

Corn and Soybean Market Outlook

January 2020
Wisconsin Agribusiness Association

Brenda L. Boetel

UW-River Falls

Extension Commodity Marketing Specialist



Extension

UNIVERSITY OF WISCONSIN-MADISON

**UNIVERSITY OF
WISCONSIN**

River Falls

GLOBAL. INNOVATIVE. EXCELLENT.

Key Points

Situation

- What happened in 2019?
 - World and US economies
 - Exports and trade policy
 - Weather

Outlook

- What will happen in 2020?
 - Soybeans
 - Corn



US and World Economies

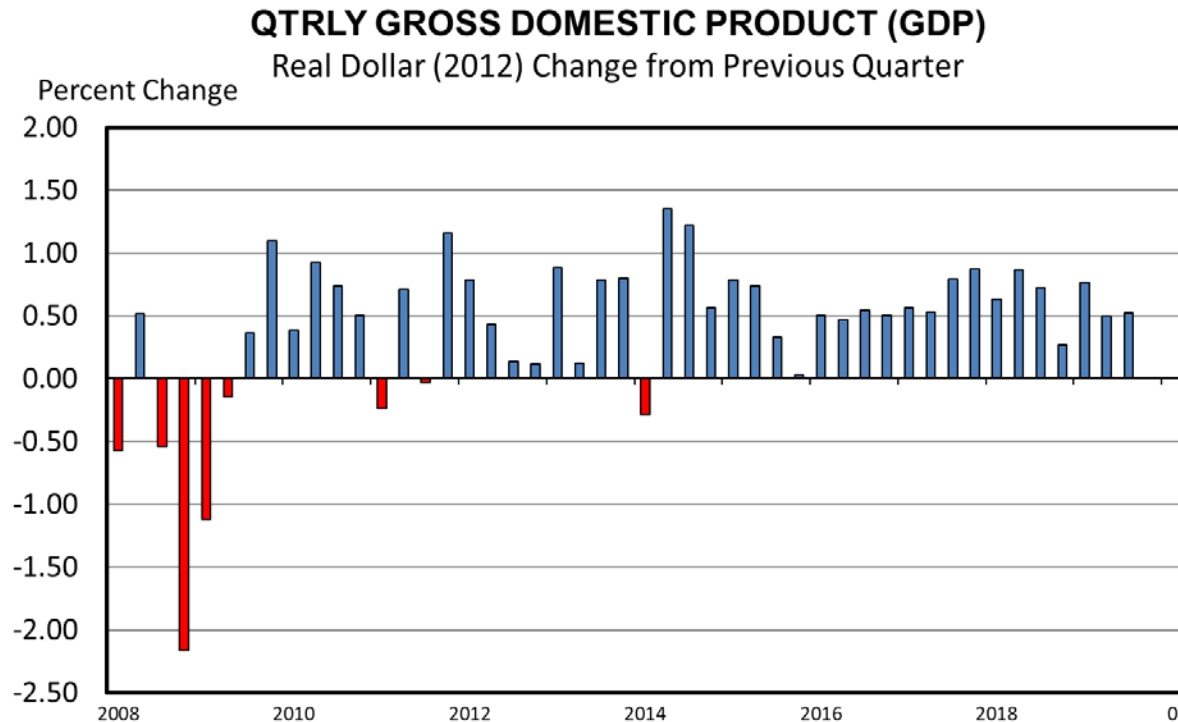


2019

- S&P increased 30%
- Major banks increasing money supply to stimulate economic growth

Macro conditions remain positive but times are changing...

