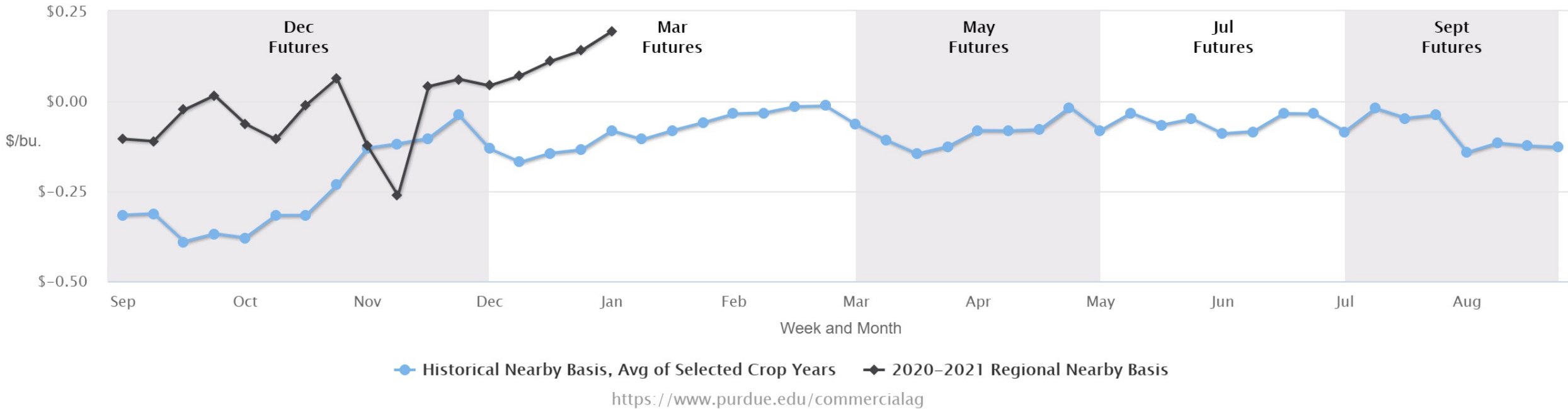
<https://www.purdue.edu/commercialag>



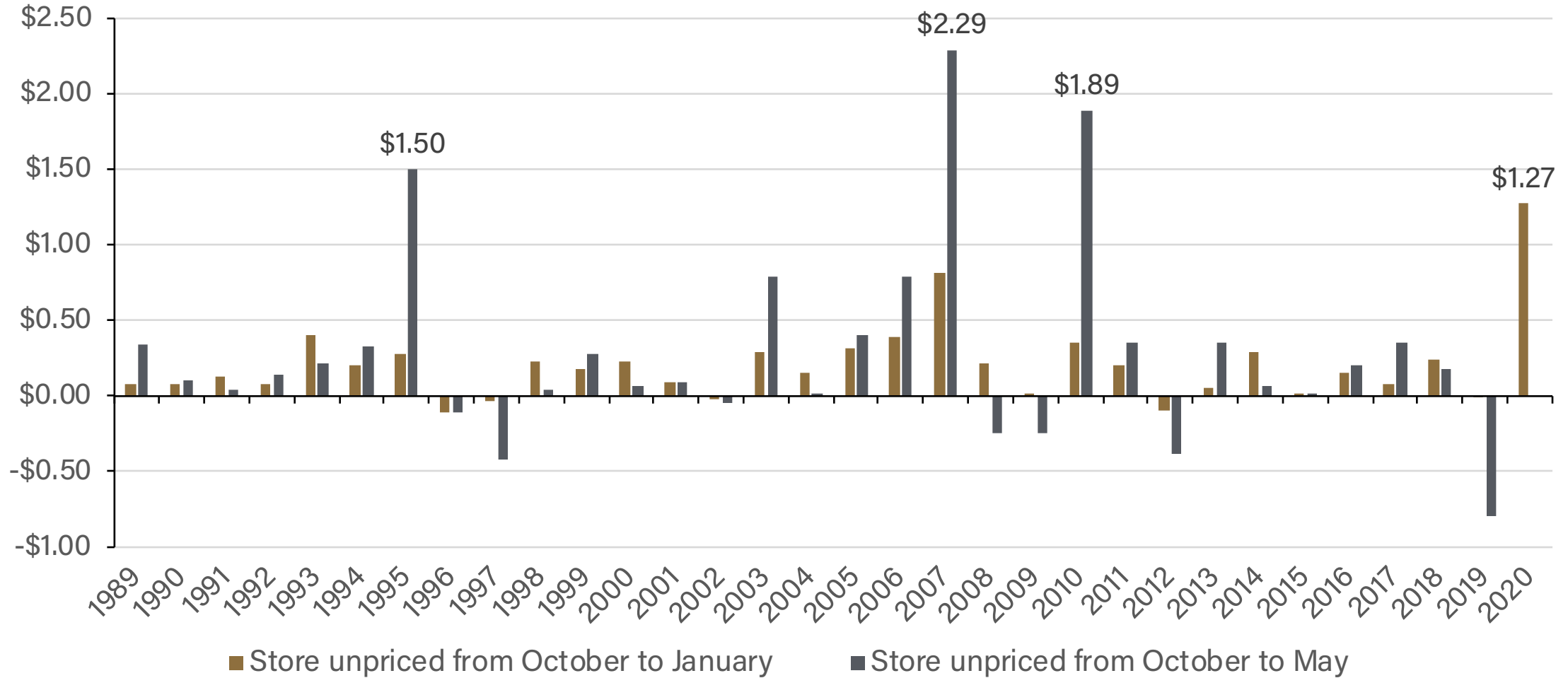
# Corn basis - Southwest Illinois - 3 year average

## Purdue Center for Commercial Agriculture Crop Basis Tool

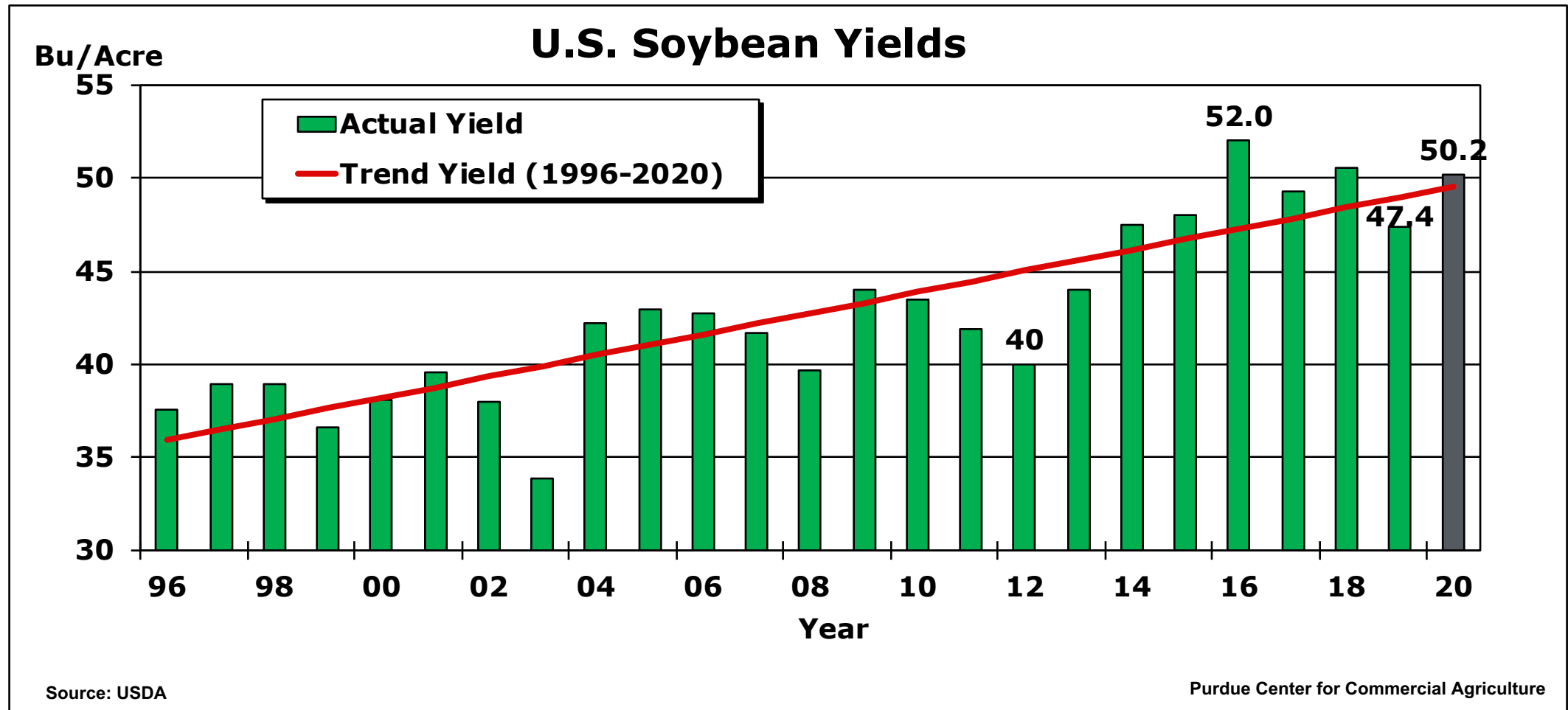
Corn: IL SW Region, Nearby Basis, Weekly  
 Avg. of Selected Historical Crop Years [2017-2018,2018-2019,2019-2020]  
 vs. Current Crop Year



