Corn and Soybean Preharvest Market Outlook

August 19, 2020
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Overview

• Exchange Rates
• Export Sales Data
• Corn Price Outlook
• Soybean Price Outlook
• Marketing Considerations
USD Index

Recent devaluing of the USD – 11.2% decline from the peak.
Exchange Rates: BRL to USD

- January 3, 2020: 1 BRL = 0.248 USD ($9.00 USD soybeans = 36.29/BRL).

- August 18, 2020: 1 BRL = 0.182 ($9.00 USD soybeans = 49.45/BRL).

- 26.6% drop in the value of the BRL.

- A devalued BRL versus USD makes Brazilian soybeans cheaper on the global market.
CNY/USD exchange rate was 0.140 to 0.146 in 2020.
Weekly Corn Export Sales Data to China, January-August 2020

Accumulated Corn Exports
Current Marketing Year Outstanding Sales
Next Marketing Year Outstanding Sales

1 MT = 39.368
Weekly Soybean Export Sales Data to China, January-August 2020

- Accumulated Soybean Exports
- Current Marketing Year Outstanding Sales
- Next Marketing Year Outstanding Sales

1 MT = 36.744
Domestic Corn Supply and Demand Summary

• National yield projected at 181.8 bpa (Tennessee at 178 bpa).
• Derecho will likely reduce corn production 200-500 million bushels.
• Ethanol bounce back will be critical in 2020/21
• Production and stocks will continue to limit price increases.
• Exports remain a possible demand boost but is uncertain.
World Corn Supply and Demand Summary

- World stocks moving sideways the last three years,
- Production 2020 compared to 2013:
  - Brazil up 34%
  - Argentina up 92%
  - Ukraine up 28%
- Exports 2020 compared to 2013:
  - Brazil up 81%
  - Argentina up 99%
  - Ukraine up 67%

![World Corn Production, Consumption and Ending Stocks, 2013/14 to 2020/21](image)
Tennessee New Crop Cash Corn Contracts, January-August 2020

Price ($/bu)

Trend down and then sideways

USDA Acreage Report

Derecho

Mississippi River  Northwest  North Central
Tennessee Average Monthly Corn Basis (Elevators and Barge Points), 2015-2019 average and 2020

~30 cent difference low to high. What’s your cost of storage?
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<thead>
<tr>
<th>Price ($/bu)</th>
<th>Expected Yield (bu/acre)</th>
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<tr>
<td>2.25</td>
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Corn Outlook

• Price
  – New crop $3.10 to $3.70

• Government payment (base acres)
  – 2019 PLC Payment Rate Estimated at $0.10
    • 150 bu/acre x 0.10 x 0.85 = $12.75/base acre
  – ARC-co varies by county (0-$35/base acre)
  – 2020 PLC Payment Rate Estimated at $0.60
    • 150 bu/acre x 0.10 x 0.85 = $76.50/base acre
  – CFAP 2.0 or MFP 3.0 ???
U.S. Soybean Supply and Demand Summary

• Almost 50/50 split between exports and crush.
• Soybeans will not have the same losses as corn from the recent derecho.
• National average yield projected at 53.3 bpa
• Tennessee yield at 49 bpa
• Exports remain the wild card and expand the range of possible prices.
World Soybean Supply and Demand Summary

- Stocks are projected to decline for the second straight year.
- Phase one trade commitments.
- BRL/CNY/USD exchange rates.
- Record Brazilian planted acres this fall.

![Graph showing world soybean production, consumption, and ending stocks from 2013/14 to 2020/21.]
November 2020
Soybeans (ZSX20)
Tennessee New Crop Cash Soybean Contracts, January-August 2020

Trend down and then up! Declines are faster than recovery.
Tennessee Average Monthly Soybean Basis (Elevators and Barge Points), 5-Year Average (2015-2019) and 2020

Can we continue the strong basis trend?
## Soybean - Net Return Table ($/acre): $500/acre Cost of Production

Yield (bu/acre) | 20 | 25 | 30 | 35 | 40 | 45 | 50 | 55 | 60 | 65 | 70
--- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | ---
7.50 | (350) | (313) | (275) | (238) | (200) | (163) | (125) | (88) | (50) | (13) | 25
7.75 | (345) | (306) | (268) | (229) | (190) | (151) | (113) | (74) | (35) | 4 | 43
8.00 | (340) | (300) | (260) | (220) | (180) | (140) | (100) | (60) | (20) | 20 | 60
8.25 | (335) | (294) | (253) | (211) | (170) | (129) | (88) | (46) | (5) | 36 | 78
8.50 | (330) | (288) | (245) | (203) | (160) | (118) | (75) | (33) | 10 | 53 | 95
8.75 | (325) | (281) | (238) | (194) | (150) | (106) | (63) | (19) | 25 | 69 | 113
9.00 | (320) | (275) | (230) | (185) | (140) | (95) | (50) | (5) | 40 | 85 | 130
9.25 | (315) | (269) | (223) | (176) | (130) | (84) | (38) | 9 | 55 | 101 | 148
9.50 | (310) | (263) | (215) | (168) | (120) | (73) | (25) | 23 | 70 | 118 | 165
9.75 | (305) | (256) | (208) | (159) | (110) | (61) | (13) | 36 | 85 | 134 | 183
10.00 | (300) | (250) | (200) | (150) | (100) | (50) | 0 | 50 | 100 | 150 | 200
10.25 | (295) | (244) | (193) | (141) | (90) | (39) | 13 | 64 | 115 | 166 | 218
10.50 | (290) | (238) | (185) | (133) | (80) | (28) | 25 | 78 | 130 | 183 | 235
10.75 | (285) | (231) | (178) | (124) | (70) | (16) | 38 | 91 | 145 | 199 | 253
11.00 | (280) | (225) | (170) | (115) | (60) | (5) | 50 | 105 | 160 | 215 | 270
11.25 | (275) | (219) | (163) | (106) | (50) | 6 | 63 | 119 | 175 | 231 | 288

Real. Life. Solutions.
Soybean Outlook

• Price
  – New crop $8.60 to $9.75

• Government payment (base acres)
  – 2019 PLC Payment Rate Estimated at $0.
  – ARC-co (some counties will get small payments $0-$25/base acre)
  – 2020 PLC Payment Rate Estimated at $0.05/bu.
    • 40 bu/acre x 0.05 x 0.85 = $1.70/base acre
  – CFAP 2.0 or MFP 3.0 ???
Marketing Considerations

• What is your investment in the crop (cost of production)?
• What is your current expected yield?
• What percent of your 2020 crop is currently priced?
• How much storage is available on your farm?
• What is your price expectation?

***Remember profit is the goal not price***
THANK YOU AND QUESTIONS AFTER
CATTLE OUTLOOK