- World economic growth is still positive – but World Bank downgraded outlook for global economy
 - 2.7% in 2019 as opposed to 3% in 2018, 3.1% in 2017
- Real US GDP growth at 2.1% in Q3, down from 4.2% in Q2



USD Index

DXY:CUR
DOLLAR INDEX SPOT

+ ADD TO WATCHLIST

AS OF 06:04 PM EST 01/08/2020 ED

97.2990 USD +0.2940 +0.30% ▲

1D 1M 6M YTD **1Y** 5Y

MINIMIZE CHAR

Q Add a comparison



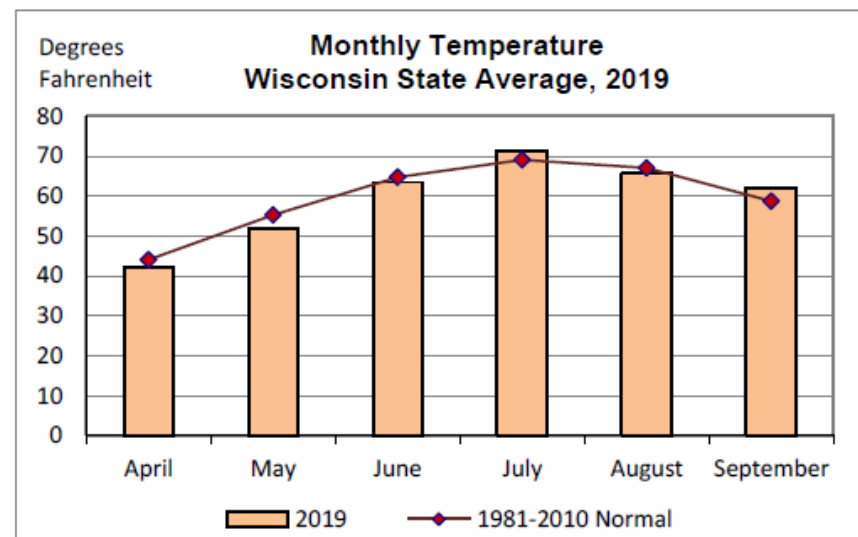
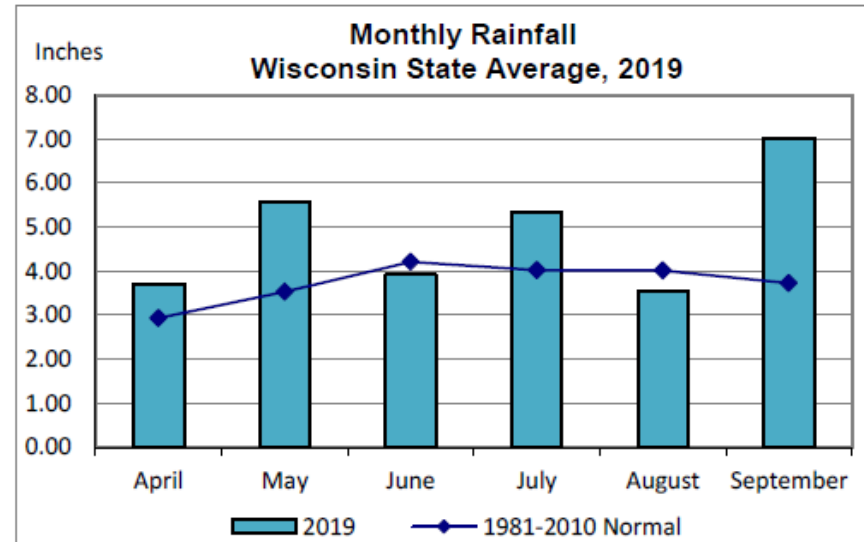
- Value of US dollar increased over last year
- Lower dollar is supportive of exports
- Last week saw index at new low
 - Shrinking interest rate differential
 - Expectations for lower US growth rate than world growth rate

Export and Trade Policies

- USMCA
 - One step closer to Senate ratification
- US/Japan Accord
 - Decrease tariffs on ag products (beef, pork, wheat, cheese, almonds)
- US/China Phase 1
 - Signed Jan 15
 - \$40 - \$50 billion in ag goods