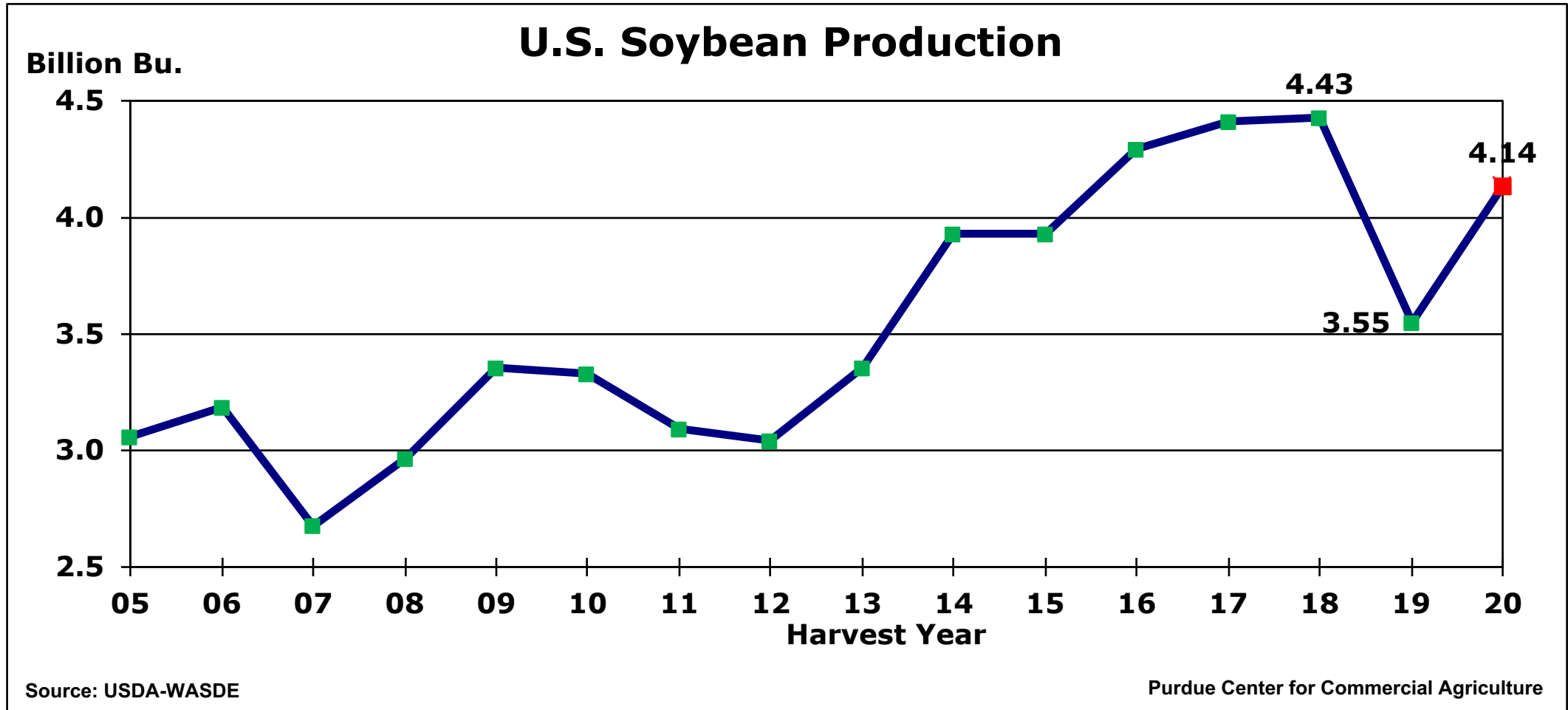
# Indiana Corn Net Return to Speculative Storage by Year, 1989-2020 Crops



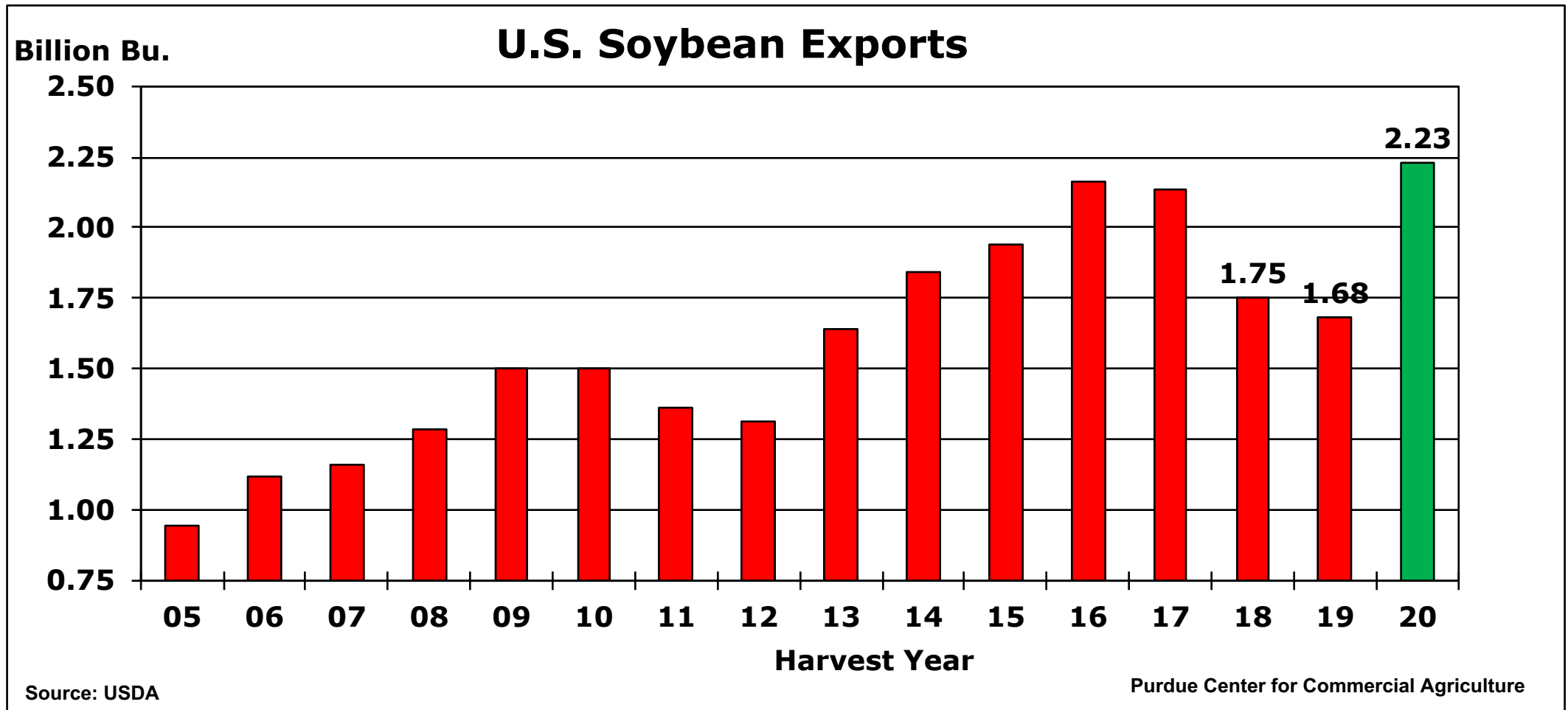
# USDA Reduced U.S. Yield Estimate Again... This Time By 0.5 BPA



