CORN-SOYBEAN UPDATE

FRIDAY, AUGUST 13, 2021

MONTHLY OUTLOOK

PURDUE CENTER FOR COMMERCIAL AGRICULTURE

James Mintert, Professor & Director, Center for Commercial Agriculture

Nathan Thompson, Associate Professor, Dept. of Agricultural Economics

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

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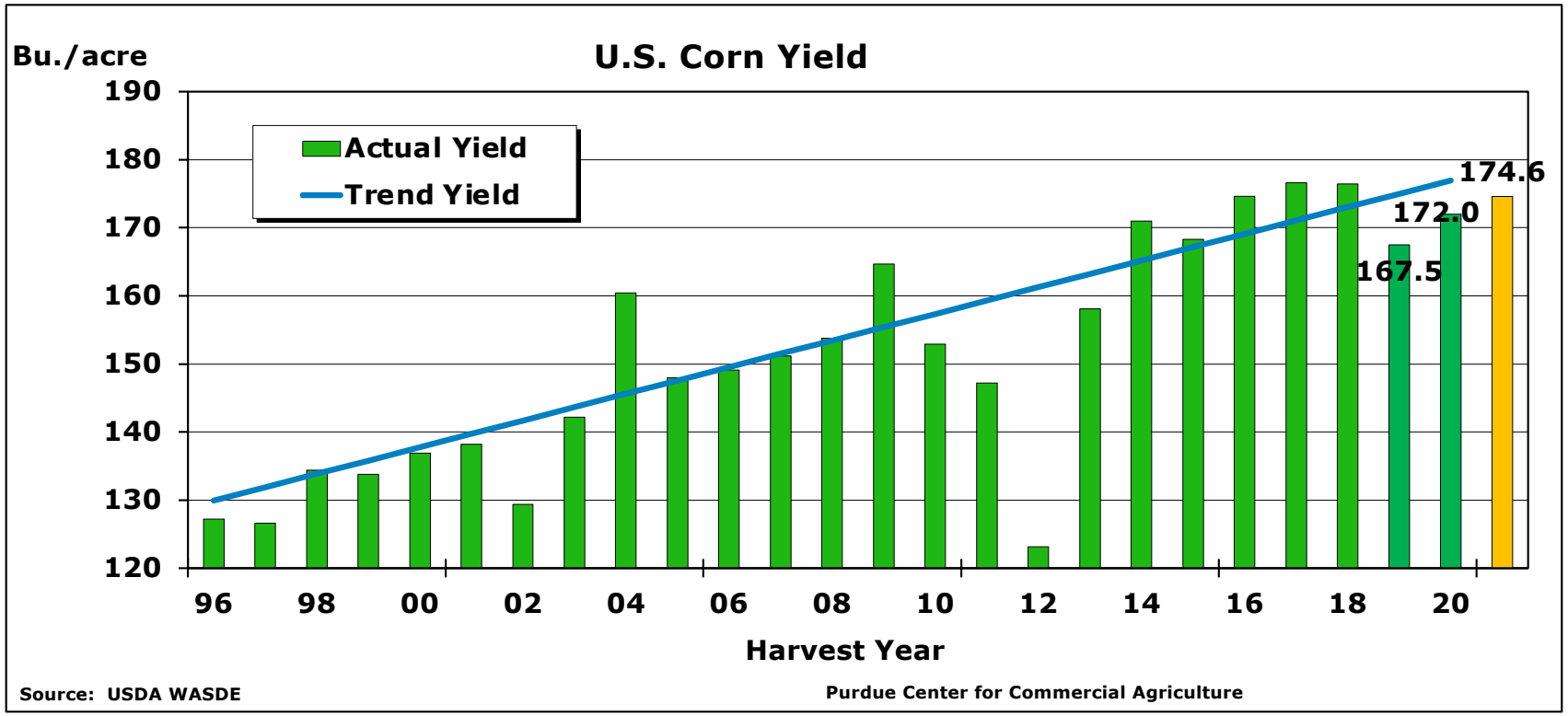
USDA's Corn Yield Estimate Fell Below Trade's Expectations



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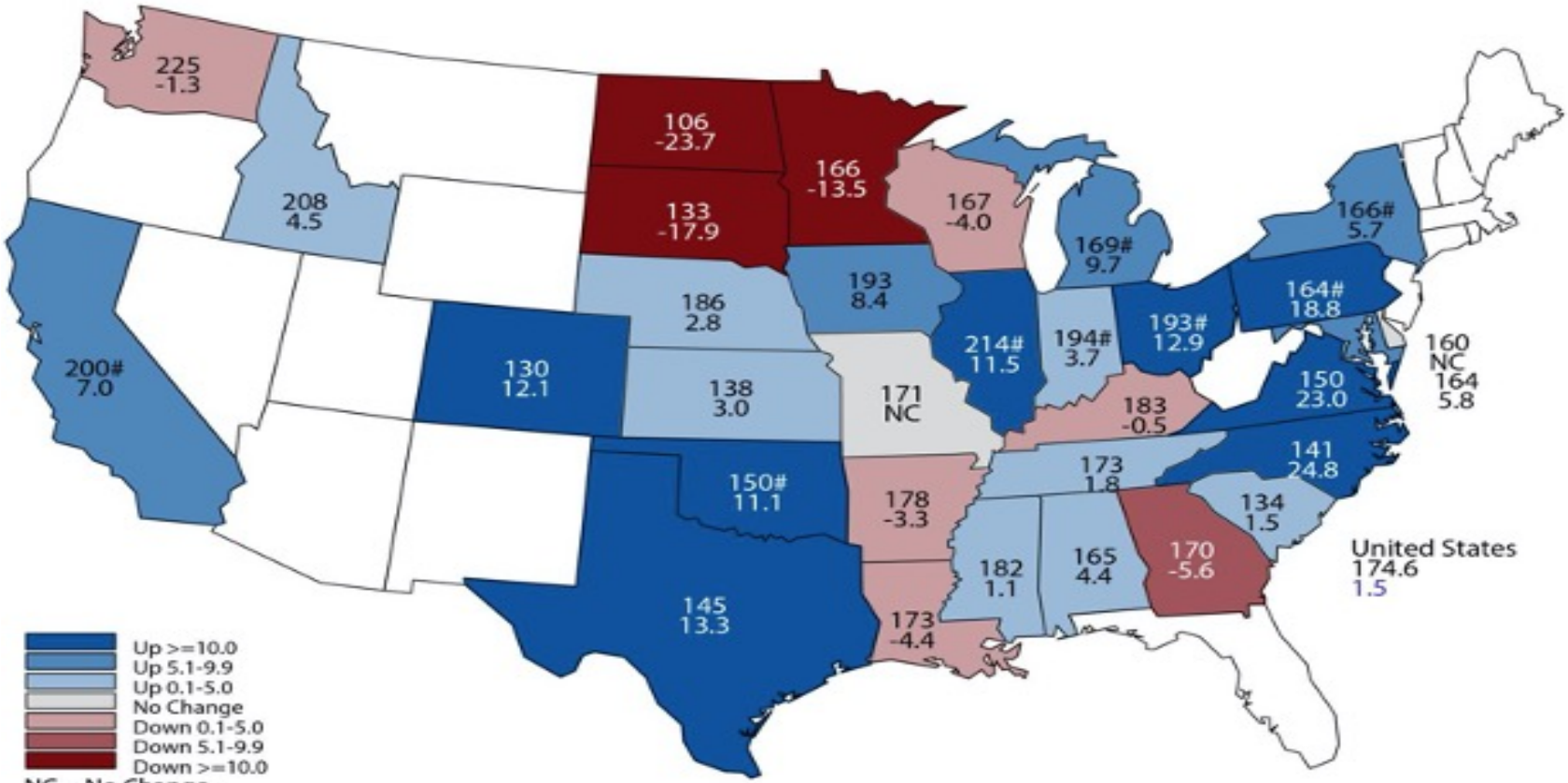
August 2021 Corn Yield

Bushels and Percent Change from Previous Year



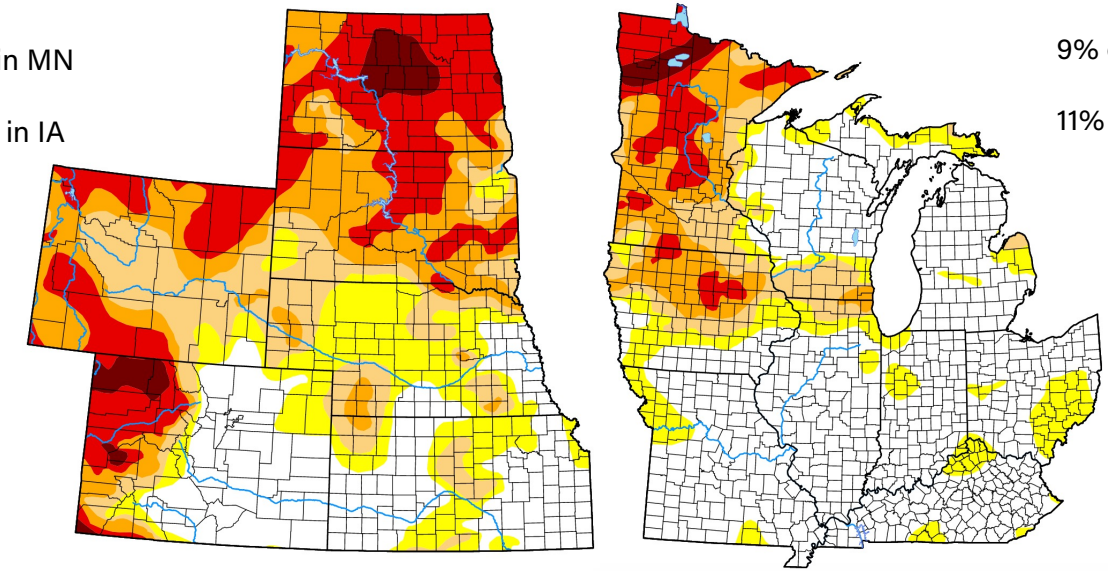
USDA Reduced Yields in ND, SD, & MN…But End of Season Growing Conditions Could Reduce Yields Further

August 12th Drought Monitor

10% of 2021 U.S. Corn Acreage is in ND & SD

9% of Corn Acreage is in MN

14% of Corn Acreage is in IA



15% of 2021 U.S. Soybean Acreage is in ND & SD

9% of Soybean Acreage is in MN

11% of Soybean Acreage is in IA

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Indiana Crop Conditions for Corn
Source: USDA-NASS

Percentage of Corn Ranked Good and Excellent

Week Ending	Indiana 2021	U.S. 2021	Indiana 5-Year Avg	U.S. 5-Year Avg
7/4	73%	64%	60%	69%
7/11	73%	65%	59%	68%
7/18	73%	65%	58%	67%
7/25	73%	64%	58%	67%
8/1	76%	62%	59%	67%
8/8	74%	64%	60%	67%

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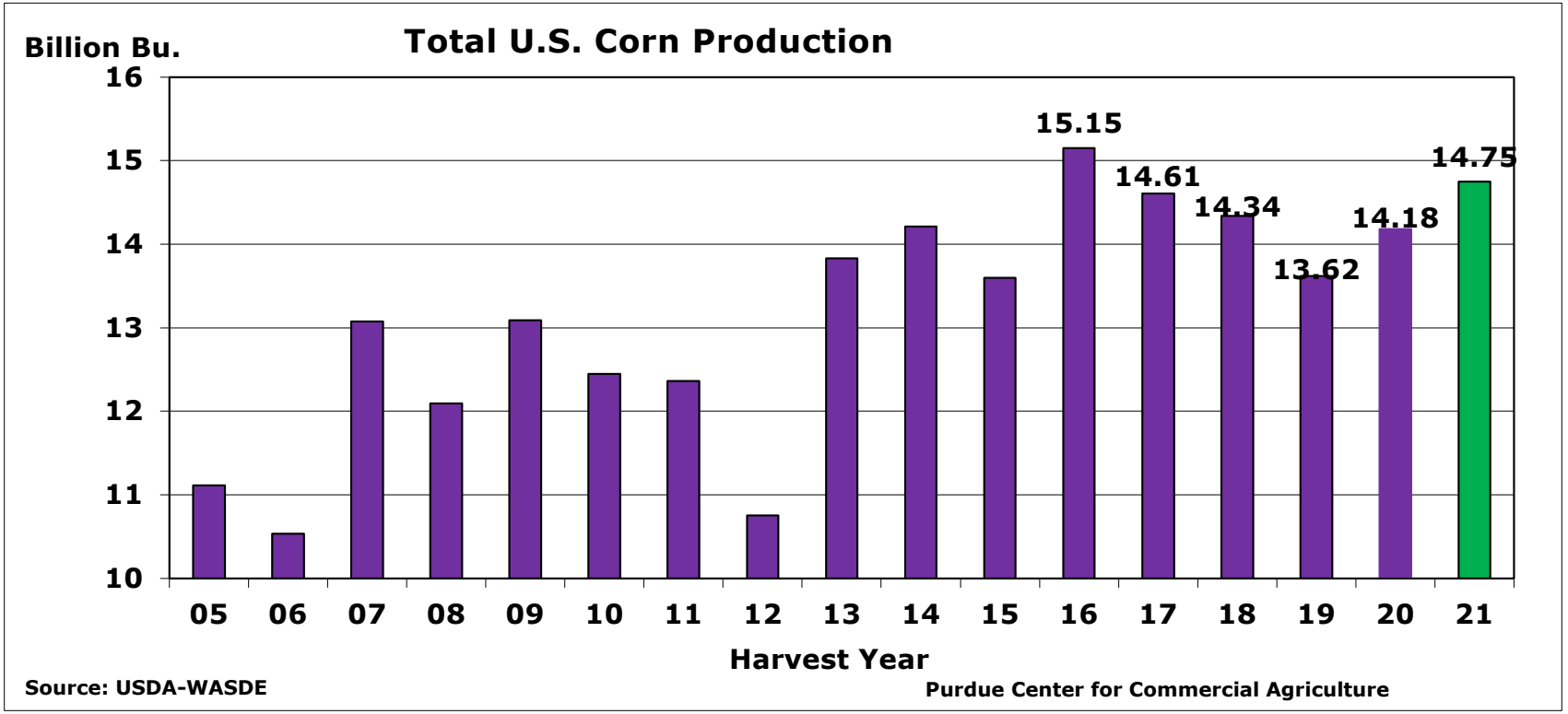
Lower Corn Yield Pulled Production Down 2.7% vs. July Estimate