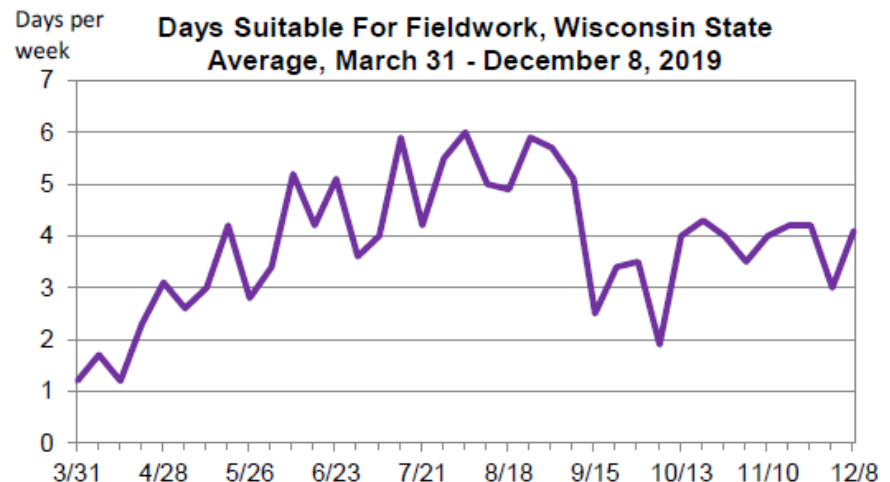
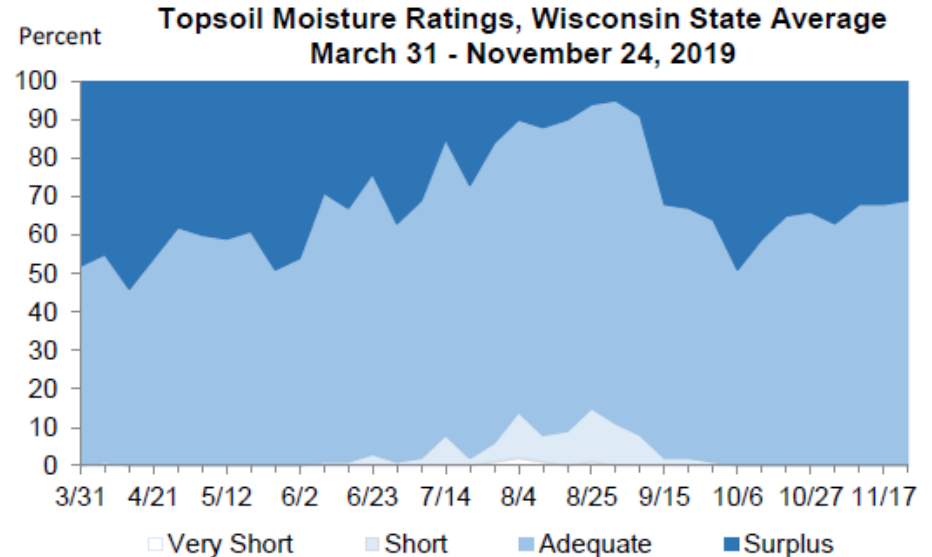
Weather - 2019

- Wet
 - 48% surplus moisture on March 31
- Cold
 - Only July and September saw above avg temp



Weather - 2019

- Soils remained wet through June
- Delayed planting and crop emergence
 - Planting through late June
- Wet again in September



Weather - 2019

- Corn
- 96% planted on June 30 (-3 wks avg)
 - Condition avg 62% (good to excellent)
 - Compared to 79% avg
- 2nd slowest harvest pace in 40 years
- 74% complete on 12/8
 - Moisture at 23%