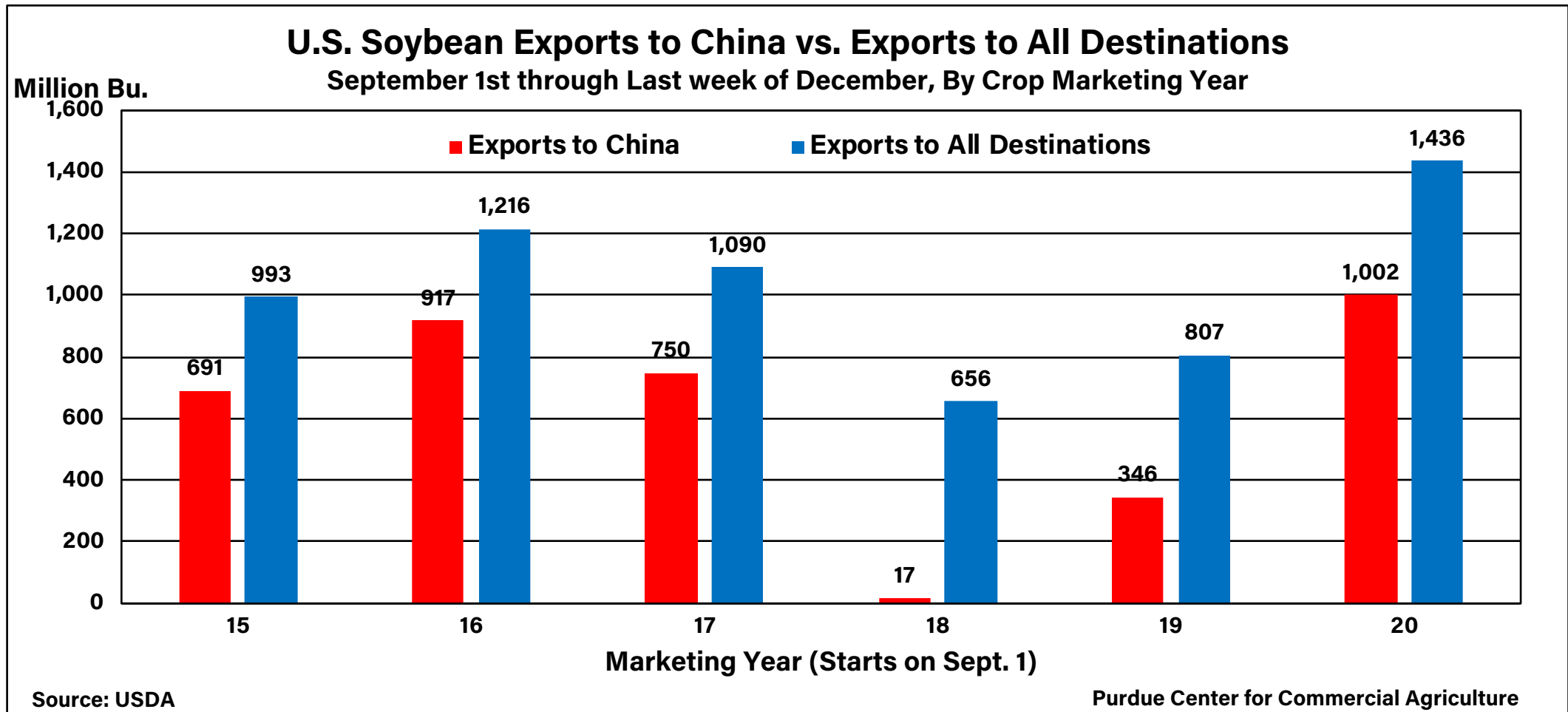
# Yield Reduction Pulled Down Crop Size By 35 Million Bushels