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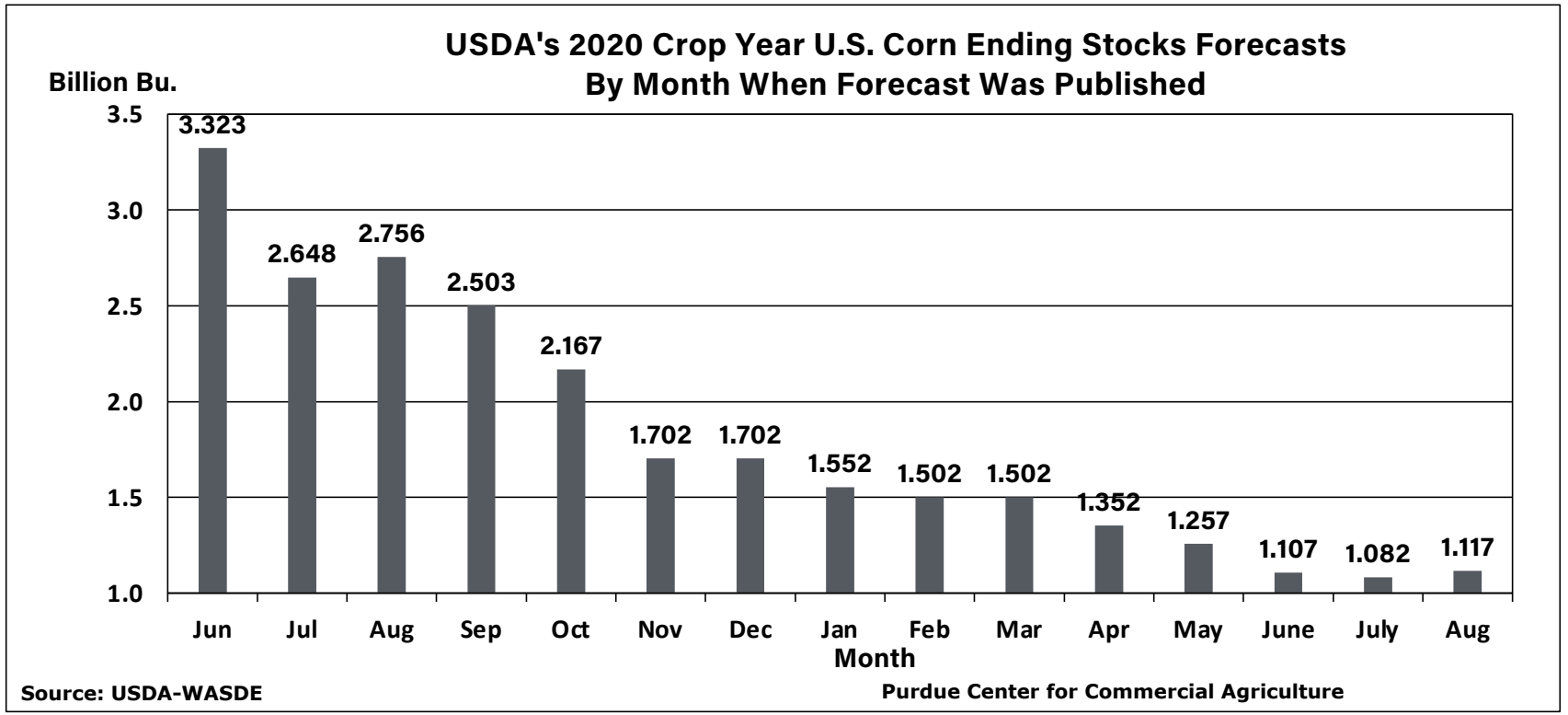
2020 Corn Crop Estimated Ending Stocks Rose Slightly Compared to July Estimate



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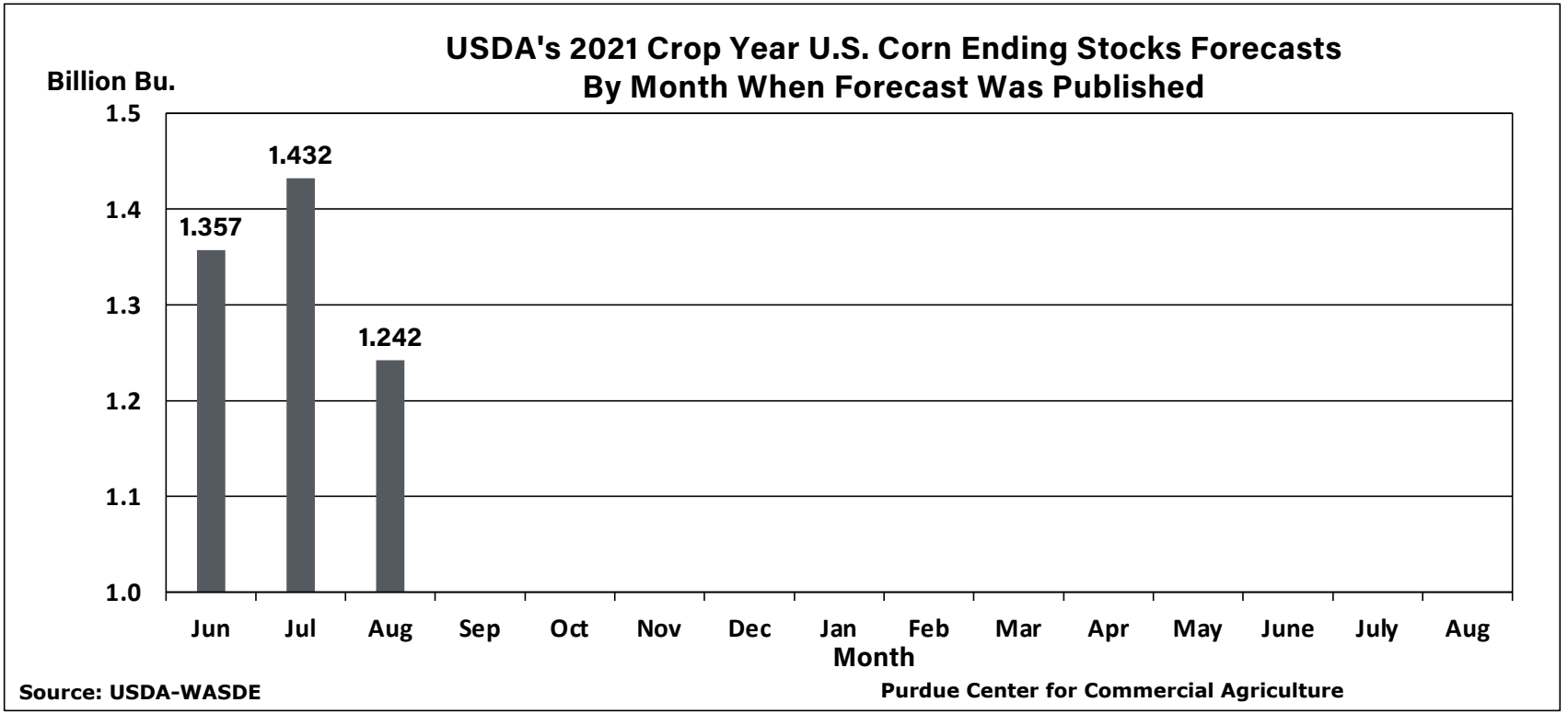
But 2021 Corn Crop Estimated Ending Stocks Reduced by 190 M. Bushels Compared to July Forecast



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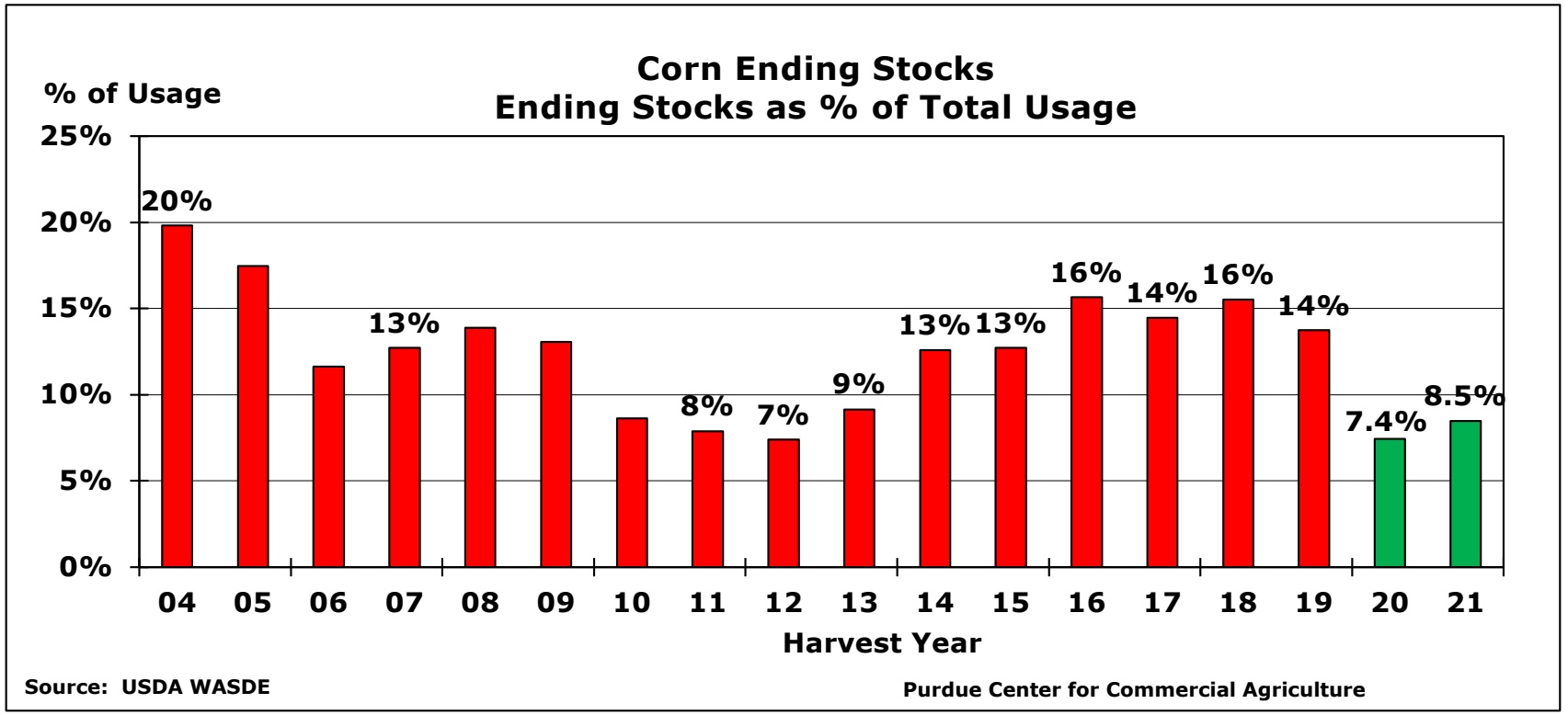
USDA Reduced Projected 2021 Ending Stocks By 190 Million Bushels Tightening the Supply/Demand Balance



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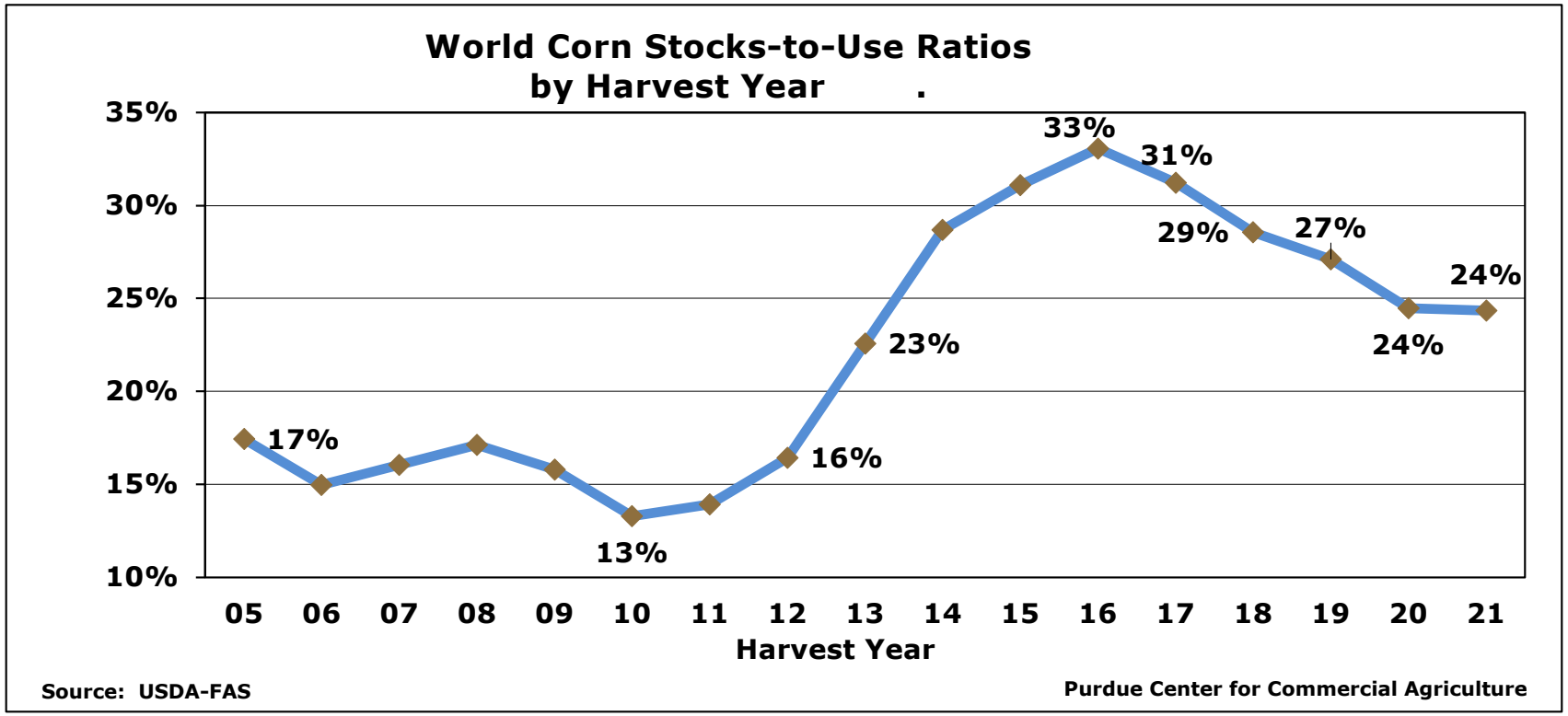
USDA's 2021 World Stock-to-Use Ratio Tightens Again, Down 1% vs. Last Month



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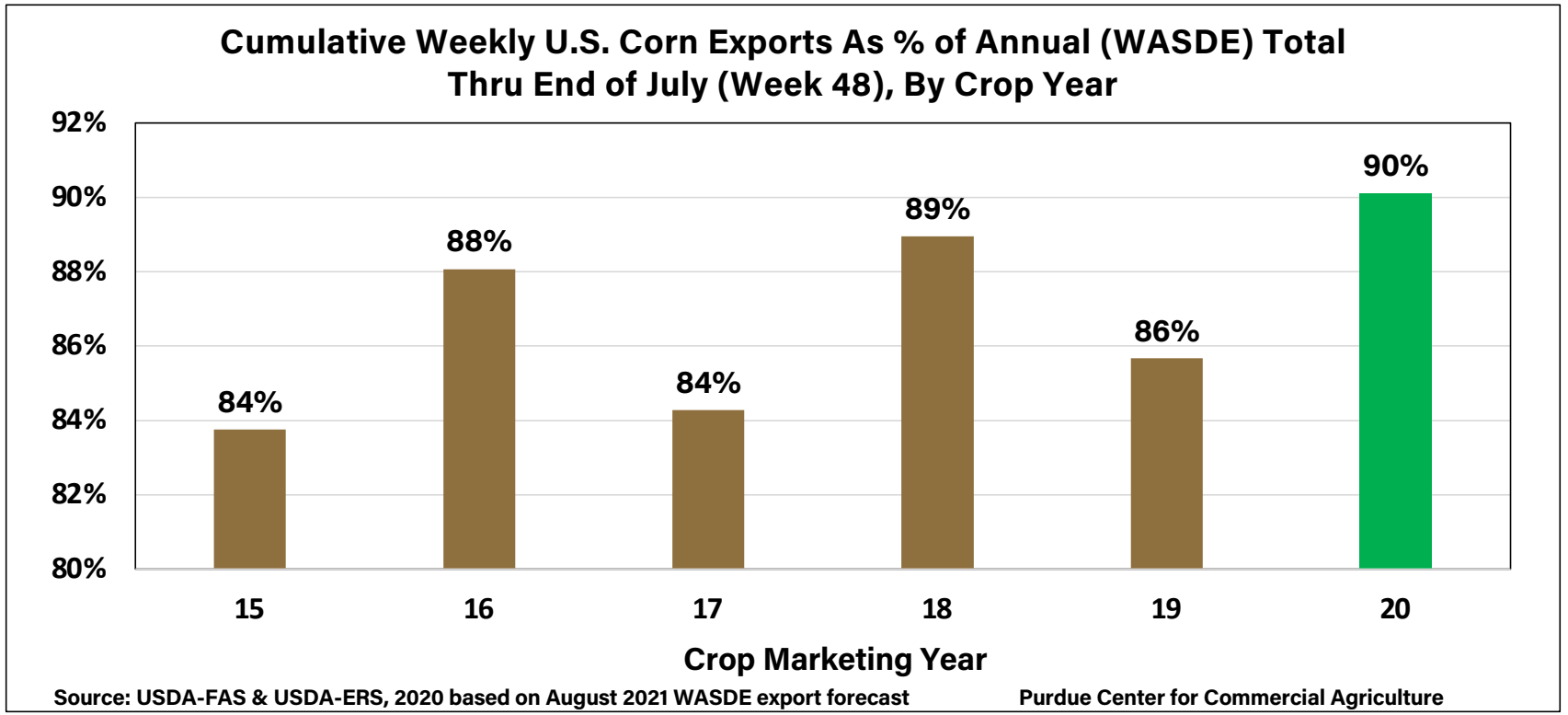
2020 Crop Corn Exports on Track to Meet USDA's Corn Export Projection