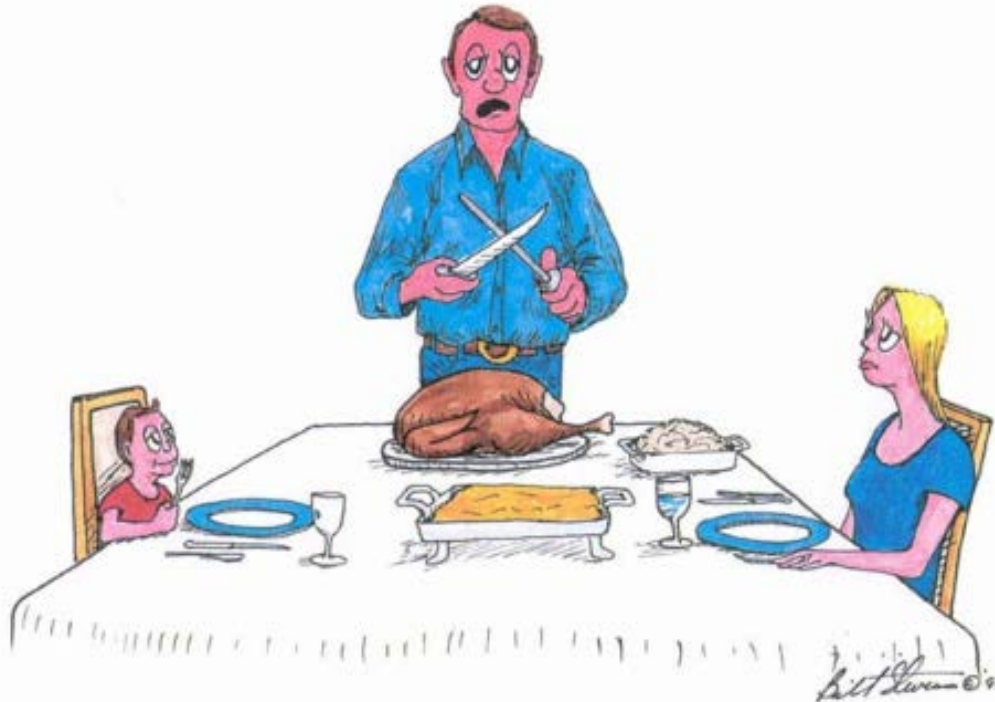


Weather - 2019



- Soybean
 - 1% planted on 5/5
 - Not complete until mid-July – 1 month behind
 - Average 66% good to excellent (78% in 2018)
 - 82% harvest completion on 11/24

Where will commodity prices go?



AFTER MY EIGHTY-FIVE DOLLAR LIVE CATTLE PROJECTION FAILED,
IT'S KINDA NICE TO EAT SOMETHING BESIDES CROW!

