



## November 2020 WASDE

The United States Department of Agriculture (USDA) released their monthly Crop Production and World Agricultural Supply and Demand Estimates (WASDE) reports on Tuesday, November 10<sup>th</sup>, 2020. The results were overall friendly with lower yields, lower production, and lower carryout than the market had anticipated. World numbers were supportive for corn and soybeans as well.

### NASS Monthly Crop Production Report

	<b>Nov Actual</b>	<b>Ave. Trade Guess</b>	<b>Range of Est.</b>	<b>Previous Month</b>	<b>2019/2020 Final</b>
<b>Corn Yield</b>	175.8	177.7	176.0 - 179.2	178.4	167.5
<b>Corn Production (bbu)</b>	14.507	14.659	14.520 - 14.820	14.722	13.62
<b>Soybean Yield</b>	50.7	51.6	50.8 - 52.5	51.9	47.4
<b>Soybean Production (bbu)</b>	4.17	4.251	4.189 - 4.320	4.268	3.552

### World Agricultural Supply and Demand

The books have now been closed on the 2019/2020 crop year and this month's WASDE will focus solely on the 2020/2021 crop year.

#### **U.S. Supply and Demand (in bbu)**

	<b>Nov Actual</b>	<b>Ave Trade Guess</b>	<b>Range of Est.</b>	<b>Previous Month</b>	<b>2019/2020 Final</b>
<b>Corn</b>	1.702	2.033	1.850 - 2.217	2.167	1.995
<b>Soybeans</b>	0.190	0.235	0.190 - 0.292	0.29	0.523
<b>Wheat</b>	0.877	0.881	0.858 - 0.901	0.883	1.028



**World Supply and Demand (mmt)**

	<b>Nov Actual</b>	<b>Ave Trade Guess</b>	<b>Range of Est.</b>	<b>Previous Month</b>	<b>2019/2020</b>
<b>Corn</b>	291.43	296.37	289.0 - 302.2	300.45	300.33
<b>Soybeans</b>	86.52	87.44	84.0 - 89.0	88.7	95.34
<b>Wheat</b>	320.45	319.78	318 - 323	321.45	300.76

**Proj. Ave Farm Price for 2020**

	<b>November</b>	<b>October</b>	<b>Final price for 2019/2020</b>
<b>Corn</b>	\$ 4.00	\$ 3.60	\$ 3.56
<b>Soybeans</b>	\$ 10.40	\$ 9.80	\$ 8.57
<b>Wheat</b>	\$ 4.70	\$ 4.70	\$ 4.58

**Corn**

November 2020 domestic supply and demand numbers were friendly with projected carryout coming in 331 mbu short of the average trade expectation and 465 mbu short of USDA's October estimate.

Of that amount, 214.5 mbu came in the form of lower production. Of note, USDA tanked the projected North Dakota corn yield by 15 bu/ac - far more than any other state. Minnesota and South Dakota projections stayed stable (202 bu and 165 bu/ac, respectively), while projections for Wisconsin yield fell by 2 bushels to 184 bu/ac. Other changes of note, Illinois lost 5 bu/ac to drop down to 195 bu/ac while Iowa lost 2 bu/ac to fall to 184 bu/ac.

For demand, USDA did increase their projected exports by a whopping 325 mbu to 2.650 bbu. If realized, that would be a new record number for U.S. corn exports. That increase was partially offset by a projected 75 mbu decrease in feed demand. Note while sales are well ahead of "normal" pace, shipments remain very behind. Corn demand is not as seasonal as soybeans and there is likely some port capacity planning issues coming into play as well, but this will be watched closely.

It's interesting to note changes on a world level: USDA is looking at a significant re-shuffle of world trade flows. USDA raised projected Chinese imports to 13 mmt, which is higher than the official tariff rate quota but below the amount that USDA's attache indicated could be possible



last week. That itself has been discussed for at least a month. We should keep in mind that 13 mmt is from all origins into China and China has already purchased over 10 mmt from the U.S. alone. Further, world stocks fell to 291.43 mmt, down 9 mmt from last month. About 5 mmt of that is U.S. production reductions and the rest is a production reduction from Ukraine. Typically, Ukraine has not come into play much for world corn. However, they have been a big supplier to China so far this marketing year. The lower production forced USDA to reduce Ukraine's total projected corn exports.

There isn't a clear answer to how this plays out. It does appear as though there is room for China's corn appetite to grow and that increasingly the burden to fill that need is falling on the U.S. While some South American corn will be harvested in March or so, the bulk of their corn comes as a second crop and isn't even planted yet. There is some reluctance to believe all these bushels leave the port, putting the market at risk of some significant volatility in the months ahead.

### **Soybeans**

Soybean ending stocks came in well below expectations, continuing to fall faster than the trade expected. As with corn, crop size was reduced more than anticipated with crop size coming in 81 mbu less than anticipated. Unlike corn, the state by state break down was more mixed. In our local service area, Minnesota, North Dakota and South Dakota yields were all decreased by 1 bu/ac compared to last month of 51 bu, 33 bu, and 47 bu, respectively. Wisconsin yield projections were reduced by 2 bushels per acre to 53 bushels. Increases in yields were largely in southeastern/delta states.

Demand wise, very little change. Exports and crush remain constant. There was a 3 mbu increase in projected seed usage for next year and a 1 mbu decrease in residual, which is more of a "squaring of the books" than anything else.

Unlike corn, the soybean demand situation seems pretty straight forward. U.S. soybean bushels are being shipped out and South American acres are being put in. What is interesting to note is that CONAB (Brazil's USDA equivalent) put out their production estimates for this crop year the same morning as USDA. CONAB's production estimate is calling for a Brazilian crop of 134.95 mmt, above last year's 124.84 mmt and USDA's current 133.00 mbu. If CONAB's production estimate is realized, this would be a new record crop for Brazil, again. Regardless, those bushels will not be available until at least February.