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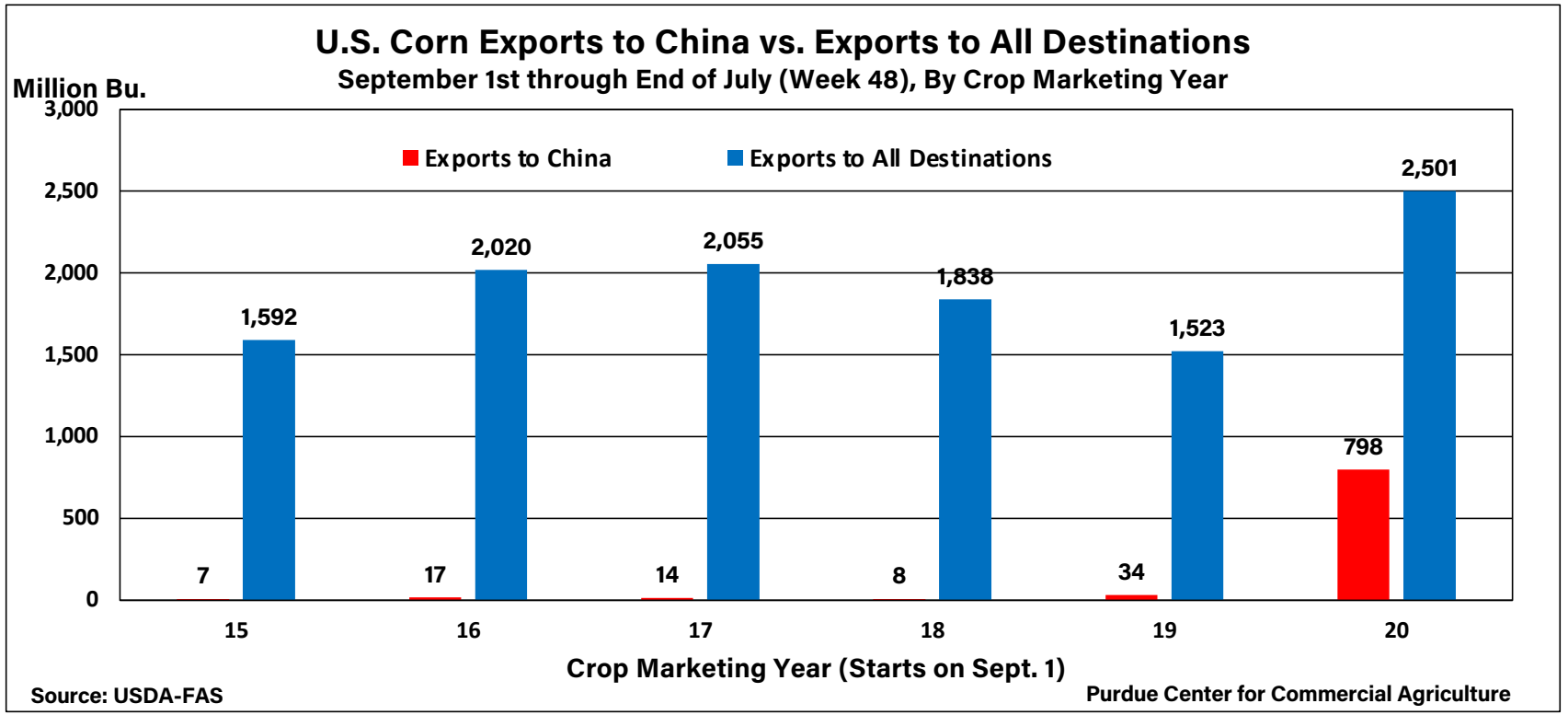
Total Corn Exports Up 64% This Year, Rise in Exports to China Accounts for 78% of Increase



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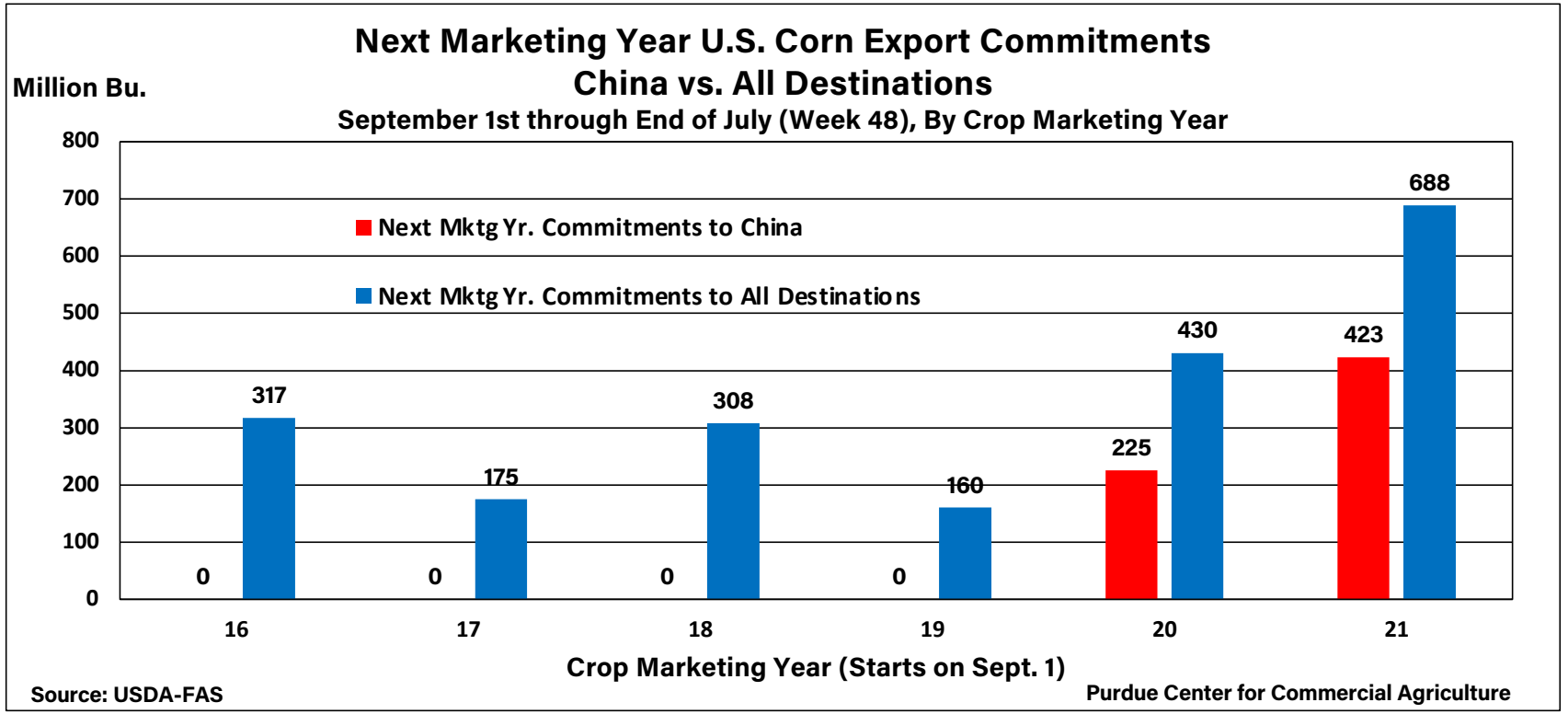
China's Next Marketing Year Purchases Up Nearly 200 Million Bushels Compared to Last Year
China's Purchases Account for 77% of The Increase in 2021 vs. 2020



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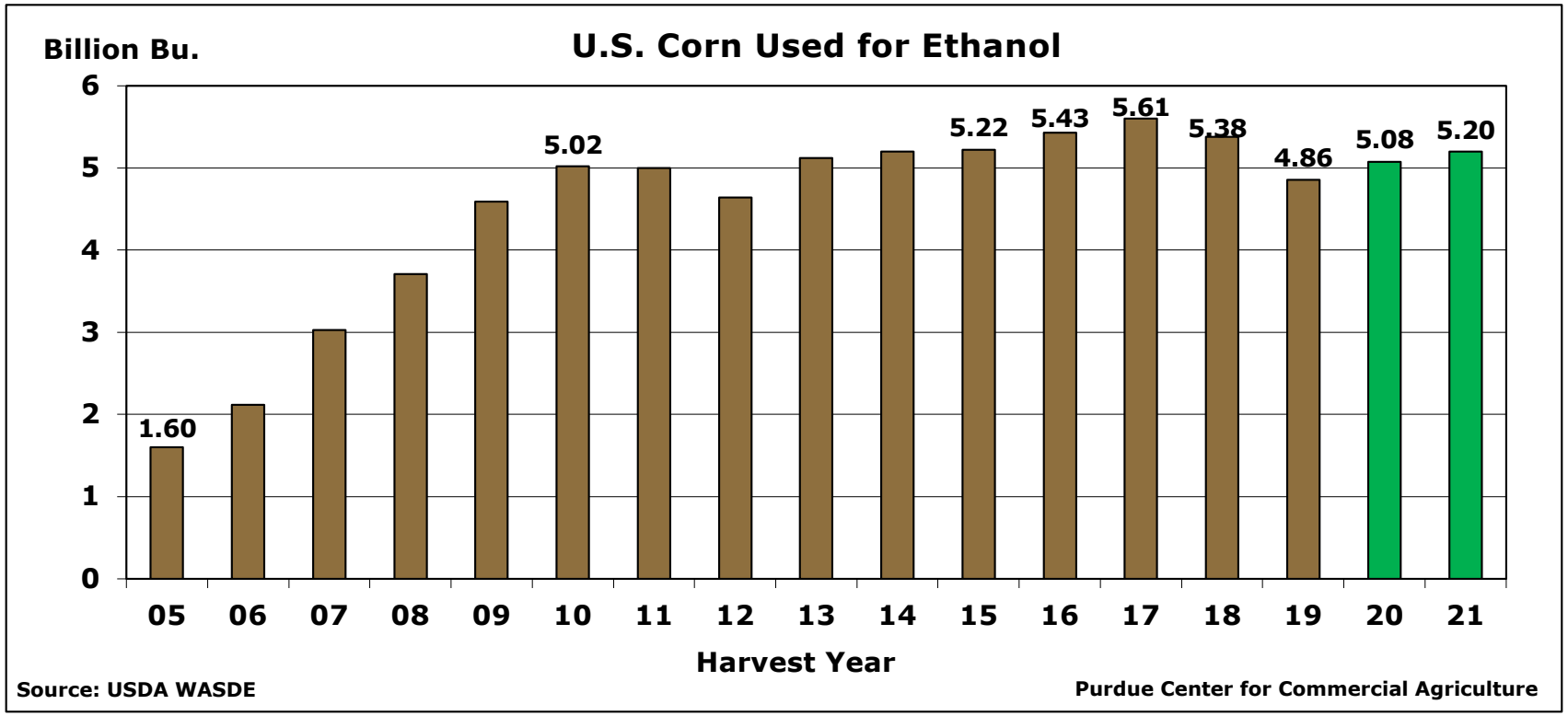
USDA Forecasts A Modest Recovery In Ethanol Usage in the 2021 Crop Year



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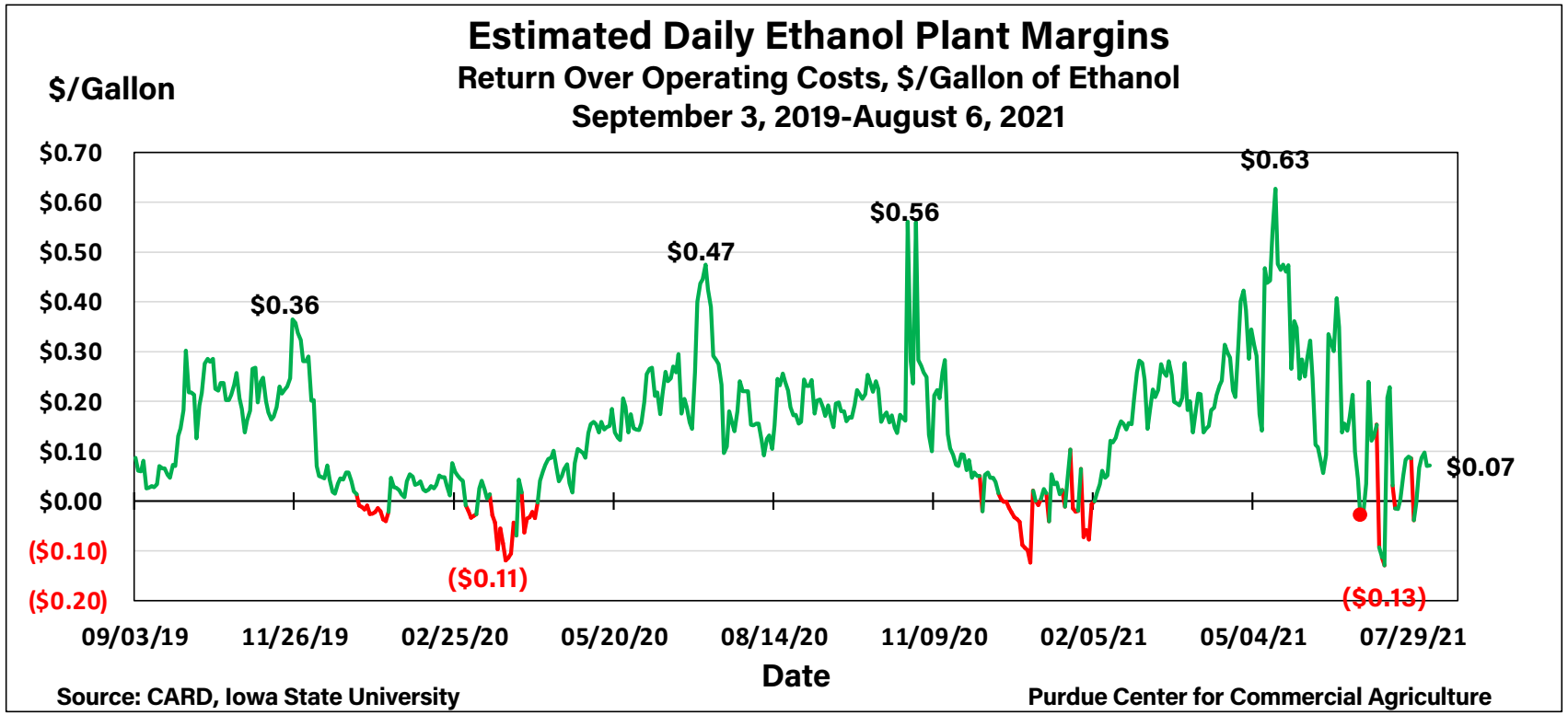
Ethanol Margins Tightened Over The Summer