- Soybeans \$7.70 - \$8.70
- Corn \$3.40 - \$4.10

Commodity Specific Outlook

Soybeans

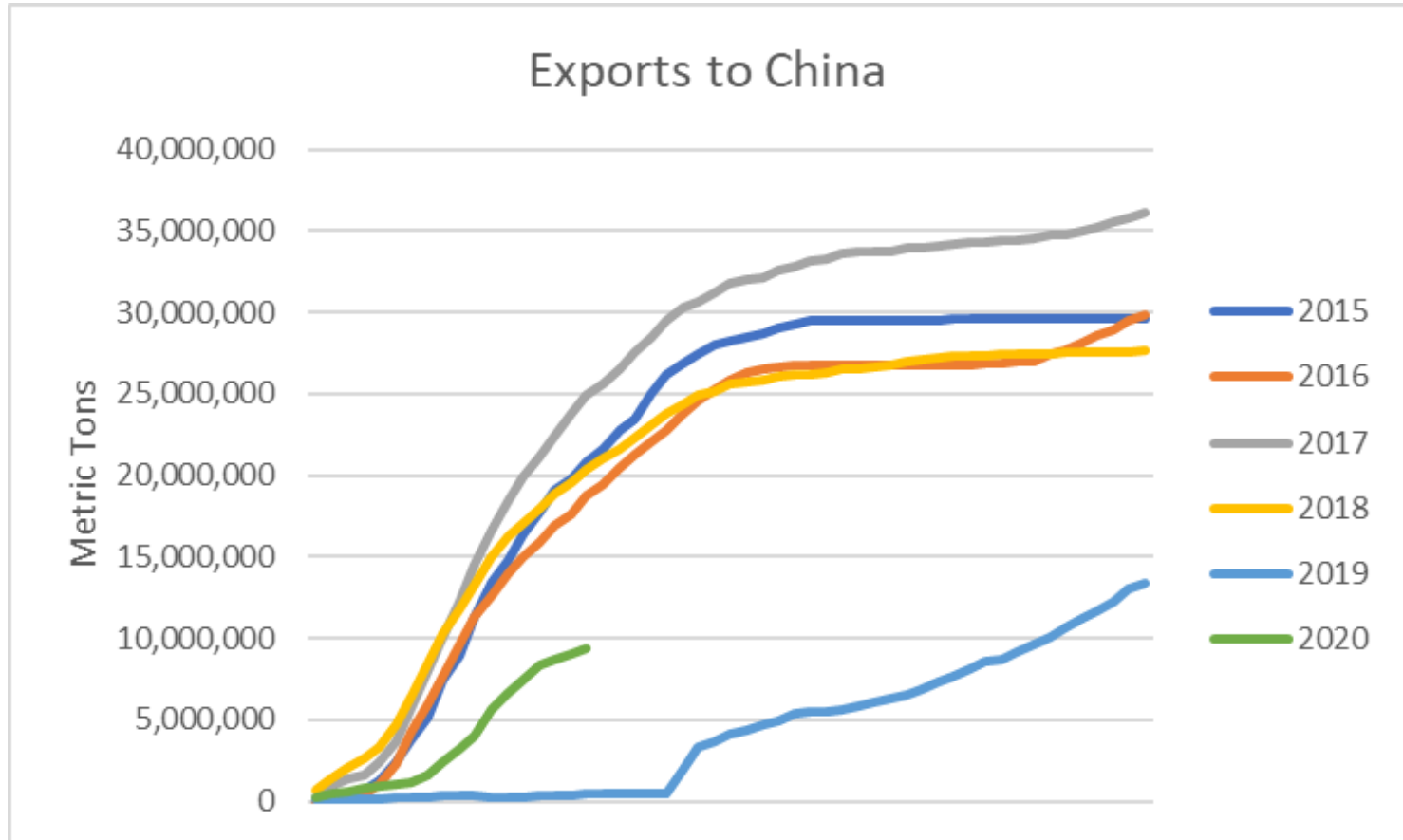


USDA JANUARY SOYBEAN WASDE

U.S. Soybean Balance Sheet (Year Beg. Sept. 1)

	2018/19	2019/20		%Change vs 19/20	My Forecast 2020/21
		Dec	Jan		
Acres Planted	89.2	76.5	76.1	-14.2%	
Acres Harvested	87.6	75.6	75	-13.7%	79.2
Yield	50.6	46.9	47.4	-7.3%	49.5
Supply					
Beg. Stocks	438	913	909	108.4%	431
Production	4428	3550	3558	-19.8%	3950
Imports	14	20	15	42.9%	20
Total Supply	4880	4483	4482	-8.1%	4401
Demand					
Crush	2092	2105	2105	0.6%	2050
Exports	1748	1775	1775	1.5%	1800
F/S/R	128	128	128	0.0%	129
Total Demand	3967	4008	4008	1.0%	3979
Ending Stocks	913	475	475	-48.0%	422
Stocks to Use Ratio	23.01	11.85	11.85		10.61
Avg. Farm Price	8.28	8.85	9		9.00-10.50
Soybean Oil Price	28.26	31	34		
Soybean Meal Price	308.28	310	305		

