Soybean and Corn Post Harvest Price Outlook

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Overview

• Corn and Soybean
  – Supply and Demand
  – Brazil
  – Old and New Crop Futures
  – Basis
  – 2019/2020 Price Projections
Outlook

CORN
World Corn Production, Consumption, and Ending Stocks, 2006-2019

- Production
- Consumption
- Ending Stocks

Billion Bushels

2006: 4.28
2007: 4.94
2008: 5.36
2009: 5.18
2010: 4.54
2011: 4.85
2012: 5.70
2013: 8.45
2014: 11.00
2015: 12.28
2016: 13.86
2017: 13.45
2018: 12.60
2019: 11.65

Real. Life. Solutions.
Figure 1. Brazil Corn Acres Planted by Crop and Year, 1979/80-2018/19

Figure 2. Brazil Corn Production by Crop and Year, 1979/80-2018/19

Figure 3. Brazil Corn Yield, 1979/80-2018/19

Brazil Corn Marketing Year (MY): March-February
1st (first-crop)
Planting: Late August to Late October
Harvest: Early February to Late March

2nd (Safrinha)
Planting: Late January to Early March
Harvest: Late May to August
Corn Price Campinas (Brazil) and Louisiana (U.S.), 2000-2018

- Brazil 2000-2010
- Brazil 2011-2018
- U.S. 2000-2010
- U.S. 2011-2018

- 1st crop harvest
- 2nd crop harvest
Tennessee Average Monthly Corn Basis (Elelevators and Barge Points), 2014-2018 average and 2019
Old Crop Corn Outlook

• Uncertainty remains with US production due to late harvest and uncertain weather.
  – 66% harvested compared to 85% 5-year average.
• Utilize storage to take advantage of seasonal basis increases (maybe improved futures prices).
  – Actively seek out market opportunities (poultry, feed providers, distillers…)
  – Evaluate storage costs / risk.
• 2019-early 2020 Tennessee cash prices: $3.75-$4.35.

Price (Cents/lb)

Dec Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

2019

5-YR Average

401 409 417 450 368 353

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New Crop Corn Outlook

- Current price offerings exceed $4.00.
  - Start pricing 2020 between $4.00-$4.20 on the Dec FC
  - Evaluate all tools at disposal (futures, options, cash contracts, basis contracts, managed products).
  - Price in increments.
- U.S. plantings could increase for 2020 due to relative prices.
- Maybe a reduction in Brazil corn second crop acres due to potential delayed soybean harvest in Feb-March 2020.
Outlook

SOYBEANS
U.S. Soybean Production, Consumption, Exports, and Ending Stocks, 2006-2019

Billion Bushels

[Bar chart showing the data for production, consumption, exports, and ending stocks for each year from 2006 to 2019.]

Consumption
Exports
Production
Ending Stocks

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THE UNIVERSITY OF TENNESSEE
Brazil Soybean Production, Consumption, Exports, and Ending Stocks, 2006-2019

- **Consumption**: Blue bars
- **Exports**: Green bars
- **Production**: Red line
- **Ending Stocks**: Triangle markers

- **Years**: 2006 to 2019
- **Values**:
  - Production: 0.78, 0.82, 0.59, 0.75, 1.00, 0.62, 0.72, 0.76, 0.90, 0.90, 1.22, 1.20, 1.08, 1.10, 4.52
  - Consumption: 0.50, 1.00, 1.50, 2.00, 2.50, 3.00, 3.50, 4.00, 4.50, 5.00
  - Exports: 0.00, 0.50, 1.00, 1.50, 2.00, 2.50, 3.00, 3.50, 4.00, 4.50, 5.00
  - Ending Stocks: 2006-2019 values vary from 0.00 to 5.00.
US-China trade war accelerated decline in US soybean export share and increased Brazil assent.
U.S. soybeans prices fall under trade dispute

China retaliates against U.S. soybeans

U.S. & China 90 day truce, China pledges U.S. soybean purchases

Data: IGC, FOB prices

Real. Life. Solutions.
World Soybean Production, Consumption, and Ending Stocks, 2006-2019

<table>
<thead>
<tr>
<th>Year</th>
<th>Ending Stocks</th>
<th>Production</th>
<th>Consumption</th>
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<tbody>
<tr>
<td>2006</td>
<td>2.38</td>
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<tr>
<td>2007</td>
<td>2.00</td>
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<tr>
<td>2008</td>
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<td>2009</td>
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<td>2010</td>
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<td>2018</td>
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<tr>
<td>2019</td>
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Billion Bushels
Tennessee Average Monthly Soybean Basis (Elevators and Barge Points),
Average (2014-2018) and 2019

Real. Life. Solutions.
Old Crop Soybeans

• Production / yield uncertainty for the US crop remains.  
  – 85% harvested compared to a 5-year average of 92%.
• South American new crop production will start to compete with US exports in late February-March.
• China trade deal…. Maybe……Maybe not?
• Reduced 2019 soybean production in the US will result in higher basis than 2019 (closer to 5 year average levels).
Soybean Summary

• Global stocks remain elevated.
• Brazil has over taken the US as the principle provider of soybeans to the export market – this is unlikely to change.
• Trade deal with China creates massive short and long term uncertainty.
• How many acres will be planted in 2020 in the US.
• African swine fever impact on feed demand is largely unknown, but negative for soybean demand.
All three favor corn ... will it still at planting?

Soybean/Corn
Wheat/Corn
Cotton/Corn

Real. Life. Solutions.
2016-2018 Eastern Uplands Corn Expenditure Averages ($574.68/acre)

- Seed, $89.87, 16%
- Fertilizer, $135.73, 24%
- Chemicals, $37.81, 6%
- Repairs, $25.64, 4%
- Opportunity cost of unpaid labor, $31.14, 5%
- Capital recovery of machinery and equipment, $90.69, 16%
- Opportunity cost of land, $90.70, 16%
- Other*, $73.11, 13%

1996-1998 Eastern Uplands Corn Expenditure Averages ($351.26/acre)

- Seed, 22.08, 6%
- Fertilizer, $66.98, 19%
- Opportunity cost of unpaid labor, 44.68, 13%
- Capital recovery of machinery and equipment, 67.80, 19%
- Opportunity cost of land, 44.68, 13%
- Chemicals, 31.20, 9%
- Repairs, 14.87, 4%
- Other*, 48.36, 14%
- Capital recovery of machinery and equipment, $90.69, 16%
- Opportunity cost of land, $90.70, 16%
- Other*, $73.11, 13%
THANK YOU!

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