## Wheat

Wheat production for the 2020/2021 crop year is already finalized, so no changes to USDA's balance sheet there. What we are seeing is a 5 mbu increase in the usage of U.S. wheat in food, and a mbu increase in seed usage. That would indicate they're expecting higher winter wheat seedings than previously forecasted, but the correlation of harvested winter wheat acres to planting projections this time of year isn't great. There were no changes to exports, overall, but some class by class changes did reduce the hard red spring wheat carryout by 4 mbu. Overall, there is not much domestic news to report.

Globally, the news was pretty quiet as well. There were some small changes, including a 1 mmt reduction in production for Argentina and 0.5 mmt increase for projected Russian production. That additional half million metric ton went right to exports, which wasn't unexpected.

## Sugar

U.S. Sugar balance sheets tightened considerably between October and November as ending stocks fell 25% to 1.3 million short tons - a decline of 440,000 short tons in just one month. Of particular note, USDA reduced their 2020 beet-based sugar production by 307,000 tons. Below is a table outlining production estimates for Minnesota and North Dakota:

	Harvested Area (acres)	November Yield Est.	October Yield Est.	Change from Prior Month	Total Production-Nov (tons)
Minnesota	425,000	26.1 tons/ac	28.4 tons/ac	-2.3 tons/ac	11,093,000
North Dakota	219,000	28.4 tons/ac	24.8 tons/ac	- 3.6 tons/ac	5,341,000

Please note the sharp decline in production estimates from October for the AgCountry local service area. Other beet production areas were stable to small losses. Regardless, the total production is well above the disastrous 2019 season.

Further, revisions were made to the 2019 crop ending stocks resulting in lower carry-in to the 2020 carry in number. Imports were reduced 95,000 tons, largely due to reductions in tariff rate quotas. Projected imports of Mexican sugar remained steady at 888,000 tons. No changes were made to the demand portion of the balance sheet. The resulting ending stocks to use ratio is 10.6%, considerably tighter than the 14.2% stated in October.



## **Dry Beans**

There was no update for dry beans in the November Crop Production or WASDE reports. Grower bids for pintos in Minnesota and North Dakota were stable through the month of November at \$23-\$26, which was steady to stronger with the week prior. No dealer bids were quoted the last week of November. Black bean bids were steady at \$23-\$25/cwt with navys also steady at \$26-\$27/cwt.

## **Pork**

USDA's WASDE report posted a slight weakening of pork prices for 2020 as we head into the final month of the year. Annual average cash price based on a 51-52% lean live equivalent is projected at \$43.00/cwt compared to \$43.25 in October. Total 2020 U.S. Pork production was raised 24 million pounds while projected annual 2021 production was reduced by 25 million pounds compared to October.

On the balance sheet, the sharp increases in prices through the third quarter continue to spark a reshuffling of supply chains with USDA raising pork imports to the U.S. by 16 million pounds while decreasing exports by 23 million pounds. There is no data on which cuts are being affected the most at this time, but 5 million pounds were removed from the ending stocks column leaving 520 million pounds at the end of the 2020 marketing year. U.S. per capita pork consumption increased by 1 tenth of a pound to 51.4 compared to October, but still lags the 52.4 posted in 2019. No changes were made to the 2021 balance sheet.

## **Beef**

USDA's WASDE report was fairly neutral to beef although cash market reports continue to reflect a struggle of getting the right cuts to the right distribution places in a timely fashion. That said, USDA raised their total beef production number to 27,223 million pounds, up a slight 38 million pounds from October. No change was made to projected 2021 production at this time, leaving it steady at 27,365 million pounds. Projected prices were similarly left stable with October. USDA is projecting the five-state area, all grade price at \$108.71/cwt for 2020 with quarter four prices higher than quarter three prices. Current projections for 2021 average five-state, all grade price is \$114/cwt with projected prices climbing steadily through the third quarter (and the last currently projected).

On the beef balance sheet, the increased production discussed above is a feature as is slightly higher imports and higher exports (again, appears to be a rebalancing of specific cuts rather than focused on one particular cut). Total per capita beef production is increased to 59.0 pounds



compared to 58.8 pounds in October. Current per capita beef production projections for 2021 are on the soft side with 58.0 projected.

### **Dairy Markets**

November USDA WASDE reports reflected a continuing trend of higher production, although changes were minimal compared to October. For the 2020 year, total milk production is estimated at 222.5 billion pounds while total 2021 production is estimated at 225.9 billion pounds.

Projected exports were increased for both skim solid and fat basis, although the change was more substantial for skim-solids. Ending stock projections for fat basis products was steady to building with 2020 ending stocks raised by 0.3 billion pounds from October to 14.3 billion pounds in November. The 2021 ending stocks were raised by the same amount to stand at 14.1 billion pounds.

On a skim solid basis, the extended USDA balance sheet shows a slow but steady reduction in ending stock estimates with 10.3 billion, down 0.2 billion pounds compared to October. That number is expected to continue declining with the 2021 carryout falling to 10.00 billion pounds.

Per Class 2020 Milk prices improved for Class III and All Milk categories, up 55 cents and 25 cents respectively. That leave Class III projected at a respectable \$18.55/cwt for 2020. As was the case last month, USDA is still looking for some weakening into the 2021 marketing year, but the average Class III price remains decent at \$17.25/cwt and Class IV at \$14.00 (the only one to fall compared to its October estimate).

Cheese, butter, nonfat dry milk, and dry whey prices were all improved from their October estimate for both 2020 and 2021, with the exception of 2021 butter prices, which fell 2 cent/lb.