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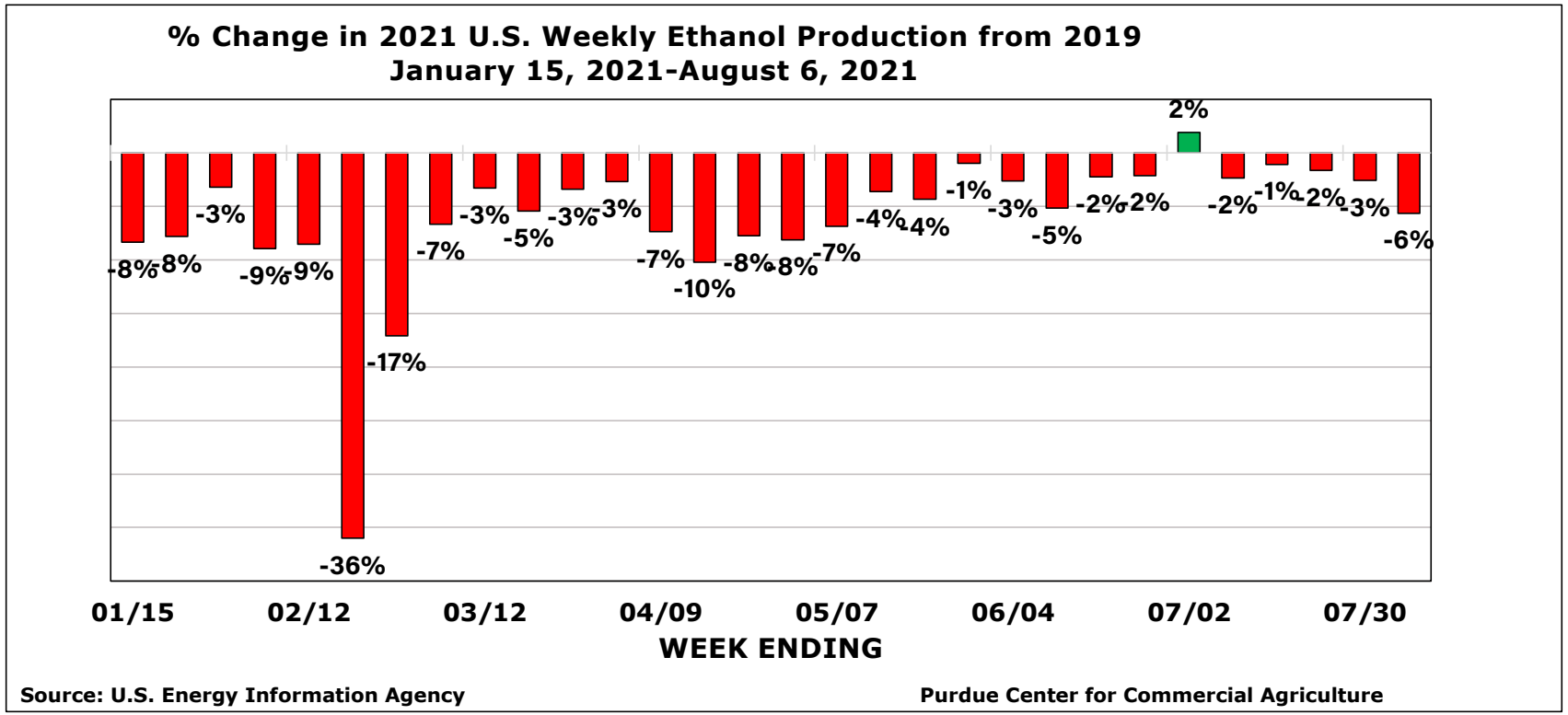
After Briefly Rising Above 2019, Ethanol Production Has Again Fallen Below 2019 Levels



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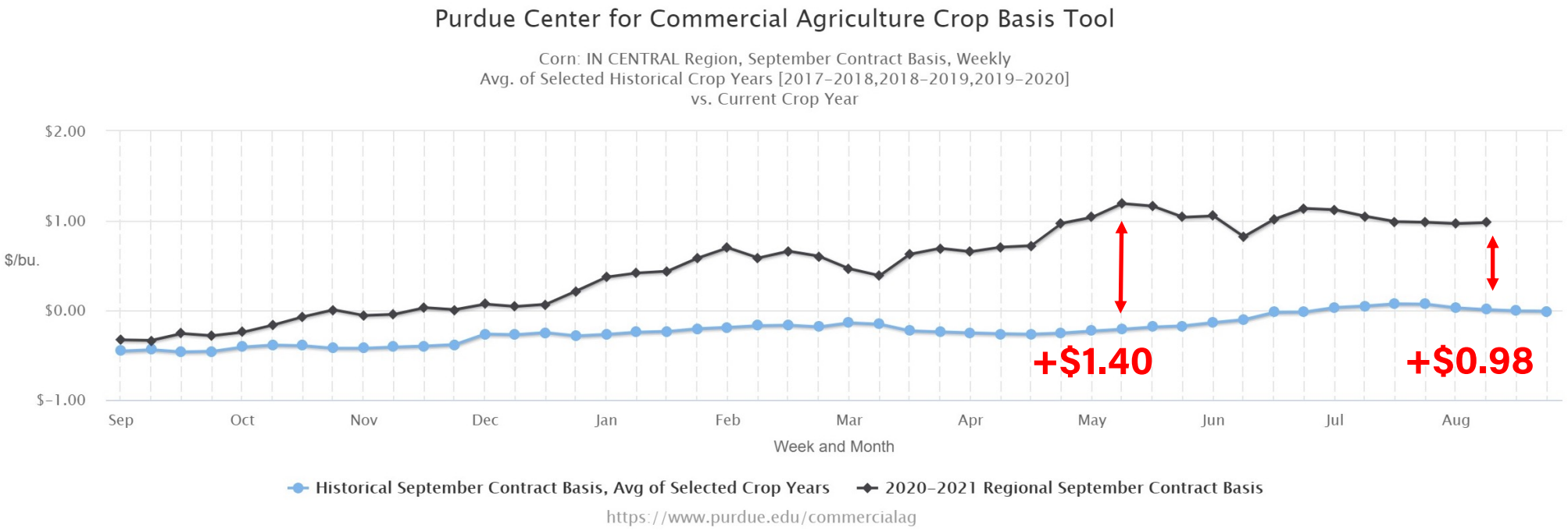
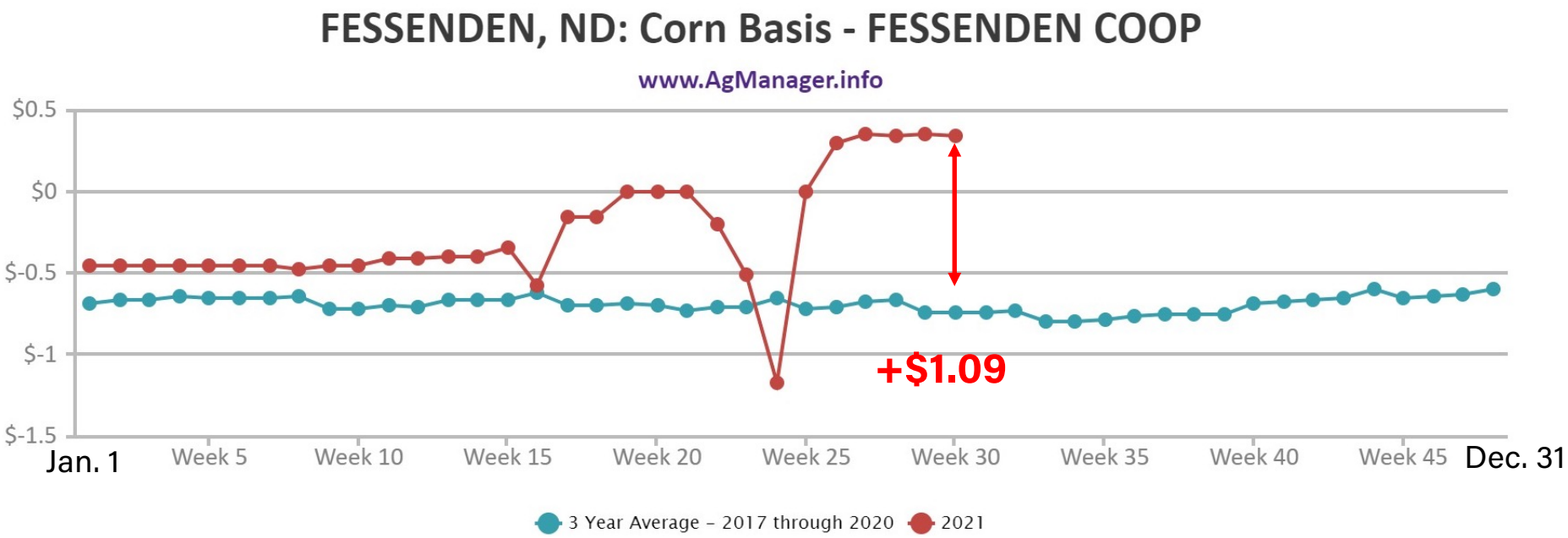
Corn basis – Central Indiana – 3 year average – September Corn Futures

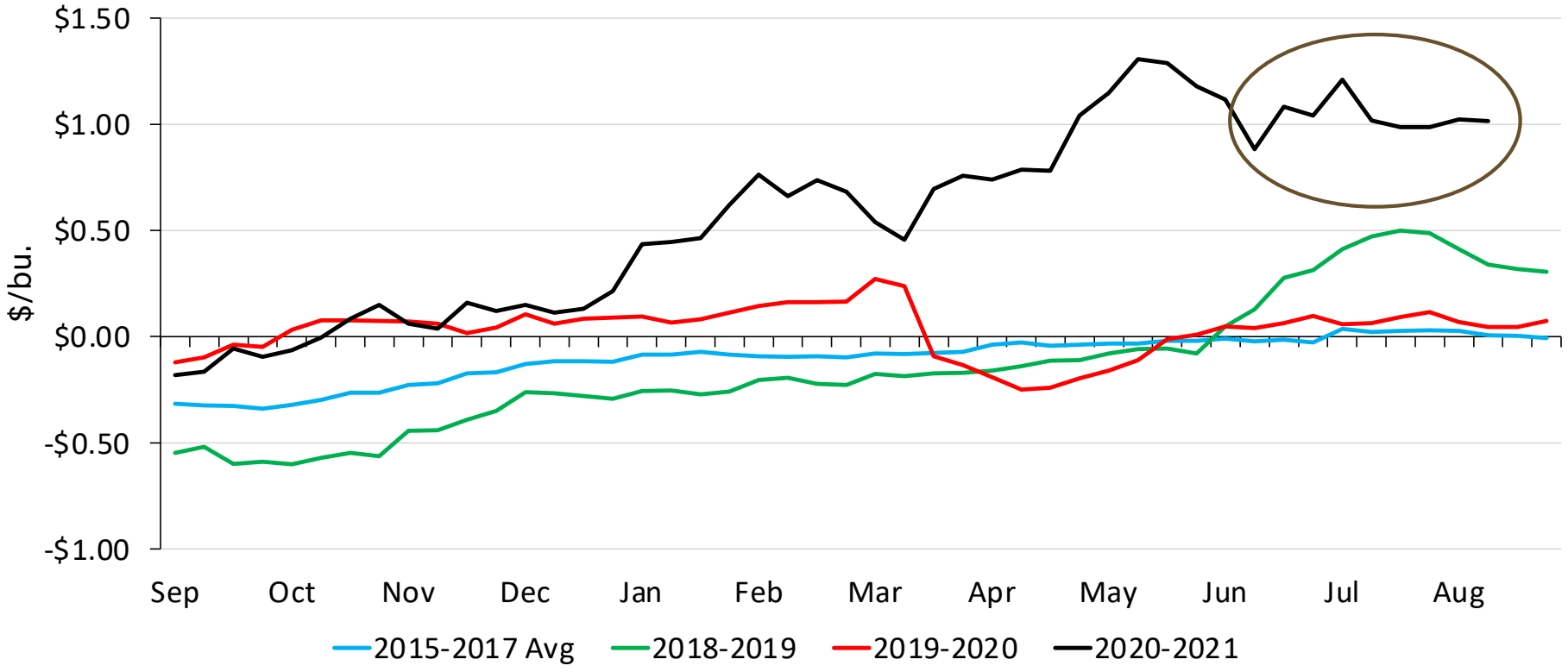


Corn basis – North Dakota – 3 year average – Nearby Corn Futures



Source: Kansas State University Interactive Crop Basis Tool

Indiana ethanol plant basis – September Corn Futures



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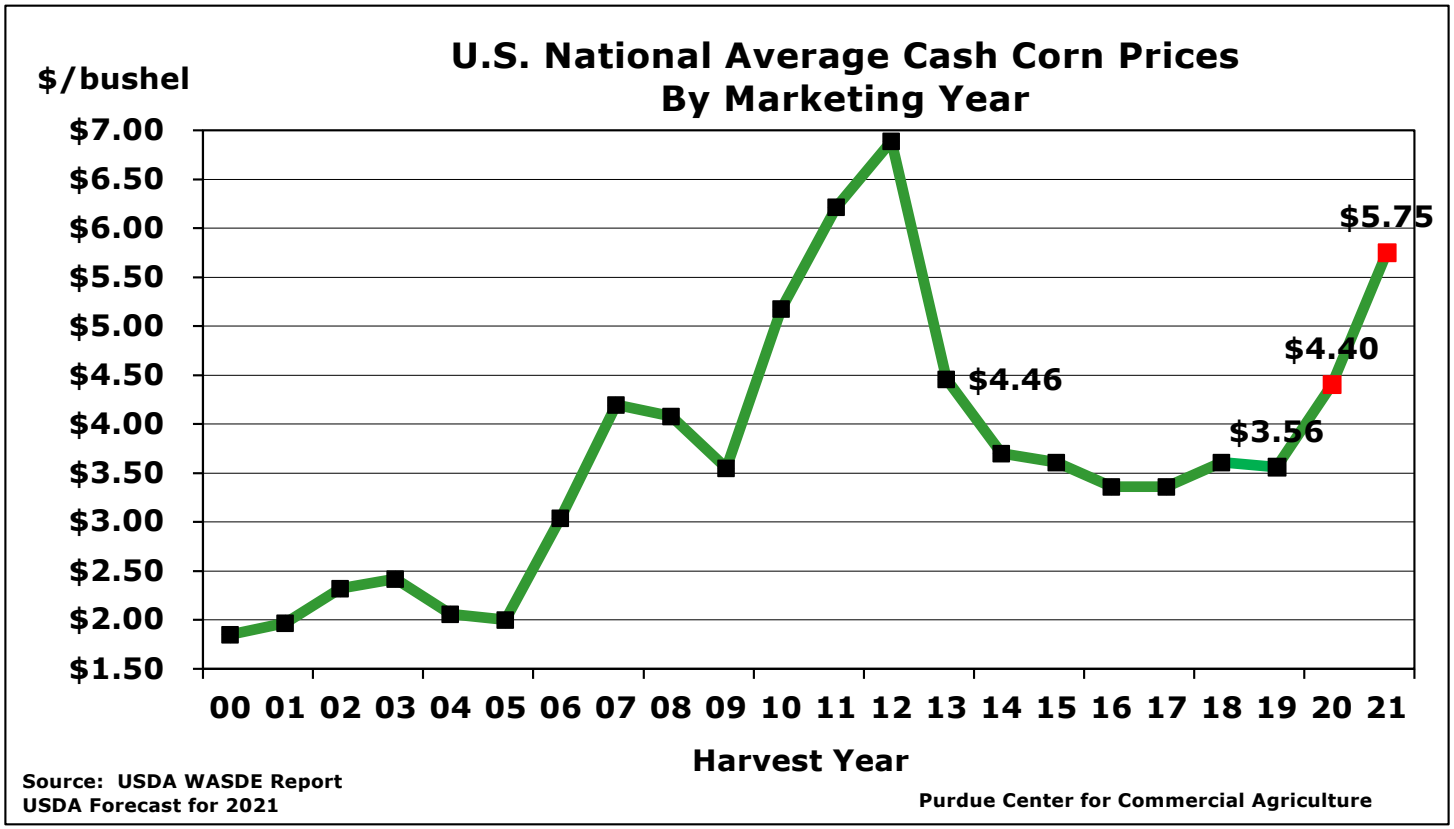
New crop corn opportunities?

CBOT Dec. '21 Corn futures	$5.77
Expected corn basis October '21 in Central IN	-$0.15
Expected harvest cash price	$5.62/bu.

- Think in terms of risk management
- How can you protect favorable price opportunities while leaving open upside potential?