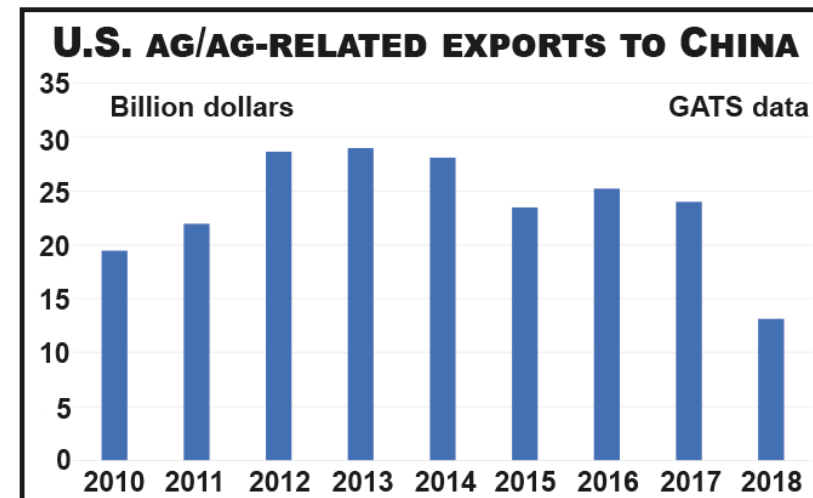
Soybean Exports



- 62% of Soybeans went to China in MY17, 49% in MY18, 28% in MY 19
- November usually sees US dominate soybean exports to China
 - 0 exports in November 2018 – 4.7 MMT in November 2017 – 3.2 MMT in Nov 2019

Export and Trade Policies

- US/China Phase 1
 - \$24 billion of Chinese purchases is base
 - Record was \$29 billion (2013)
 - JCI estimates
 - \$18.7 Billion (45 MMT) in soybeans (2017 was record 38 MMT)
 - 8 MMT corn (3 MMT)
 - 5 MMT wheat (1 MMT)
 - Questions on ethanol and rice
- Questionable if can achieve \$40B
 - All-time maximum annual purchase would be \$37.1B
 - Eliminate Hong Kong exports



Bullish Factors

- Chinese Trade Deal
- Seasonally behavior until late Spring
- Election year is typically bullish for Soybeans



Bearish Factors

- Brazilian Record Production
- Basis levels are firm and nearby is relatively higher than deferred contracts

Where will soybeans go in MY21?

- Increase in acres harvested to 84 M Acres (from 76.1)
- Return to average yield of 50.6 (47.4)
- Increase in exports to 2050 (1775)
- Soybean/Corn Price ratio = 2.4



- Average Price in MY20 >>> \$9.58
- Average Price in MY21 >>> \$8.50 - \$9.50

Commodity Specific Outlook Corn



Corn January WASDE

		2018/19	2019/20	2019/20	% chng vs	My Forecast
			Dec	Jan	18/19	2020/21
Acres Planted	Mil. A	88.9	89.9	89.7	0.9%	94
Acres	Mil. A	81.3	81.8	81.5	0.2%	85.7
Yield	Bu/A	176.4	167	168	-4.8%	176
Stocks	Mil. Bu.	2140	2114	2221	3.8%	1838
Production	Mil. Bu.	14340	13661	13692	-4.5%	15083
Imports	Mil. Bu.	28	50	50		25
Total Supply	Mil. Bu.	16509	15825	15962	-3.3%	16946
Residual	Mil. Bu.	5432	5275	5525	1.7%	5400
Fuel	Mil. Bu.	5376	5375	5375	0.0%	5400
Exports	Mil. Bu.	2065	1850	1775	-14.0%	2250
Total Useage	Mil. Bu.	14288	13915	14070	-1.5%	14500
Carryover	Mil. Bu.	2221	1910	1892	-14.8%	2446
Avg. Farm Price		3.61	3.85	3.85		3.6
Stocks/Use		15.54	13.73	13.45		16.9