# And USDA Bumped Up Soybean Export Forecast By 30 Million Bushels

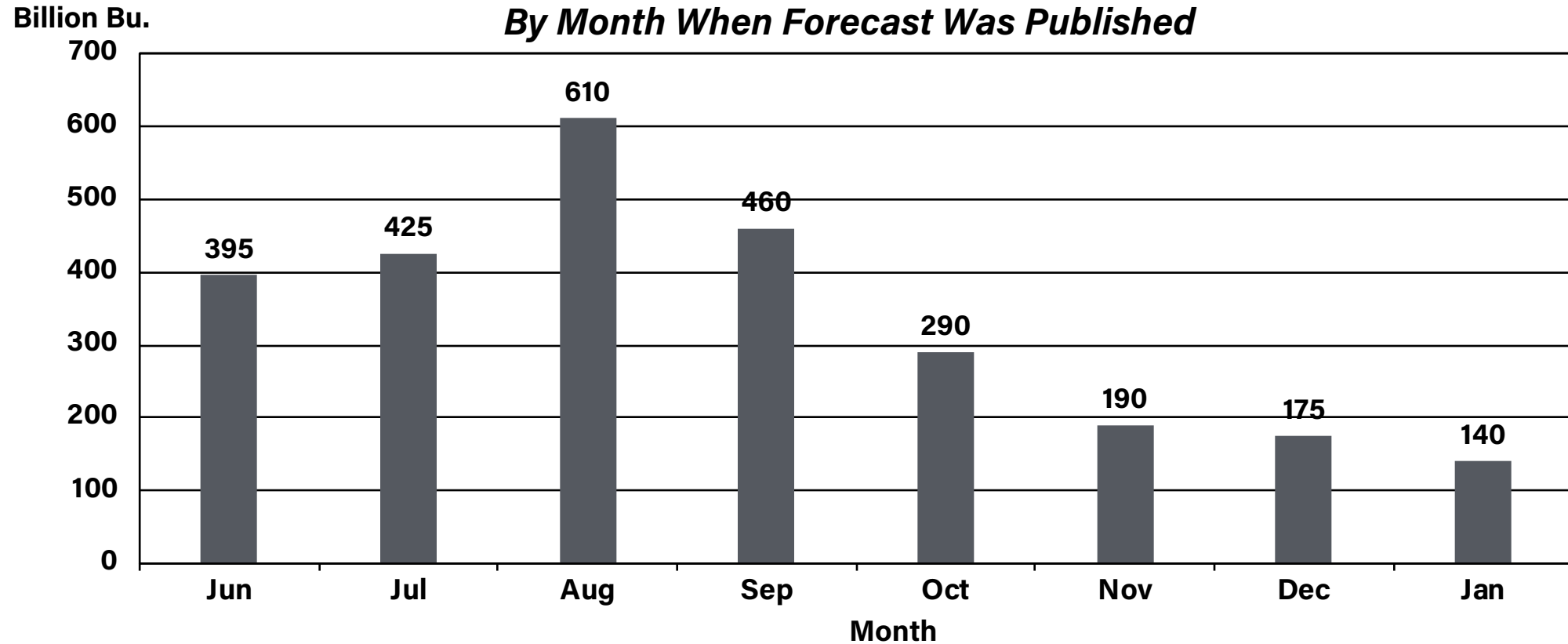


# So Far, Total Soybean Exports up 78% This Year, Rise in Exports to China Accounts for All of the Increase



# USDA Reduced Estimated Ending Stocks Again... This Time By 35 Million Bushels

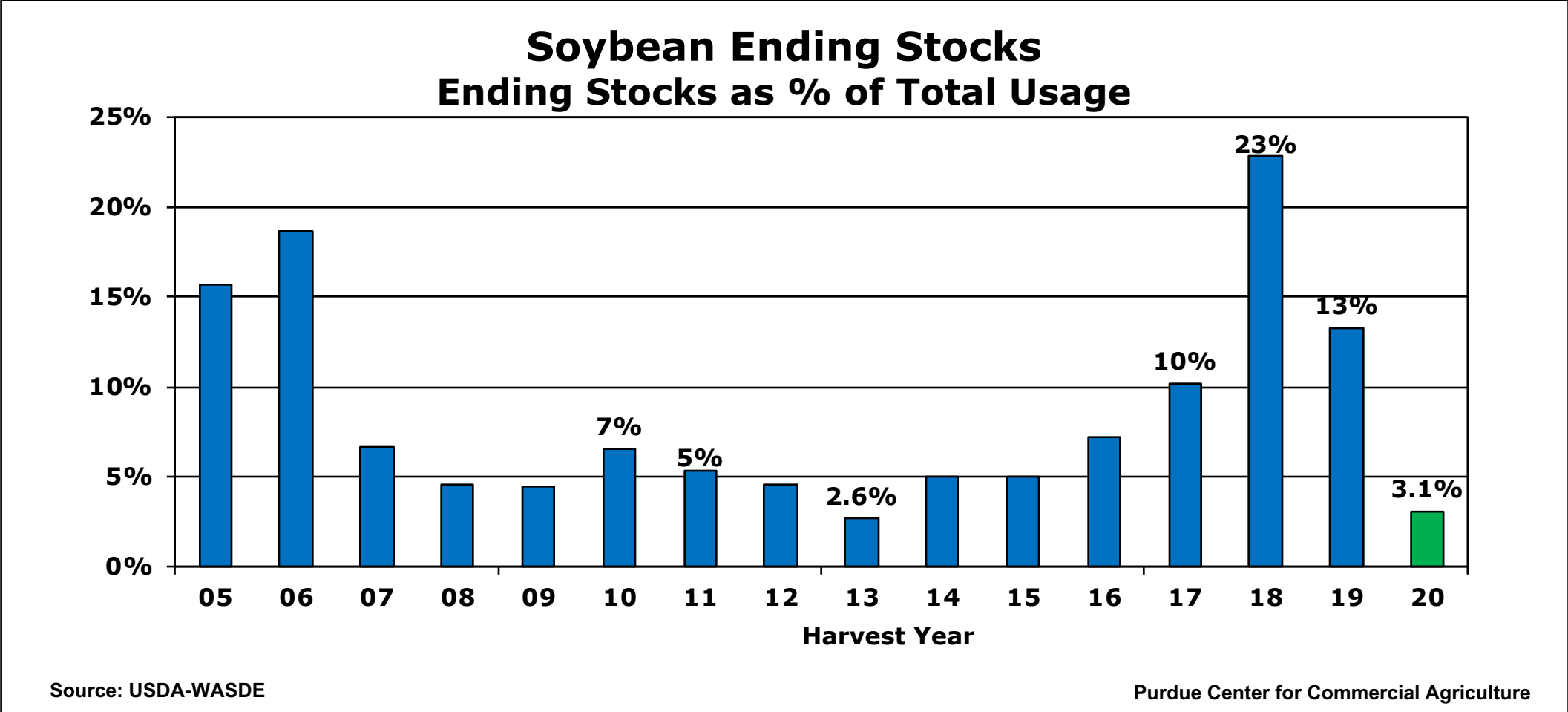
## USDA's 2020 Crop Year U.S. Soybean Ending Stocks Forecasts By Month When Forecast Was Published



Source: USDA-WASDE

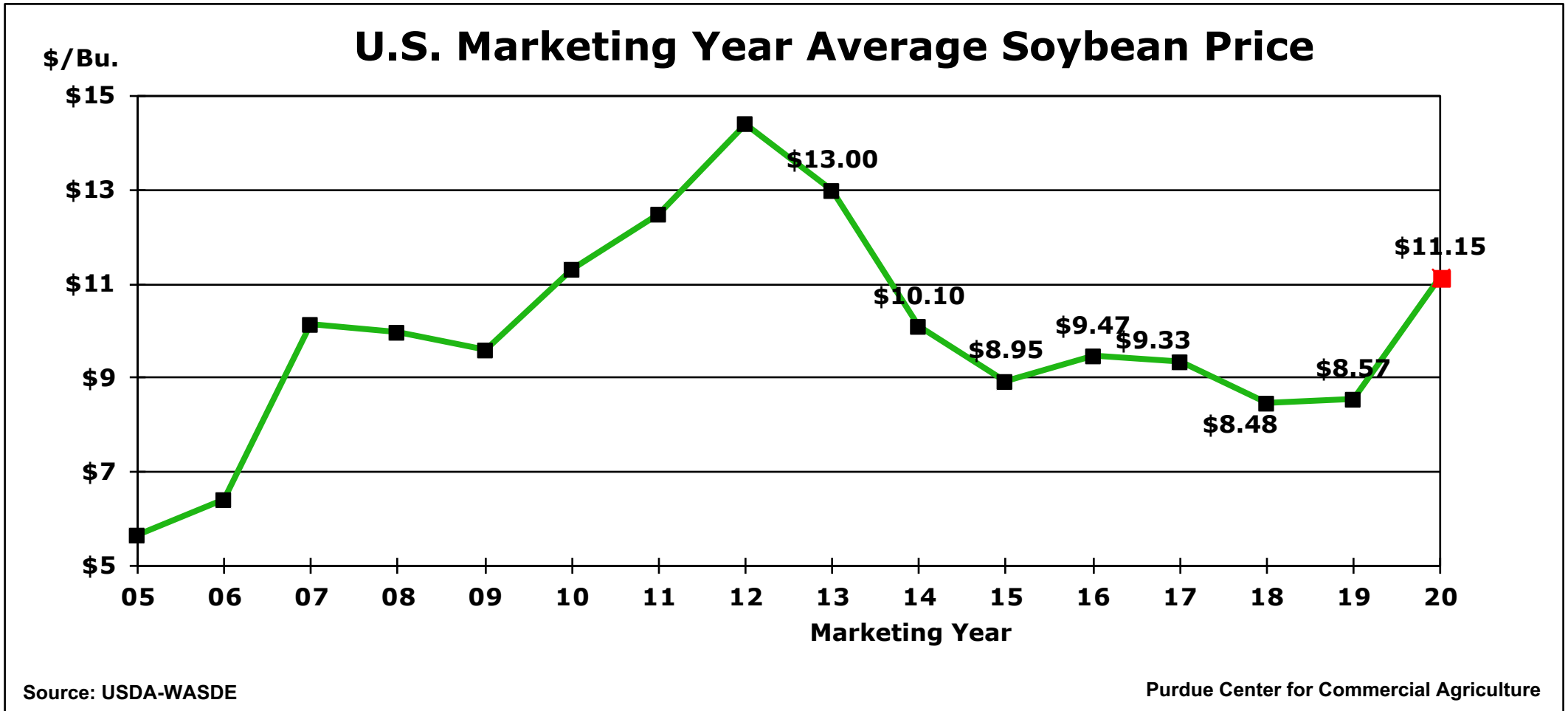
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# Soybean Ending Stocks Have Tightened Dramatically, Tightest Stocks Since 2013