USDA Raised its 2021 MYA Price Forecast, But Still Slightly Above Forward Contract Bids



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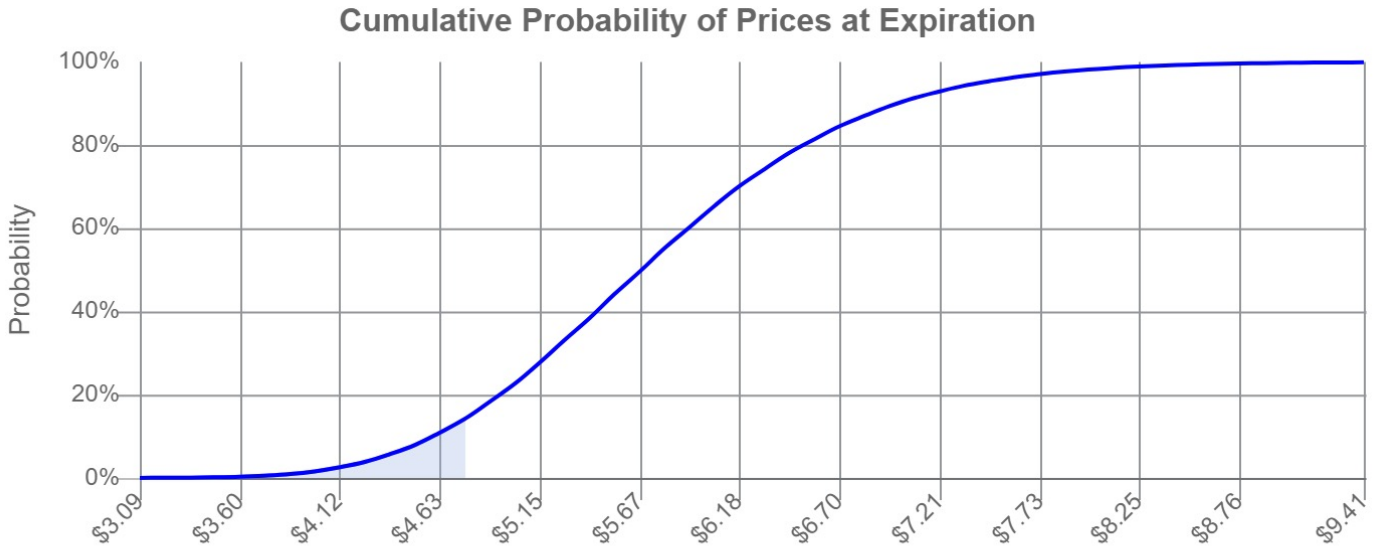
New crop December '21 corn futures

farmdoc Price Discovery Tool: Dec. '21 Corn Futures

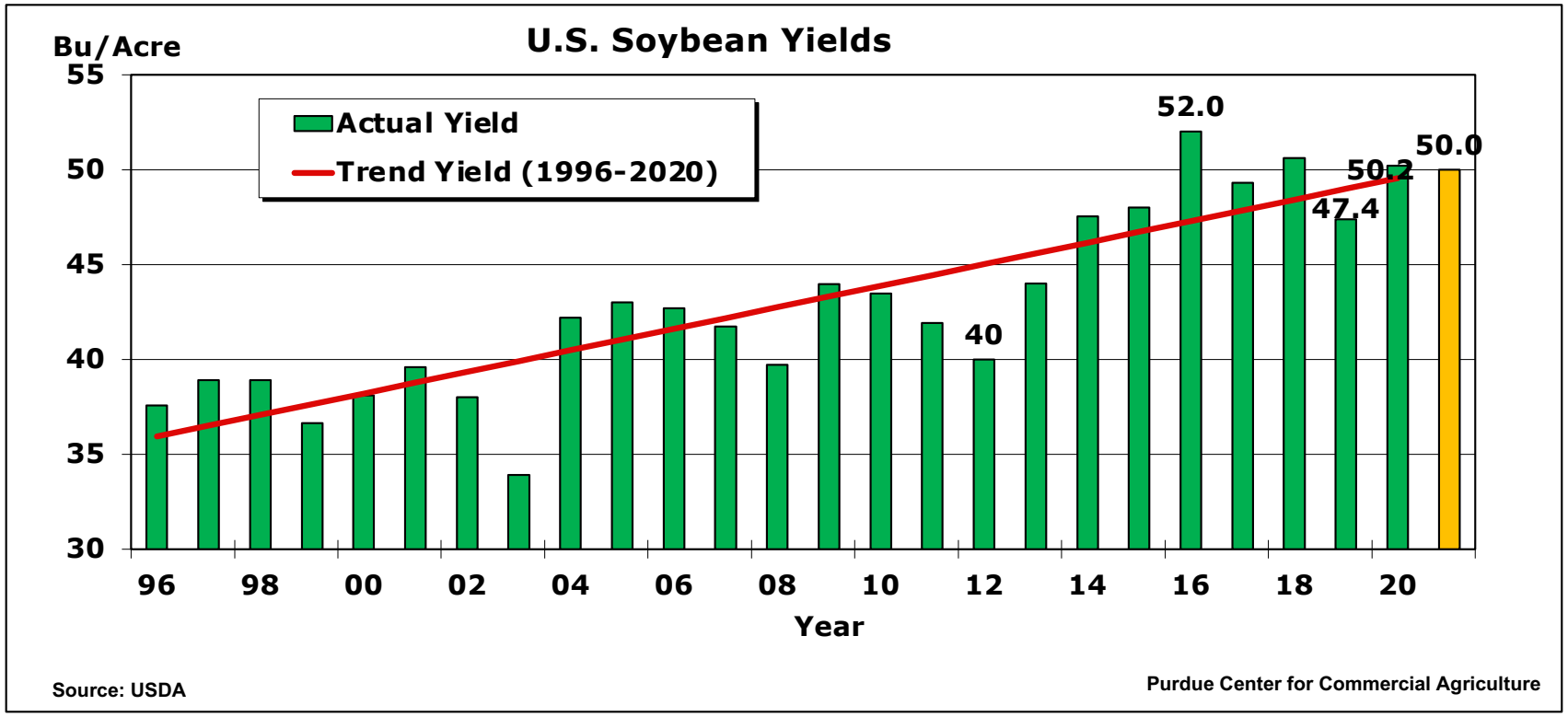


Price at Expiration	Probability Below
$4.75	13.88%
$5.00	22.00%
$5.25	31.77%
$5.50	42.47%
$5.75	53.26%
$6.00	63.38%
$6.25	72.29%
$6.50	79.71%
$6.75	85.59%

Source: https://fd-tools.ncsa.illinois.edu/pricedistribution

14% chance that Dec. '21 corn futures decline another $1 between now and expiration.

USDA 's Soybean Yield Just Slightly Below Average Trade Estimate



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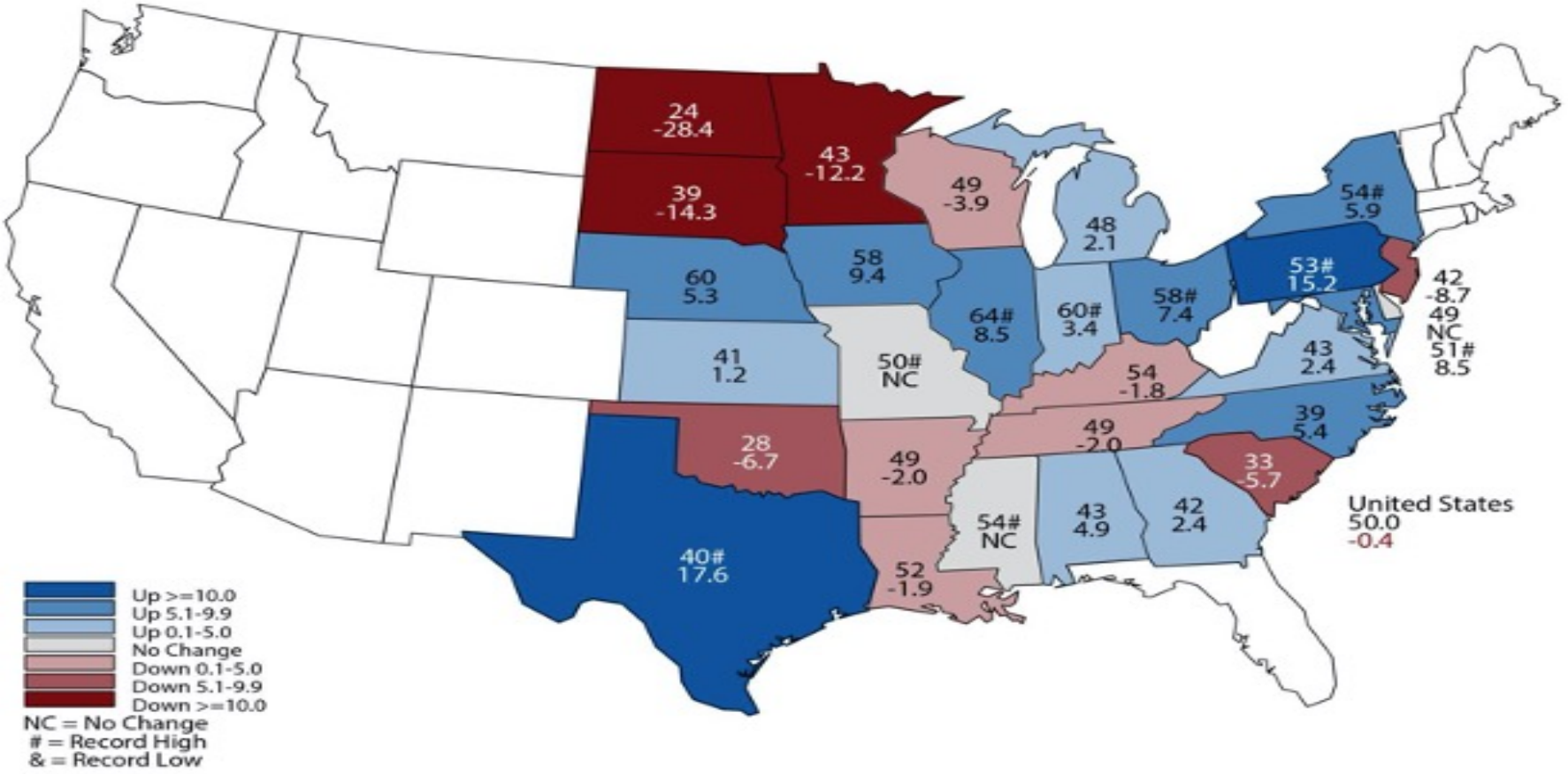
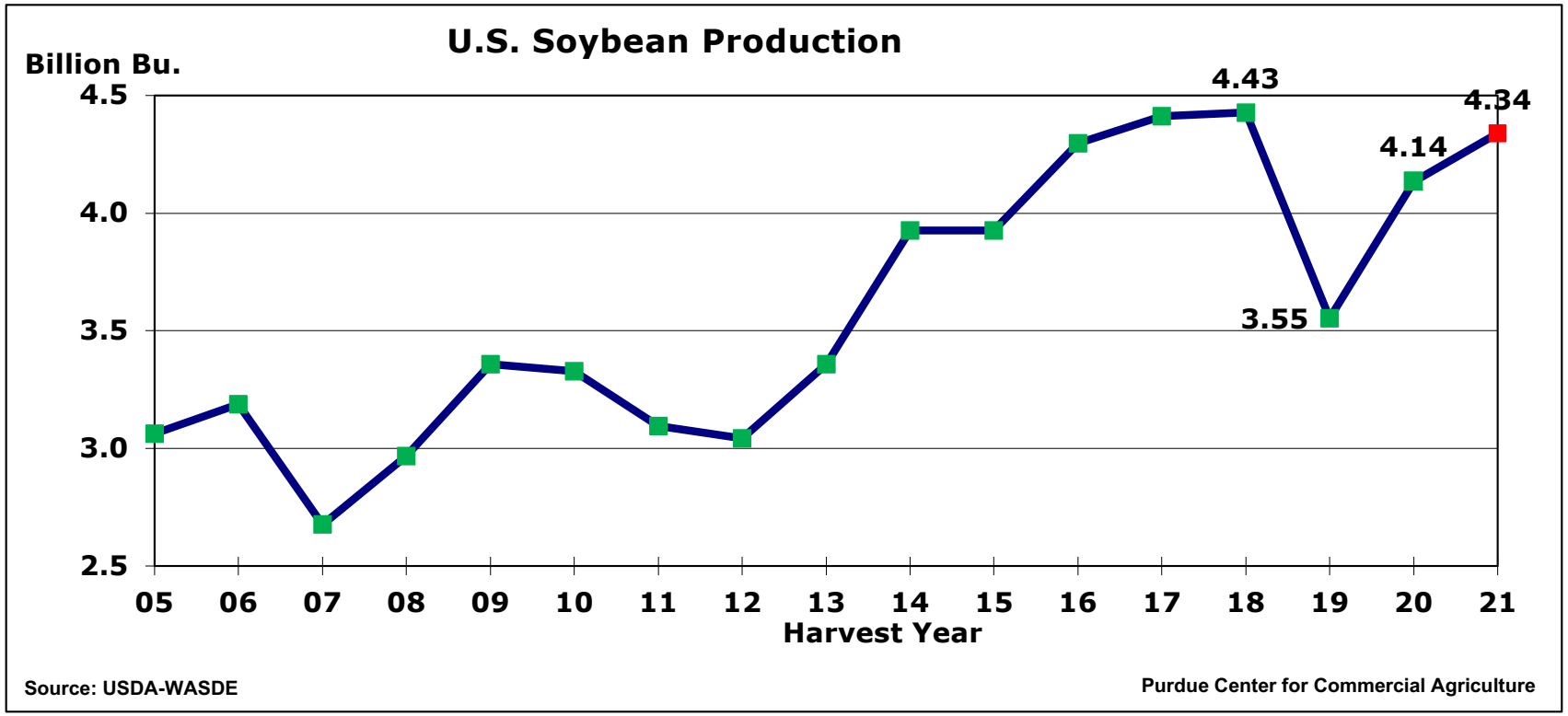
August 2021 Soybean Yield

Bushels and Percent Change from Previous Year



USDA 's Estimate Was Very Close To Trade's Pre-Report Estimate



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Indiana Crop Conditions for Soybeans
Source: USDA-NASS

Percentage of Soybeans Ranked Good and Excellent

Week Ending	Indiana 2021	U.S. 2021	Indiana 5 Year Avg	U.S. 5-Year Avg
7/4	70%	59%	59%	66%
7/11	70%	59%	58%	65%
7/18	69%	60%	57%	64%
7/25	68%	58%	57%	66%
8/1	72%	60%	59%	66%
8/8	70%	60%	60%	65%

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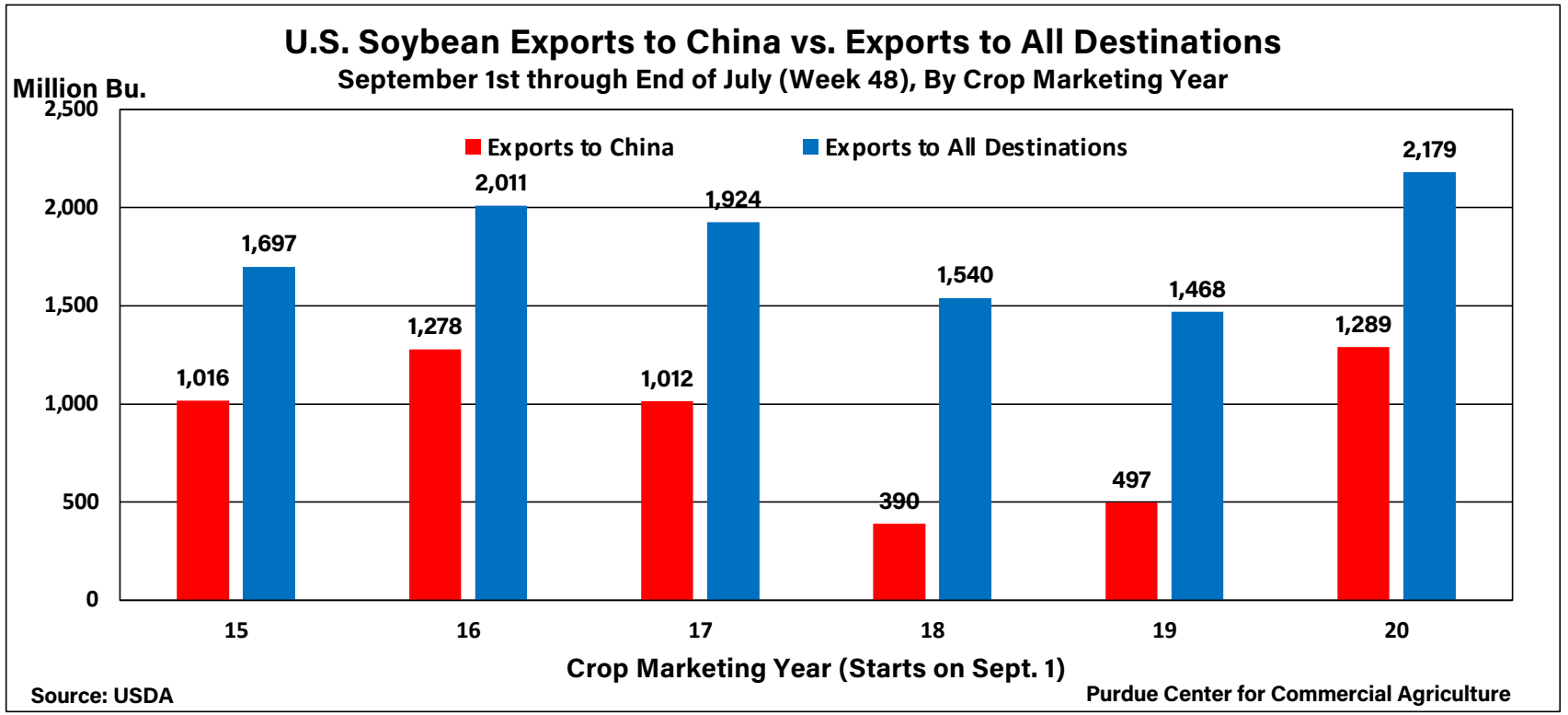
Soybean Exports Were Very Slow This Summer…Leading USDA to Reduce Export Projection