Corn January WASDE

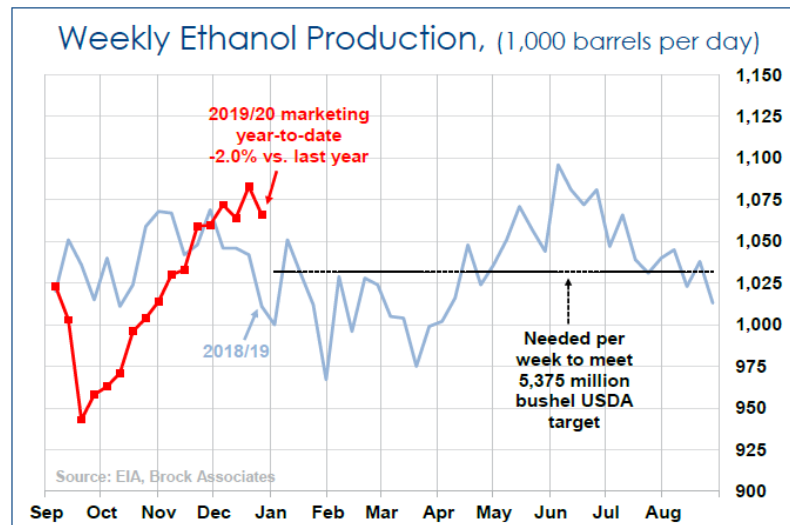
		2018/19	2019/20	2019/20	% chng vs	My Forecast
			Dec	Jan	18/19	2020/21
Acres Planted	Mil. A	88.9	89.9	89.7	0.9%	94
Acres	Mil. A	81.3	81.8	81.5	0.2%	85.7
Yield	Bu/A	176.4	167	168	-4.8%	176
Stocks	Mil. Bu.	2140	2114	2221	3.8%	1838
Production	Mil. Bu.	14340	13661	13692	-4.5%	15083
Imports	Mil. Bu.	28	50	50		25
Total Supply	Mil. Bu.	16509	15825	15962	-3.3%	16946
Residual	Mil. Bu.	5432	5275	5525	1.7%	5400
Fuel	Mil. Bu.	5376	5375	5375	0.0%	5400
Exports	Mil. Bu.	2065	1850	1775	-14.0%	2250
Total Useage	Mil. Bu.	14288	13915	14070	-1.5%	14500
Carryover	Mil. Bu.	2221	1910	1892	-14.8%	2446
Avg. Farm Price		3.61	3.85	3.85		3.6
Stocks/Use		15.54	13.73	13.45		16.9

Corn January WASDE

		2018/19	2019/20	2019/20	% chng vs	My Forecast
			Dec	Jan	18/19	2020/21
Acres Planted	Mil. A	88.9	89.9	89.7	0.9%	94
Acres	Mil. A	81.3	81.8	81.5	0.2%	85.7
Yield	Bu/A	176.4	167	168	-4.8%	176
Stocks	Mil. Bu.	2140	2114	2221	3.8%	1838
Production	Mil. Bu.	14340	13661	13692	-4.5%	15083
Imports	Mil. Bu.	28	50	50		25
Total Supply	Mil. Bu.	16509	15825	15962	-3.3%	16946
Residual	Mil. Bu.	5432	5275	5525	1.7%	5400
Fuel	Mil. Bu.	5376	5375	5375	0.0%	5400
Exports	Mil. Bu.	2065	1850	1775	-14.0%	2250
Total Useage	Mil. Bu.	14288	13915	14070	-1.5%	14500
Carryover	Mil. Bu.	2221	1910	1892	-14.8%	2446
Avg. Farm Price		3.61	3.85	3.85		3.6
Stocks/Use		15.54	13.73	13.45		16.9