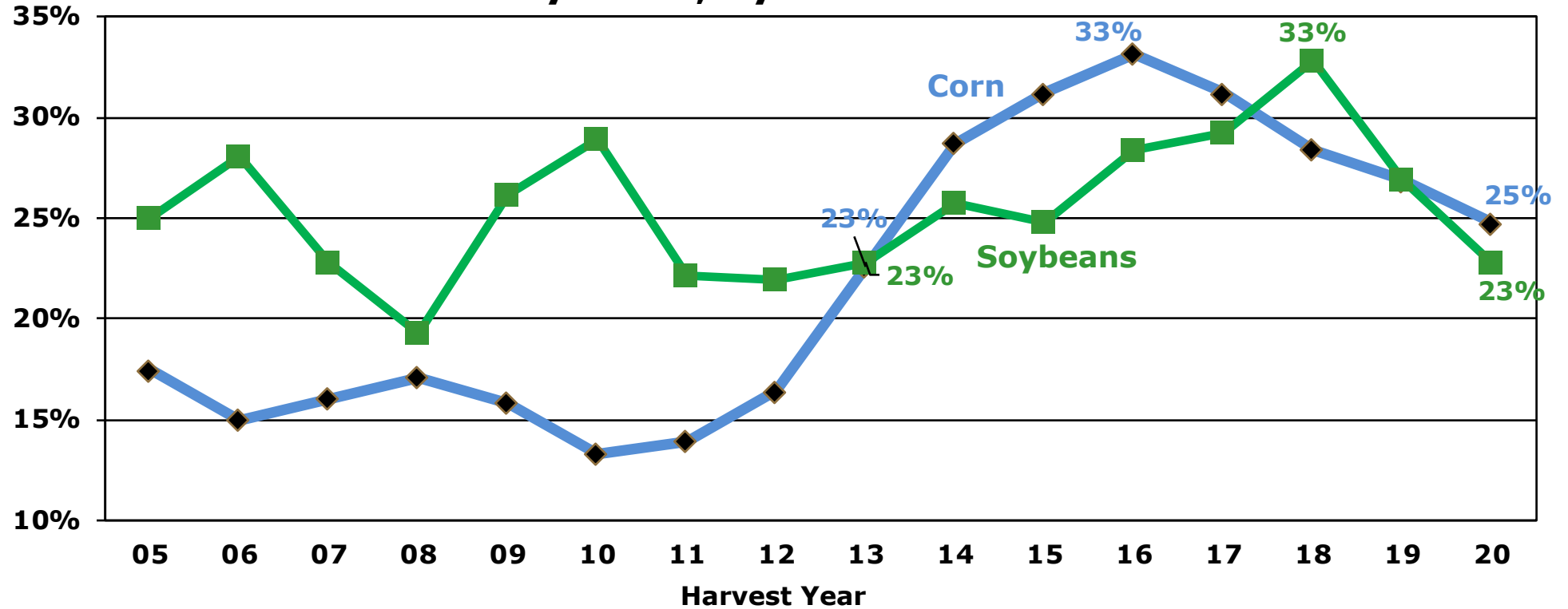


# USDA Raised MYA Price By \$0.60/Bu., But Projected Ending Stocks Are Nearly As Tight As in 2013



# World Stocks Levels Are Also Near Those of 2013

## World Stocks-to-Use Ratios Corn & Soybeans, by Harvest Year

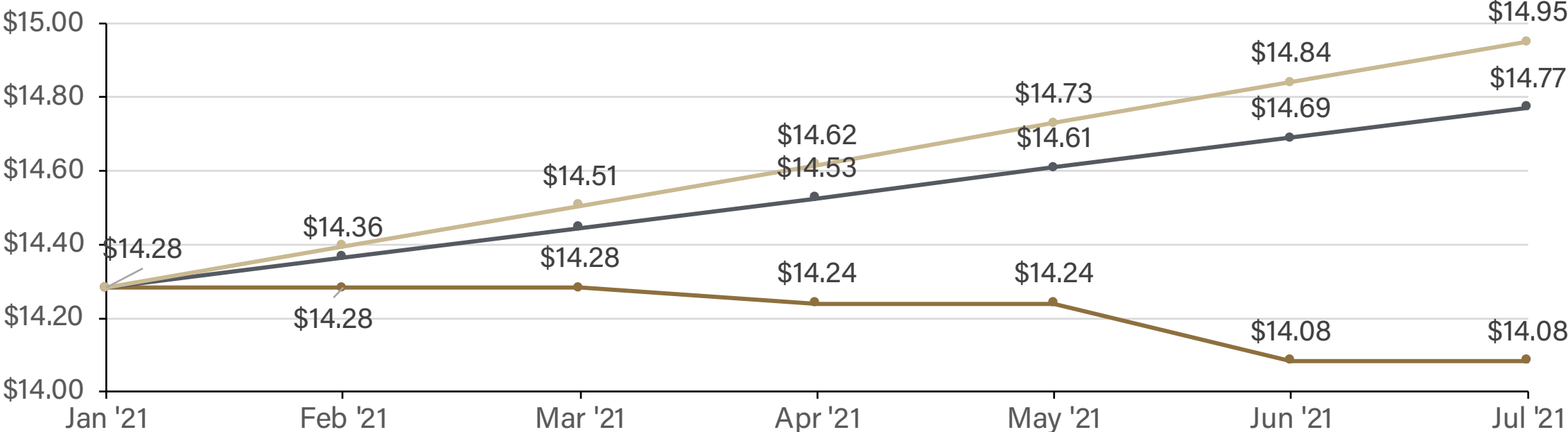


Source: USDA-FAS

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# Storage opportunities for soybeans?

Cash Forward Contract Soybean Bids  
Central Indiana

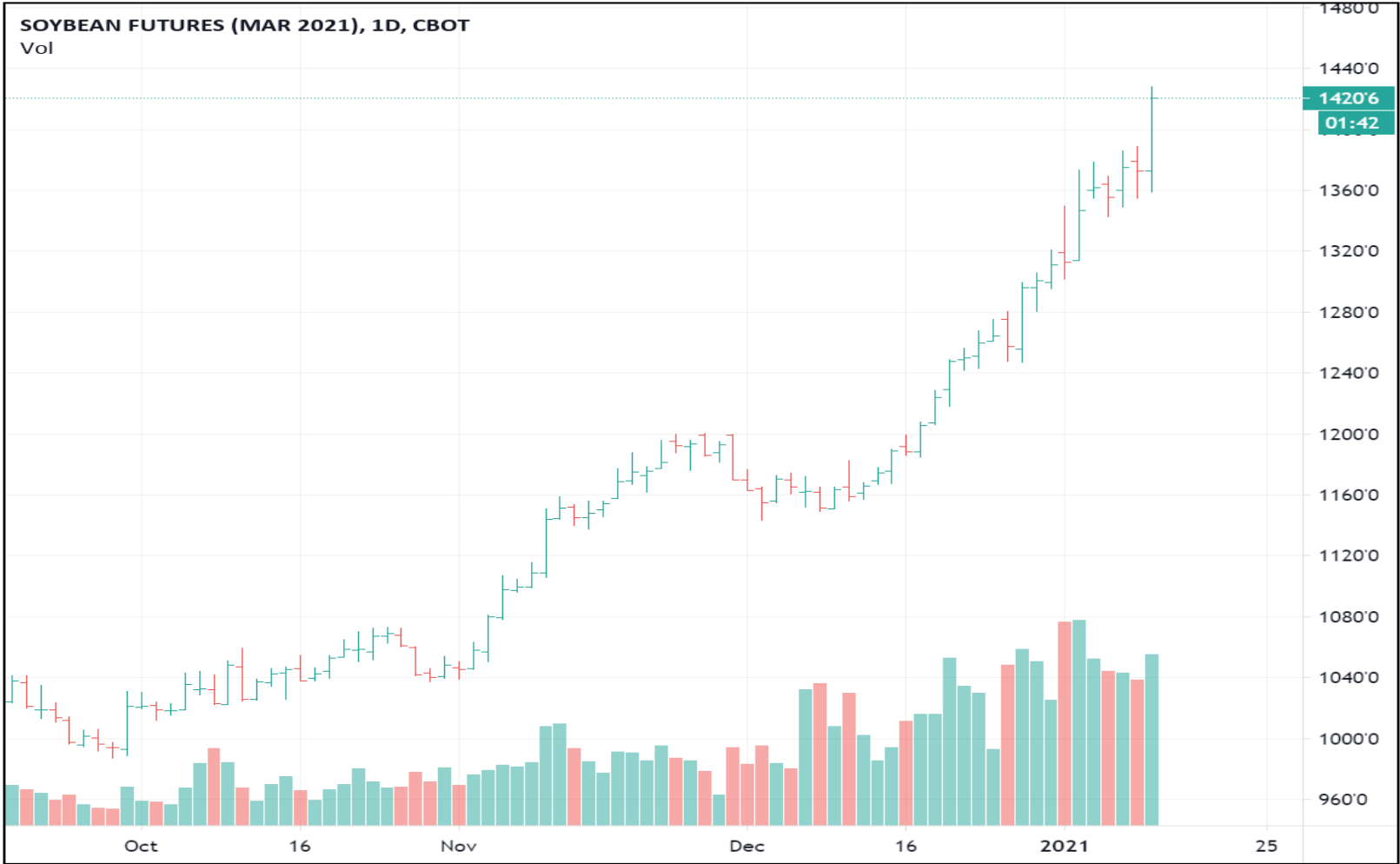


- Cash Bid (Andersons at Delphi, IN)
- Current Bid + On-Farm Storage Cost (\$0.01/bu/mo) + Opportunity Cost (6% APR)
- Current Bid + Commercial Storage Cost (\$0.04/bu/mo) + Opportunity Cost (6% APR)