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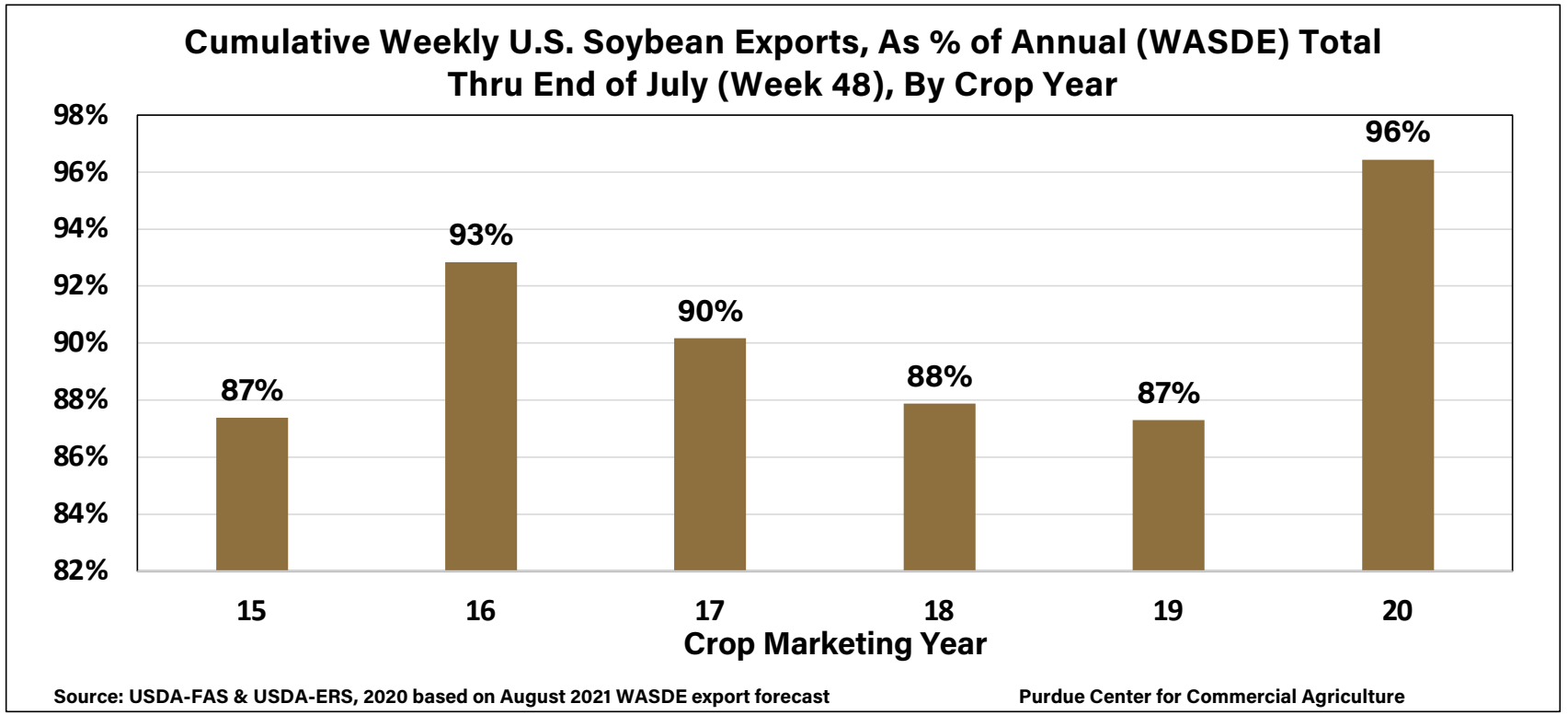
YTD Weekly Soybean Export Total Equals 96% of USDA's Revised August WASDE Forecast



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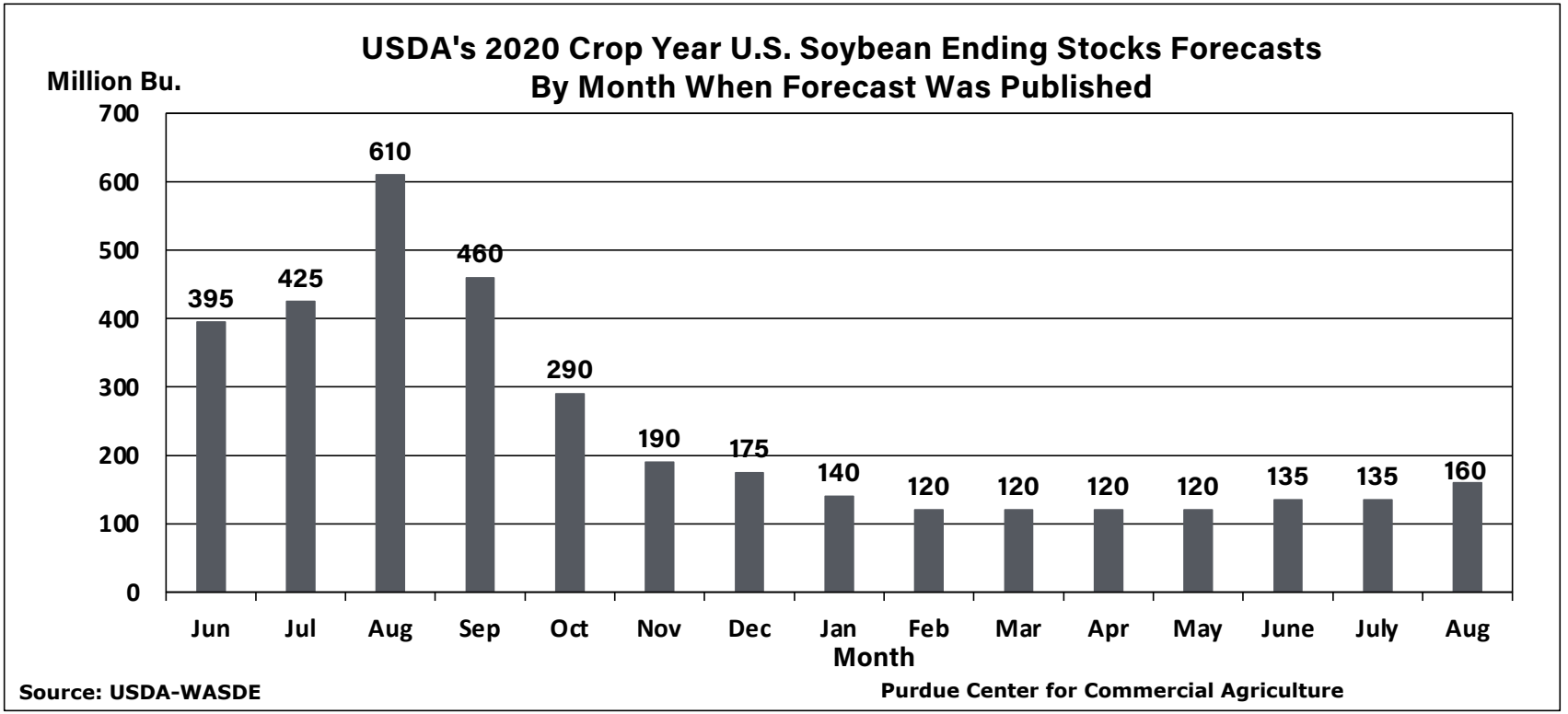
2020 Projected Ending Stocks Have Been Increasing Since May, Up 25 M. Bushels This Month



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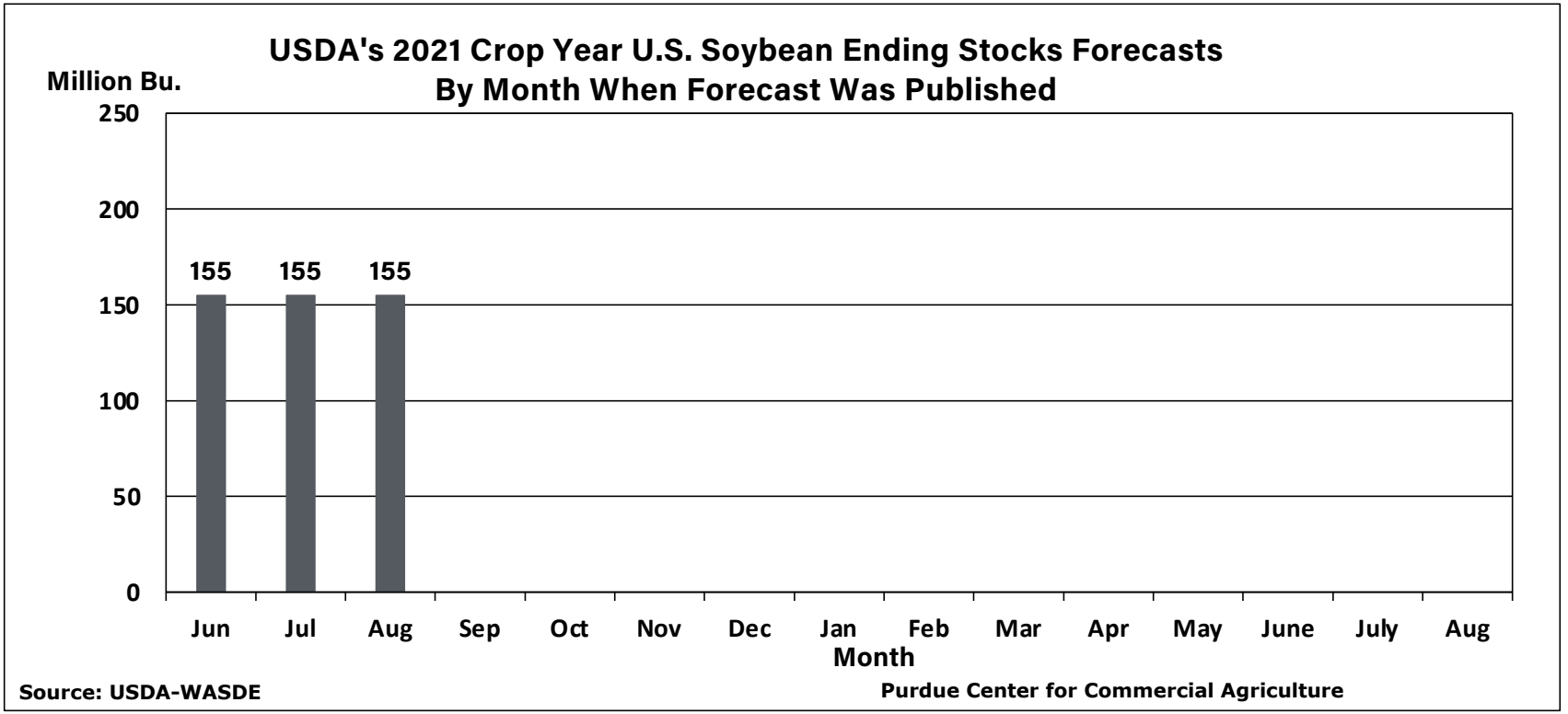
No Change in Ending Stocks Forecast for 2021 Marketing Year



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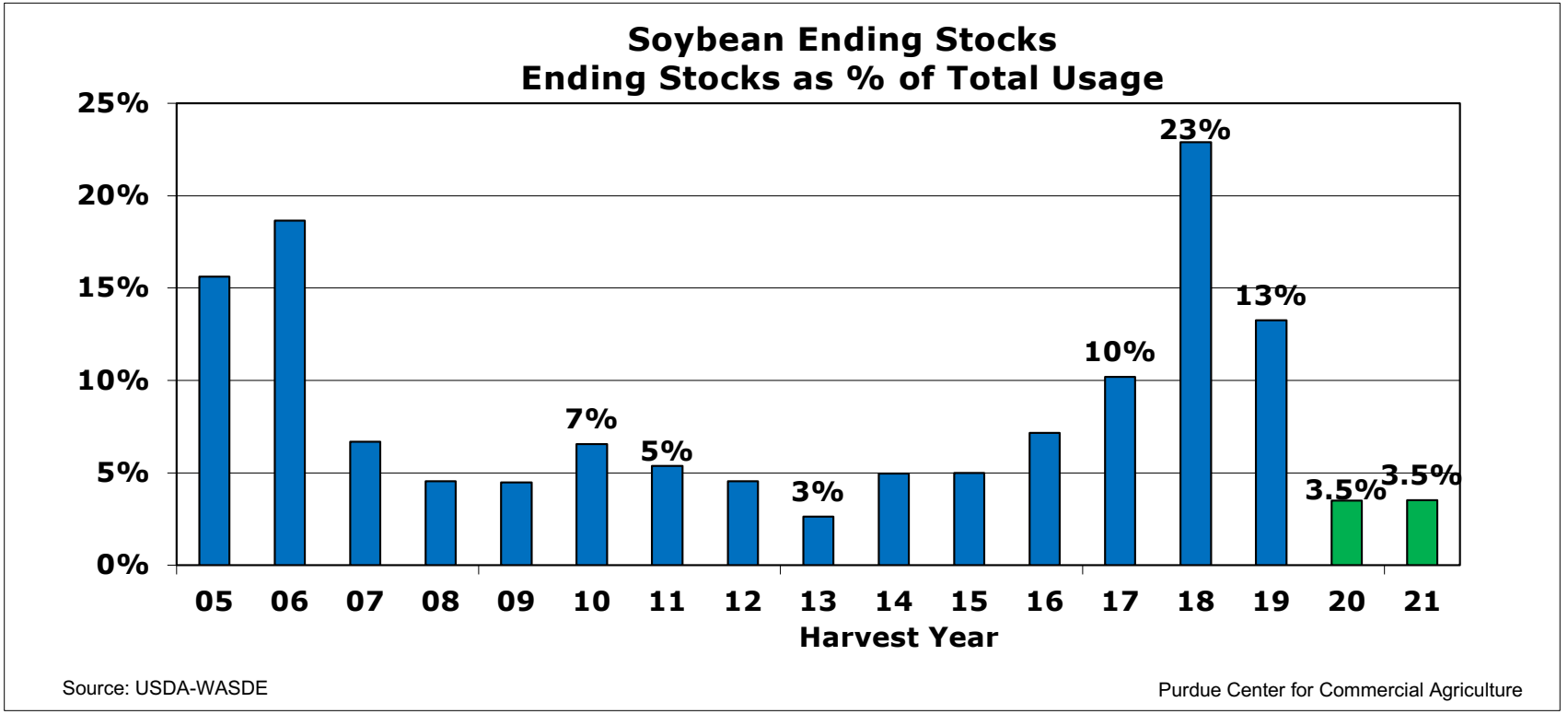
Small Increase in 2020 Carryover vs. Last Month, But 2021 Stocks Expected To Remain Tight By Historical Standards