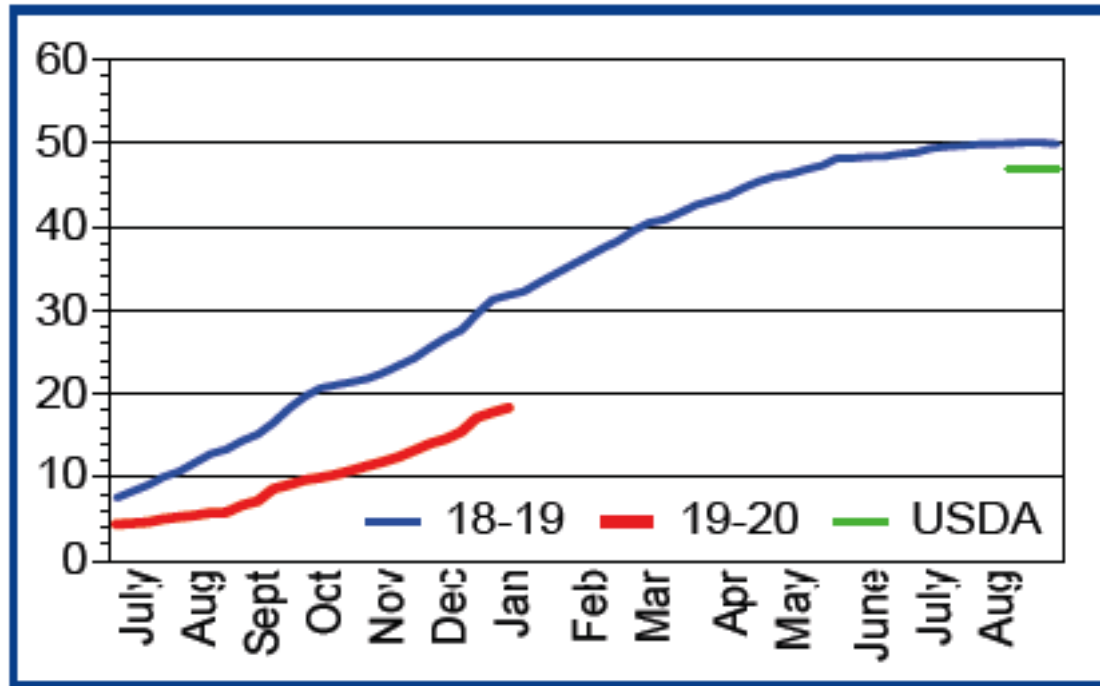
Ethanol Production

- December corn used for ethanol is lower – while YoY ethanol production is higher
- Ethanol stockpiles have decreased
- EPA confirmed sticking with RFS announced in the fall
 - Issues is with waivers
 - States will determine waivers based on DOE recommendations – EPA tends to exceed DOE



Total Corn Export Commitments

CORN EXPORT BOOKINGS (MMT)



- US exports are low
- Total commitments down 42%

Bullish Factors

- Seasonality
- Improved trade with China
 - Spur corn, ethanol and DDG trade
- Likely see smaller harvested acres vs Dec

Bearish Factors

- Rains in SA will limit rallies
- Exports are low with little signs of increase



Where will corn go in 2020/2021?

- Likely trade up until mid-May
- Limited upside potential for price
 - To make a move up need bullish news, but most of bearish news already incorporated
- In spring dependent on acreage and mother nature
 - Likely see 94 million acres
- Likely see an increase in acreage
 - Trend yield of 176 bu/acre
 - Increase current demand to 14.5 bb
 - Have a stocks to use ratio of 16.9% (compared to current 13.7%)
- Average MY20 price >>> \$3.90
- Average MY21 price >>> \$3.20 - \$3.80

FACTORS TO WATCH

- Planting Intentions
- Trade
 - Will China buy \$40 B in ag products
- Economy
 - Recession?
 - Election
 - Geopolitical Environment

Questions or Comments?