# March '21 soybean futures

CBOT:ZSH2021, D 1420'6 ▲ +48'2 (+3.52%) O:1372'4 H:1428'2 L:1358'4 C:1420'6



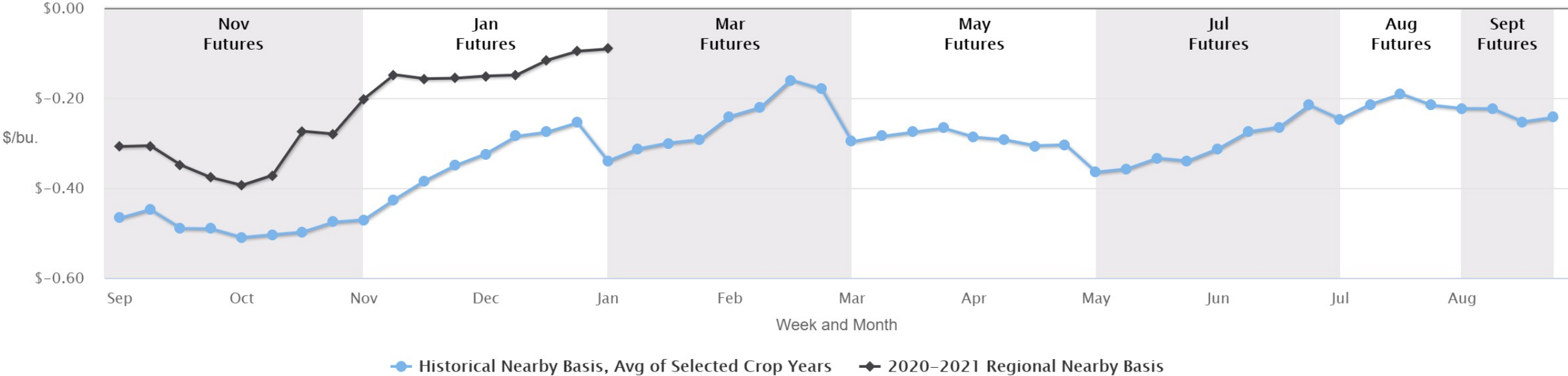
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1/13/21

# Soybean basis - North Central Indiana - 2 year average

## Purdue Center for Commercial Agriculture Crop Basis Tool

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



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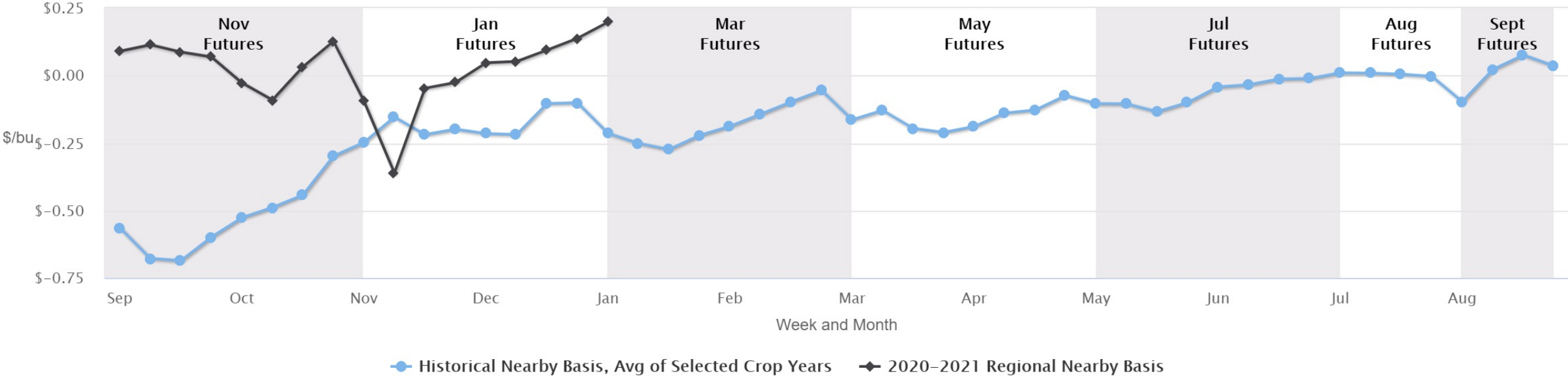


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# Soybean basis - Southwest Illinois - 2 year average

## Purdue Center for Commercial Agriculture Crop Basis Tool

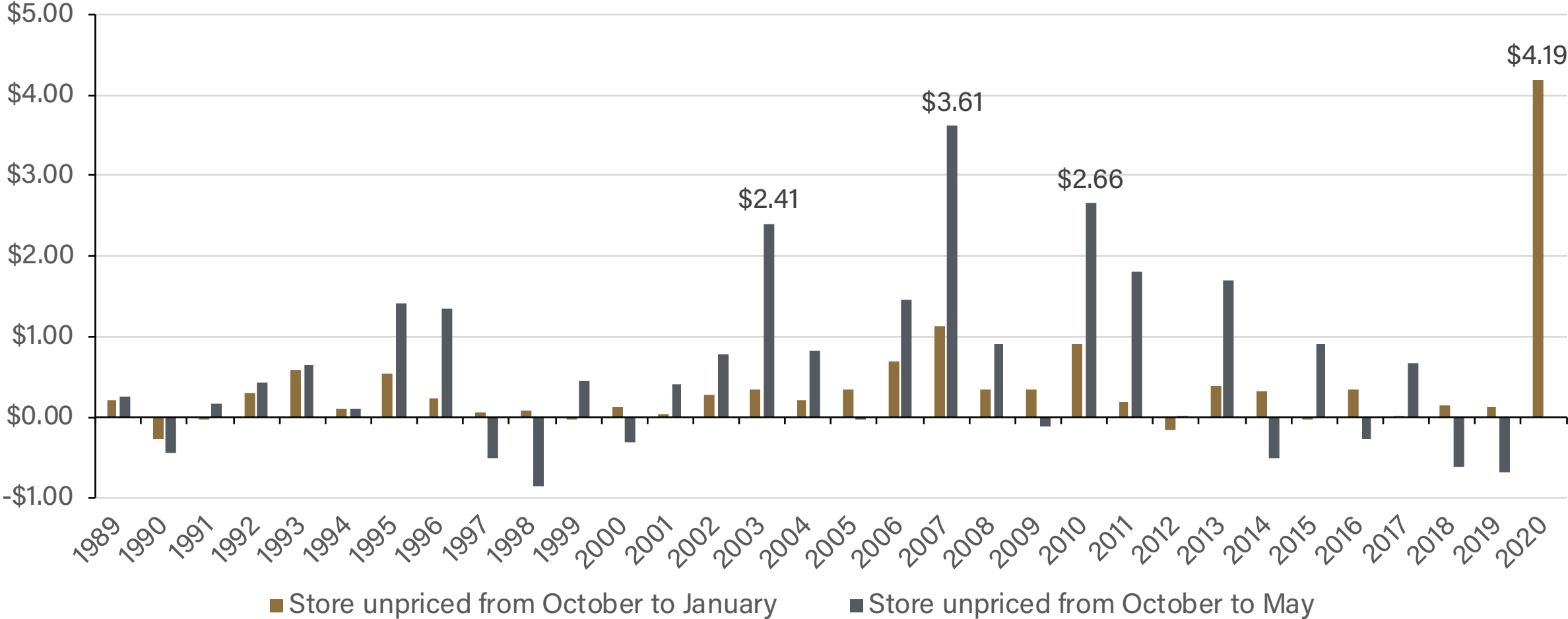
Soybeans: IL SW Region, Nearby Basis, Weekly  
 Avg. of Selected Historical Crop Years [2018-2019, 2019-2020]  
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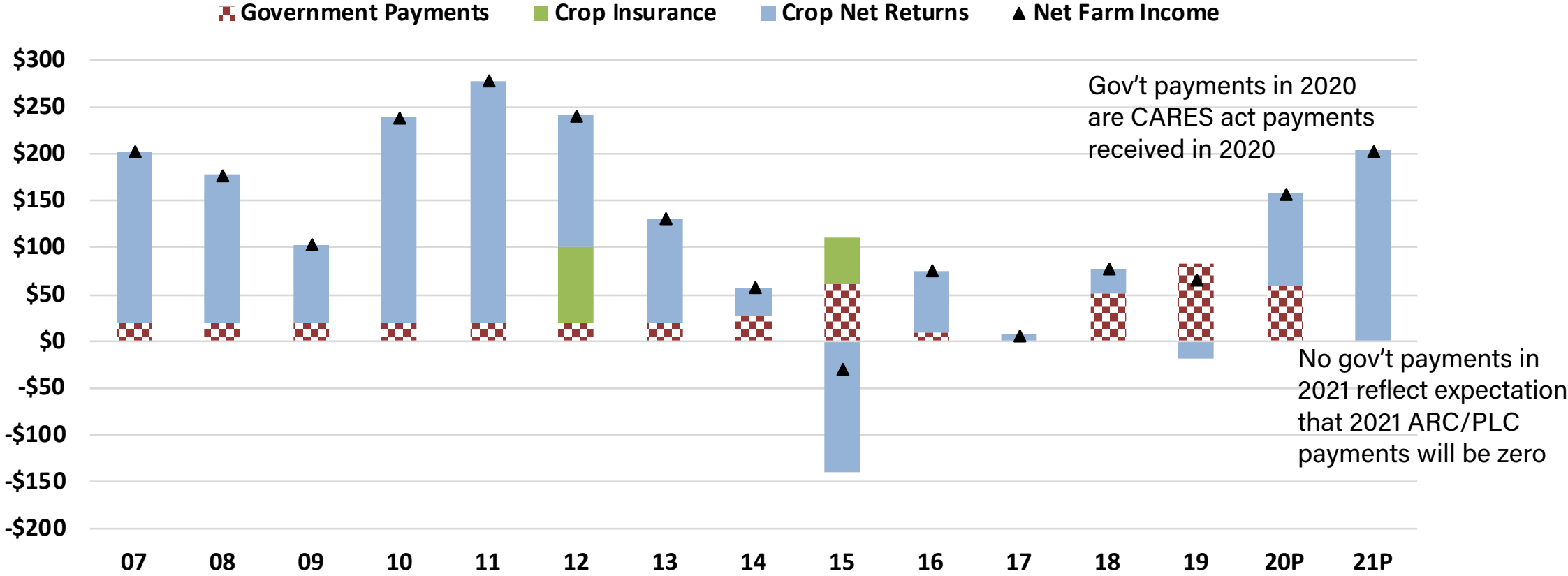