Source: USDA-WASDE

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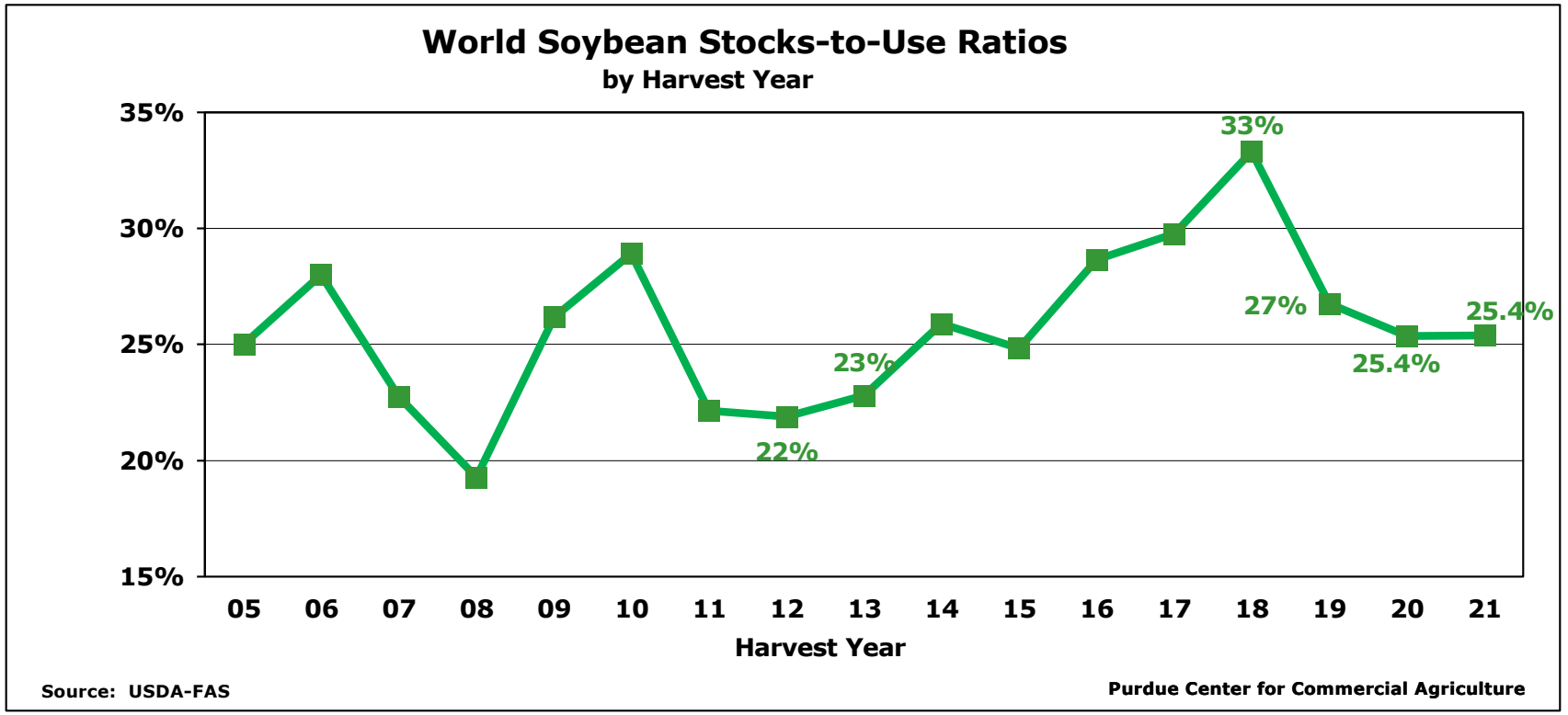
No Change in World Soybean Stocks Expected for 2021 Marketing Year



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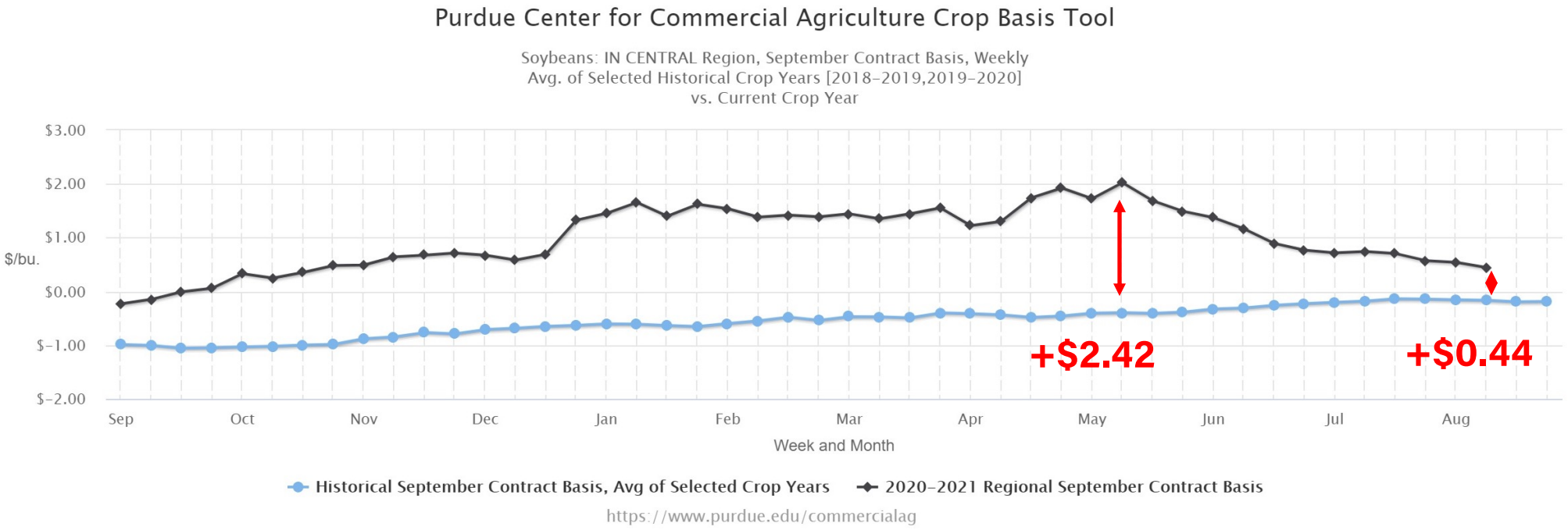
Soybean basis -Central Indiana – 2 year average – September Soybean Futures



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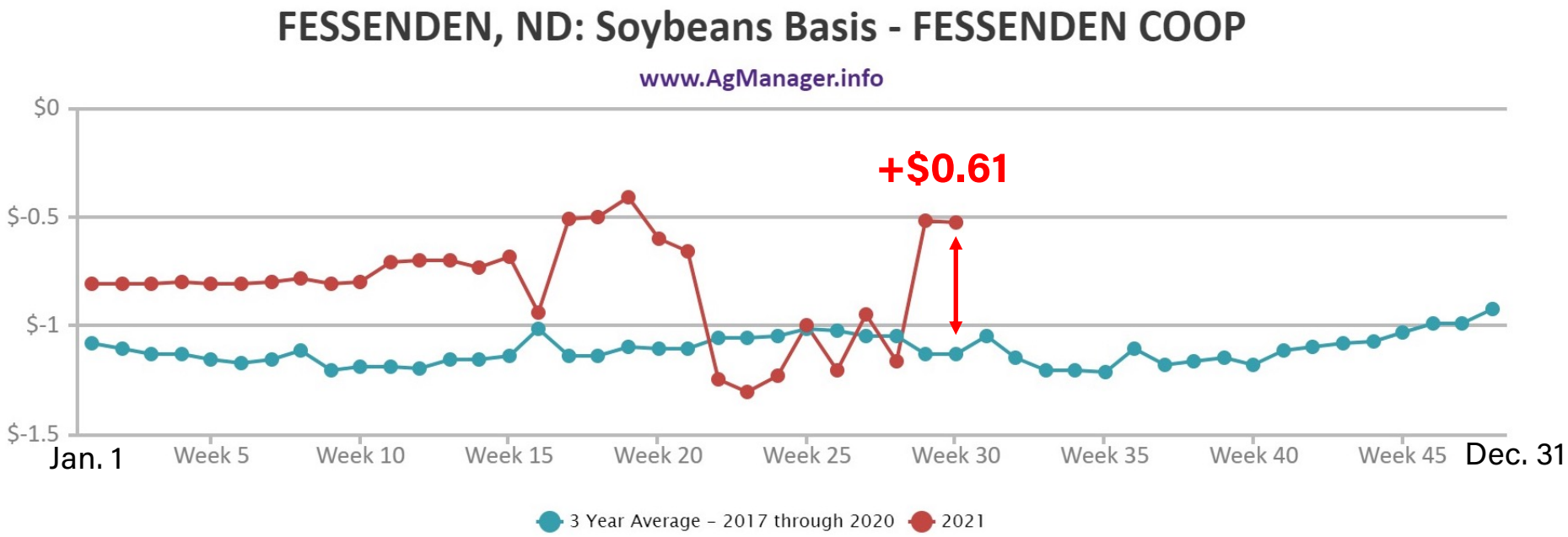
Soybean basis – North Dakota – 3 year average – Nearby Soybean Futures



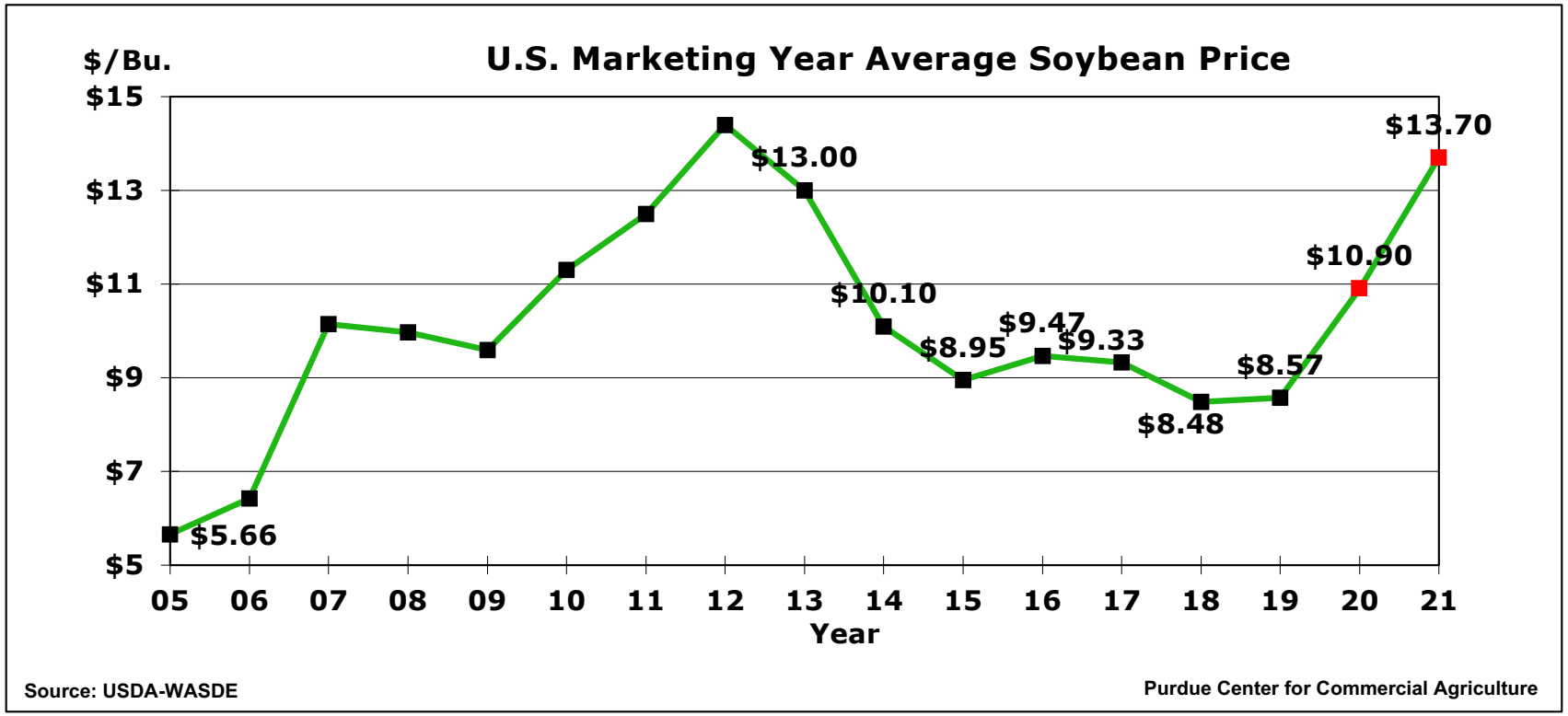
Source: Kansas State University Interactive Crop Basis Tool

New crop soybean opportunities?

CBOT Nov. '21 Soybean futures	$13.52
Expected soybean basis October '21 in Central IN	-$0.30
Expected harvest cash price	$13.22/bu.

- Think in terms of risk management
- How can you protect favorable price opportunities while leaving open upside potential?

Forward Contract Bids Are Below USDA's 2021 MYA Price Forecast



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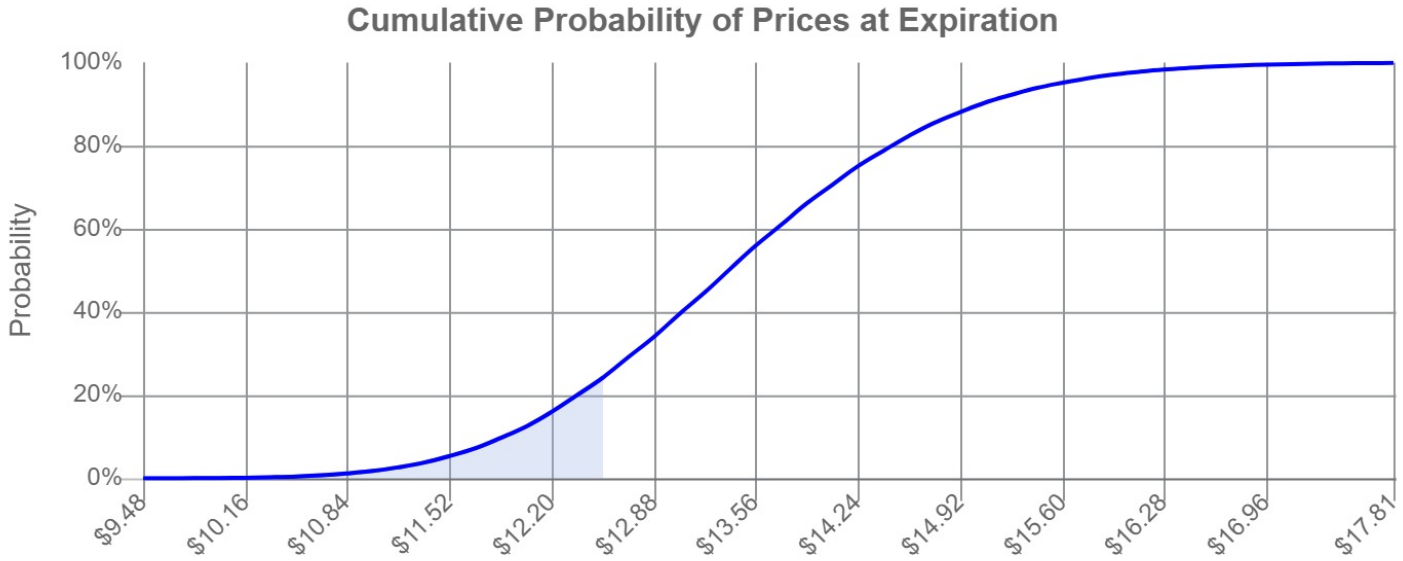
New crop November '21 soybean futures