# Indiana Soybean Net Return to Speculative Storage by Year, 1989-2020 Crops



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

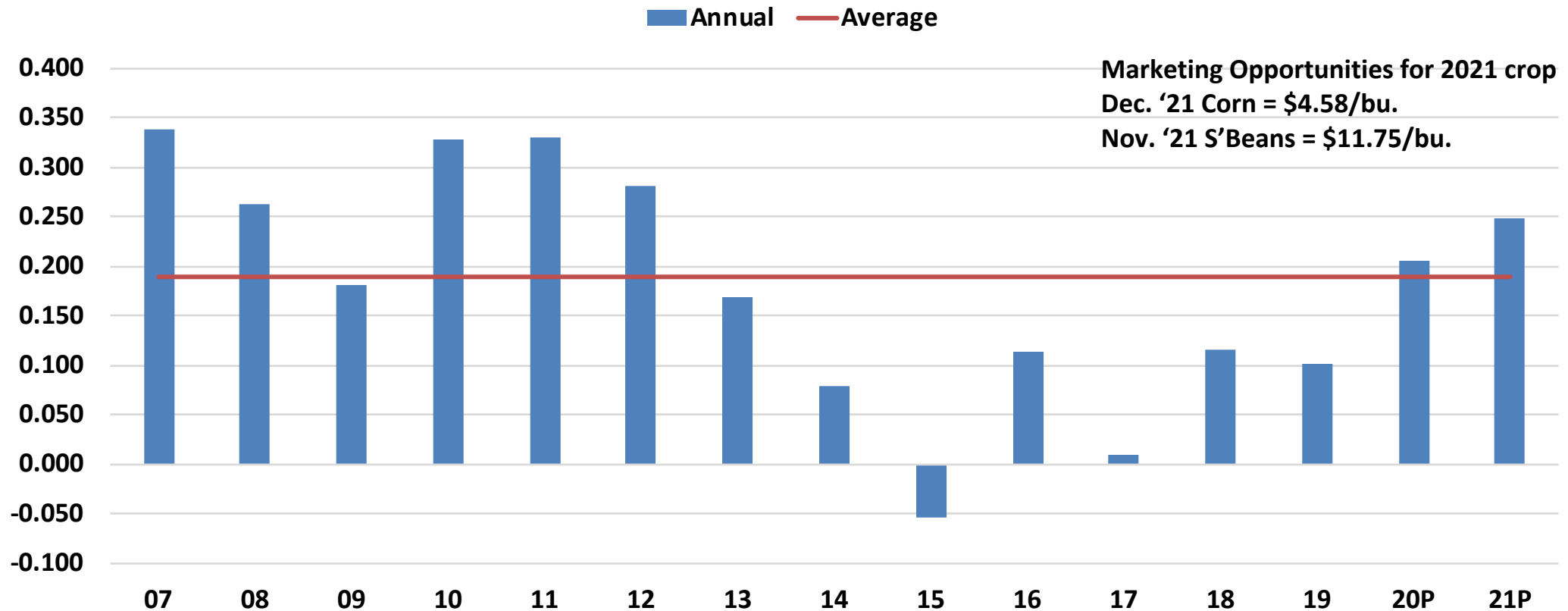
Net Farm Income Sources, Corn/Soybean Rotation (\$ per Acre)  
West Central Indiana Case Farm





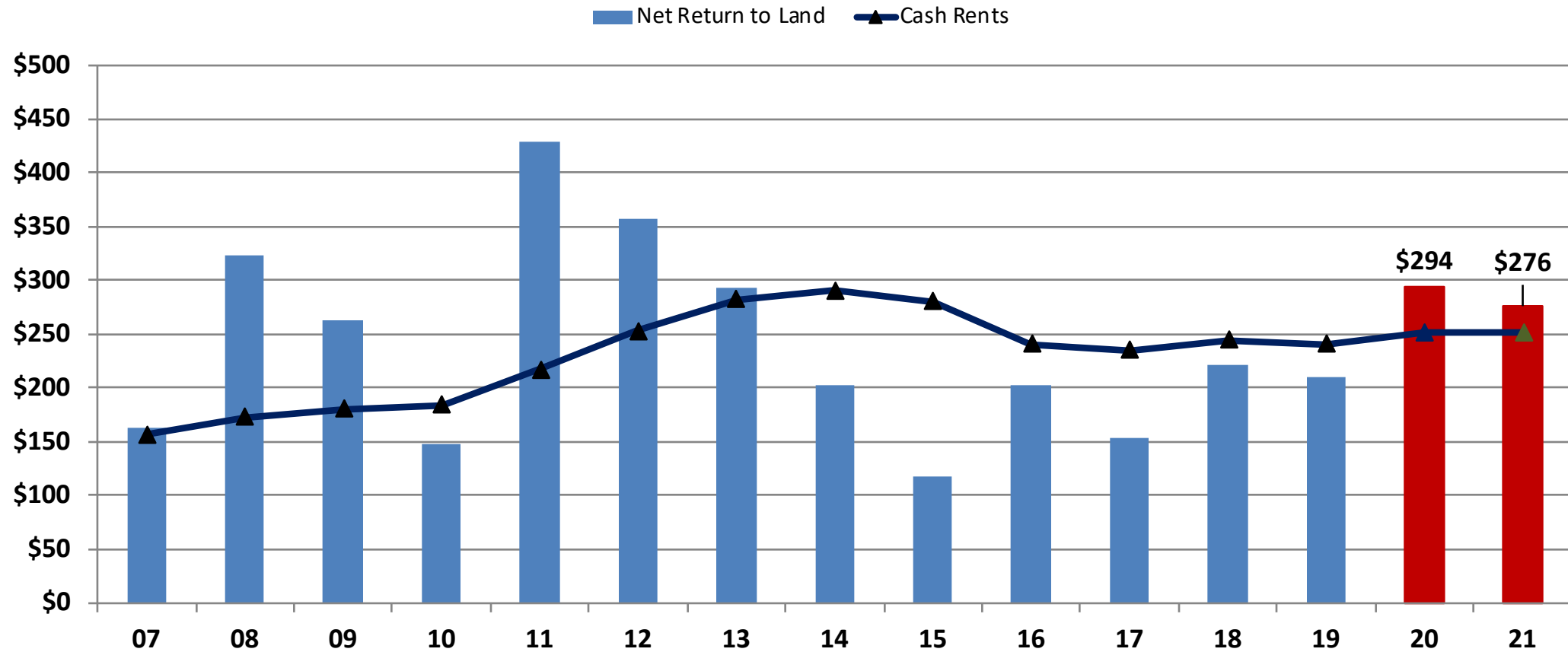
# Profit Margin in 2020 is Higher than Long-Run Average