farmdoc Price Discovery Tool: Nov. '21 Soybean Futures

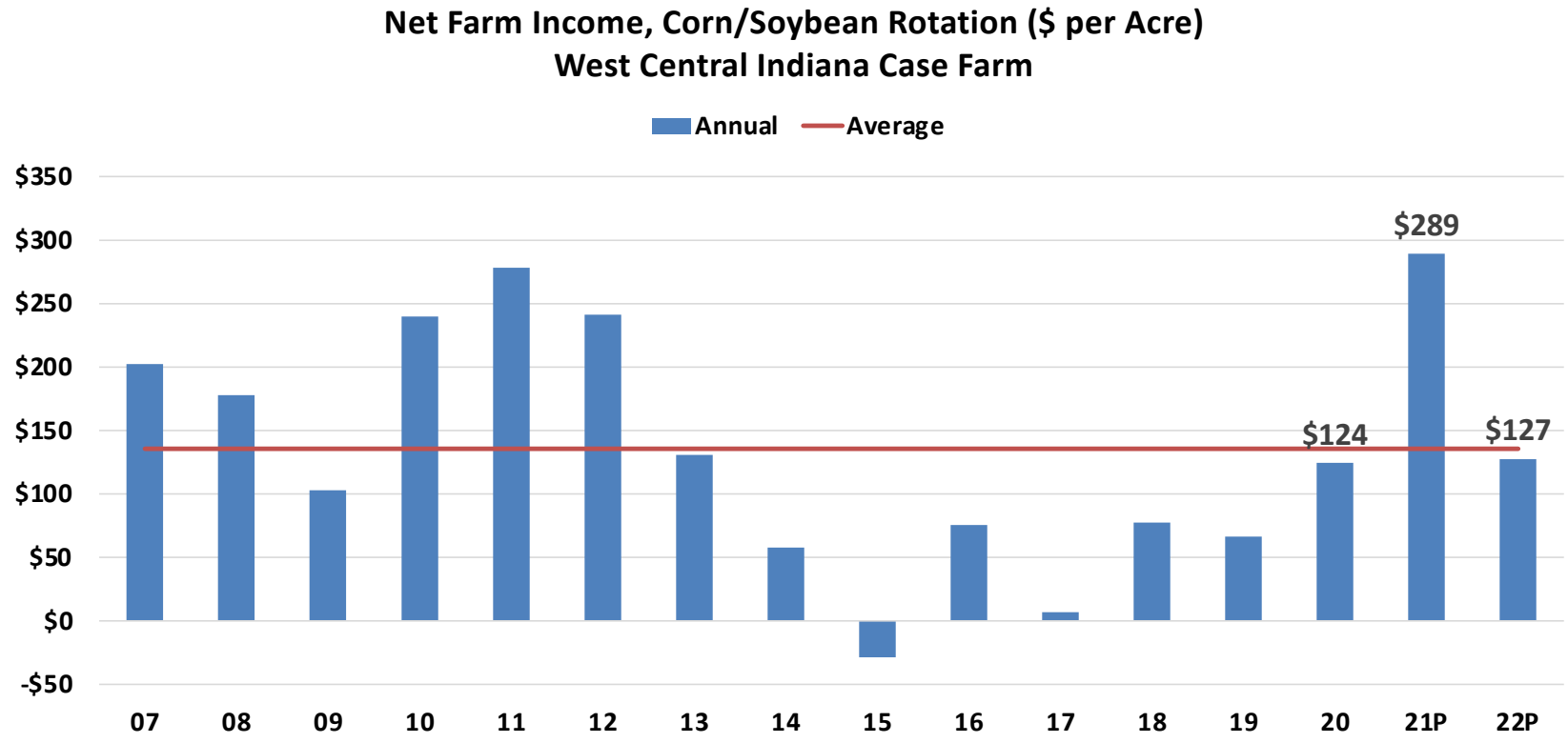


Source: https://fd-tools.ncsa.illinois.edu/pricedistribution

Price at Expiration	Probability Below
$12.50	23.23%
$12.75	30.24%
$13.00	37.91%
$13.25	45.94%
$13.50	53.98%
$13.75	61.72%
$14.00	68.89%
$14.25	75.30%
$14.50	80.84%

24% chance that Nov. '21 soybean futures decline another $1 between now and expiration.

Net Farm Income per Acre in 2021 is Projected to be Substantially Higher than the Average Since 2007



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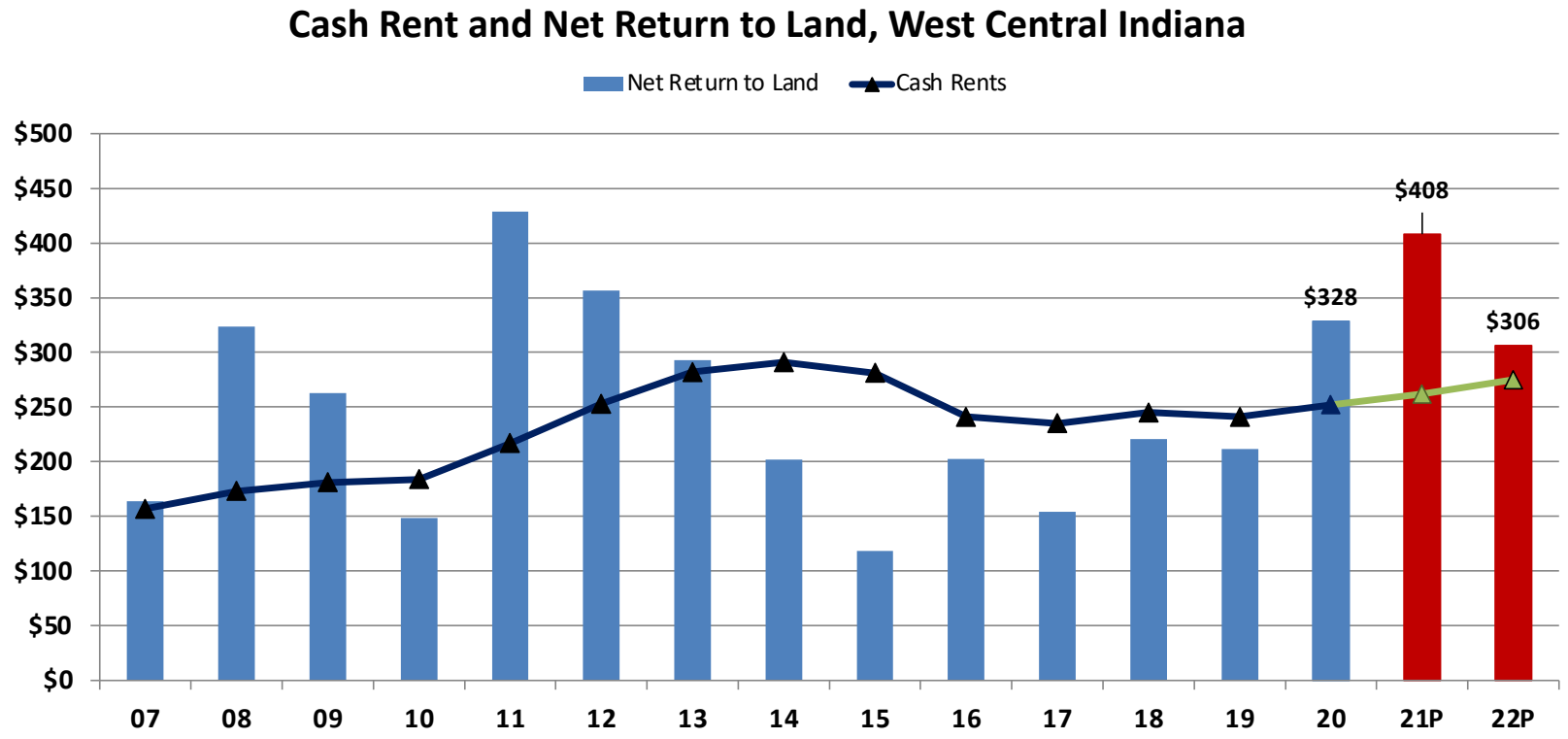
Strong Upward Pressure on Cash Rents



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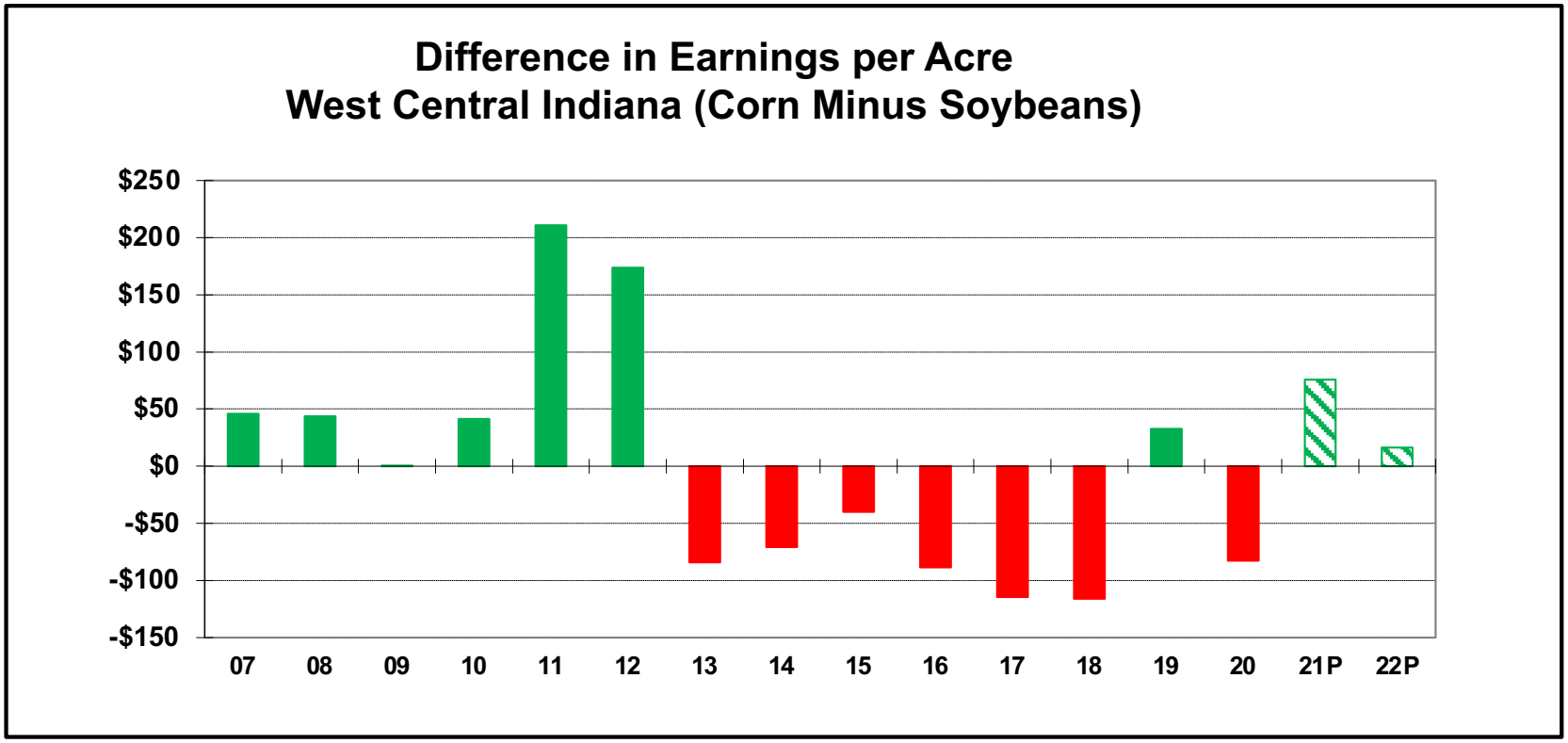
Net Return Prospects for Corn and Soybeans for 2021 and 2022 are Similar
August 2021 Projections



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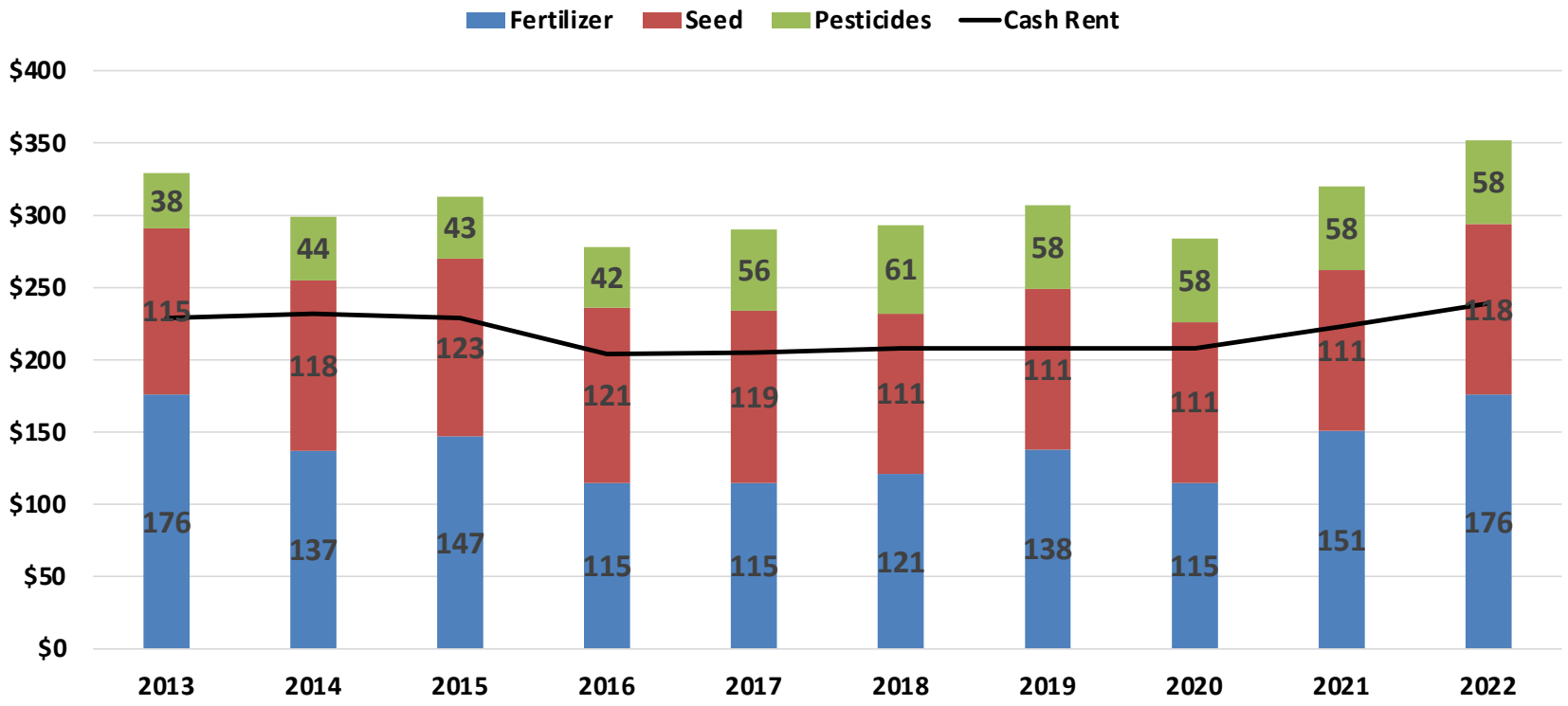
Fertilizer, Seed, Pesticide, and Cash Rent Cost per Acre Rotation Corn on Average Productivity Soil in Indiana



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What is my Cost of Production?

Cost Category	Rotation Corn High Productivity Soil	Rotation Soybeans High Productivity Soil
Land (Fixed)	$1.33	$4.38
Fertilizer (Variable)	$0.88	$1.43
Machinery (Variable + Fixed)	$0.57	$1.69
Seed (Variable)	$0.55	$1.09
Pesticides (Variable)	$0.27	$0.77
Labor (Fixed)	$0.18	$0.60
Sub-Total	$3.79	$9.97
Total Cost per Bushel	$4.32	$10.74

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IINDIANA FARMLAND & CASH RENT VALUES WEBINAR:

FRIDAY, AUGUST 20, 2021 @ 12:30 P.M.

MONTHLY OUTLOOK

PURDUE CENTER FOR COMMERCIAL AGRICULTURE

NEXT OUTLOOK WEBINAR:

Monday, September 13, 2021, 12:30 p.m. (EDT)

Details Available at

purdue.edu/commercialag

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