## Operating Profit Margin Ratio West Central Indiana Case Farm



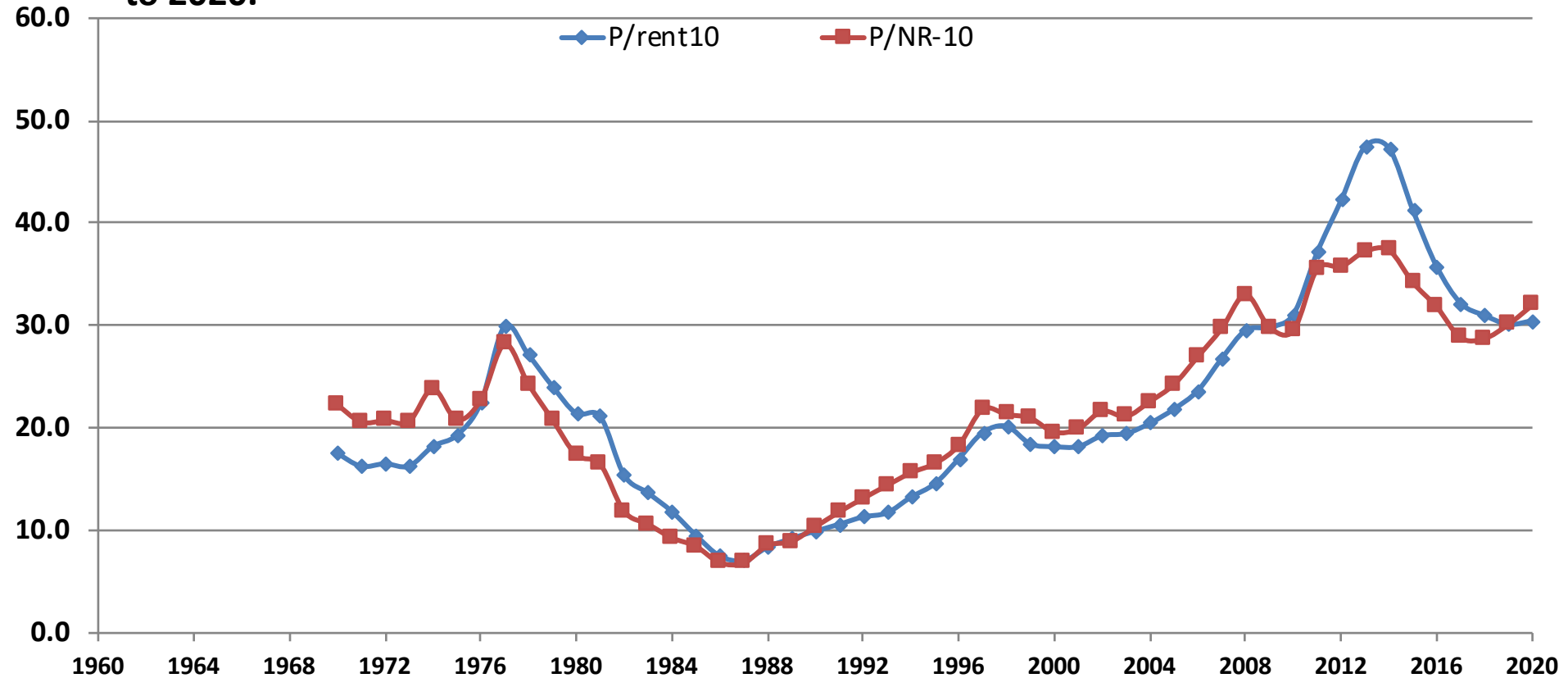
# Upward Pressure on 2021 and 2022 Cash Rental Rates

## Cash Rent and Net Return to Land, West Central Indiana



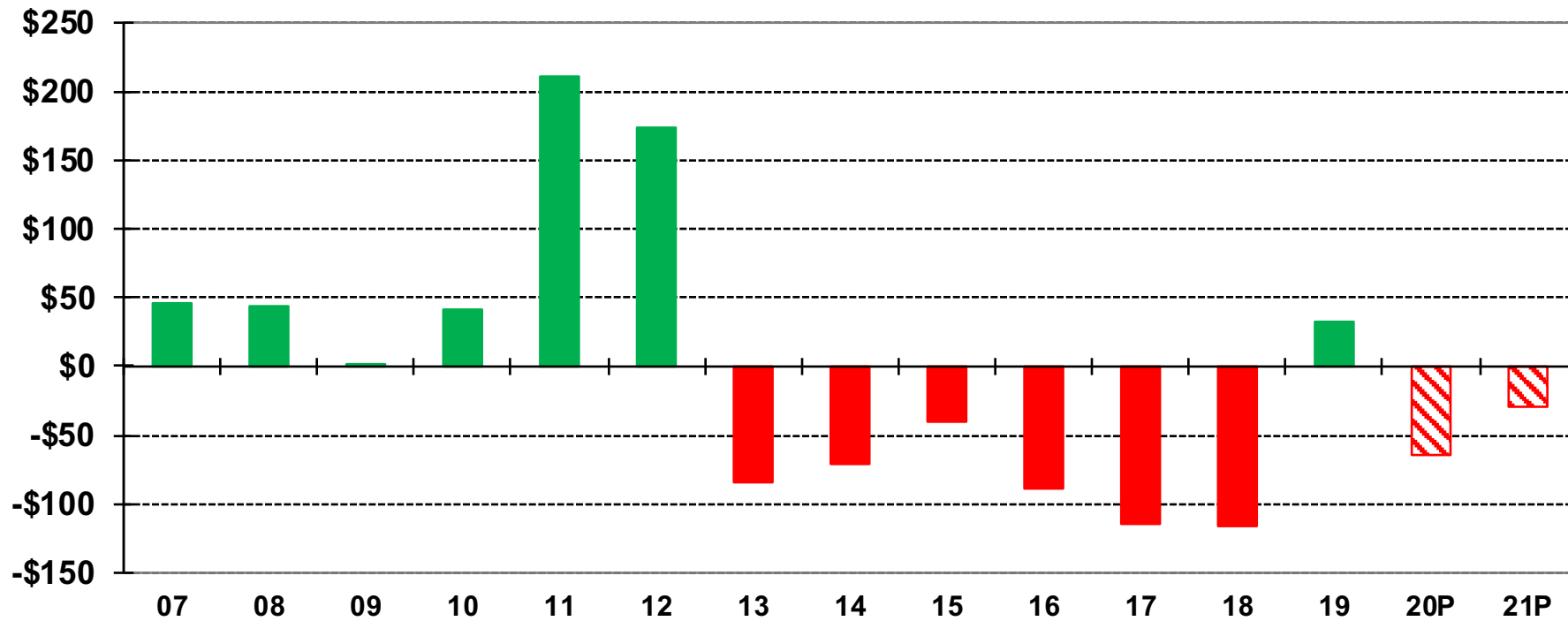
# Ten-Year Average Cash Rent (P/rent10) is Similar to Ten-Year Average Net Return to Land (P/NR-10)

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)



## *Farm Bill Options for 2021 Crop Year (Deadline: 3/15/21)*

- Sign-up is for 2021 Crop Year Only
- PLC Prices:
  - Corn = \$3.70
  - Soybeans = \$8.40
  - Wheat = \$5.50
- Program Choices for 2021:
  - Corn and Wheat: Although PLC payments don't appear likely, there is a chance the MYA price could fall below the PLC reference price so PLC is most attractive
  - Soybeans: ARC-CO is most attractive because PLC reference price is very low relative to market prices. Still, payments are unlikely.

# Next Crop Outlook Webinar Wednesday, February 10, 2021

Details Will Be Available at  
[Purdue.edu/commercialag](https://Purdue.edu/commercialag)