



Market Update

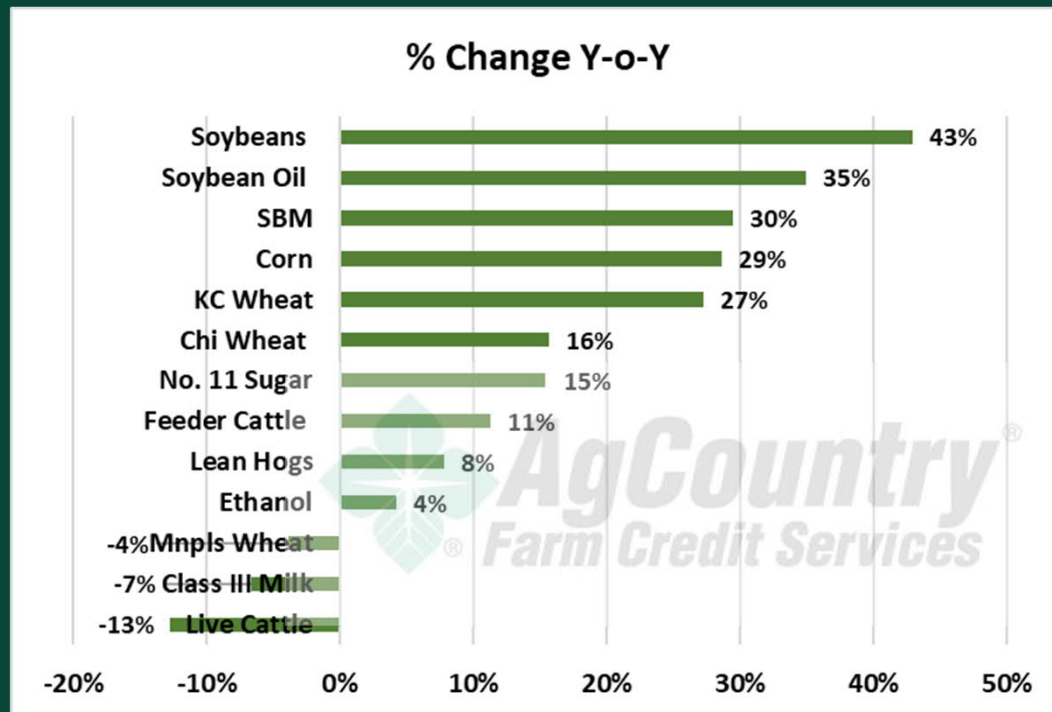
January 2020



2020 Summary

- Britain officially split with the European Union
- Australia Caught on Fire
- Pandemic shuts down Global Economic systems
- Murder Hornets
- Unknown Drones were spotted repeatedly over Nebraska and Colorado
- Poland Accidentally Invaded the Czech Republic
- Fearing the brink of apocalypse, Americans hoard toilet paper
- A Derecho swept across Iowa and parts of Illinois damaging approximately 11 million acres
- Traders discovered it is possible for a commodity to trade and close in negative territory
- A pack of monkeys briefly invaded and controlled a city in Thailand
- Mystery Seeds Began Arriving Unsolicited from China
- Chernobyl Exclusion Zone Catches on Fire
- Mr Peanut was killed off by his own brand
- KFC Themed Lifetime Movie starring Mario Lopez as Colonel Sanders
- The most talked about show on TV was Tiger King.

Commodity Rally



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General Market Comments



- U.S. Dollar has broken its uptrend, but remains within a six year trading range
- Additional stimulus, impending distribution of COVID vaccine, likelihood of interest rates remaining low, but there are some challenges to that as well

General Comments

- Chinese Economic growth, Commodity Demand, Market Stockpiling
 - How does that affect exports
 - Trade policy, new administration, new questions
- South American Weather
- U.S. Planting Intentions



CORN



U.S. Corn

- One of the largest, and most rapid turns in carryout in recent memory.

Spot Month Corn: +\$2.21 since April 29th (\$3.09 continuous)
New Crop Dec 21: +99 ½ cents (\$3.58)

Crop Production

U.S. Final Crop Production - 2020					
	Actual	Average Est.	Range	Nov Est	2019 Final
Corn					
Yield	172	175.3	173.8-178.2	175.8	167.5
Harv. Area	82.5	82.543	82.0-84.16	82.527	81.337
Production	14.182	14.47	14.319-14.997	81.337	13.62
Soybeans					
Yield	50.2	50.5	49.4-51.7	50.7	47.4
Harv. Area	82.3	82.305	81.986-82.67	82.289	74.939
Production	4.135	4.158	4.084-4.26	4.17	3.552

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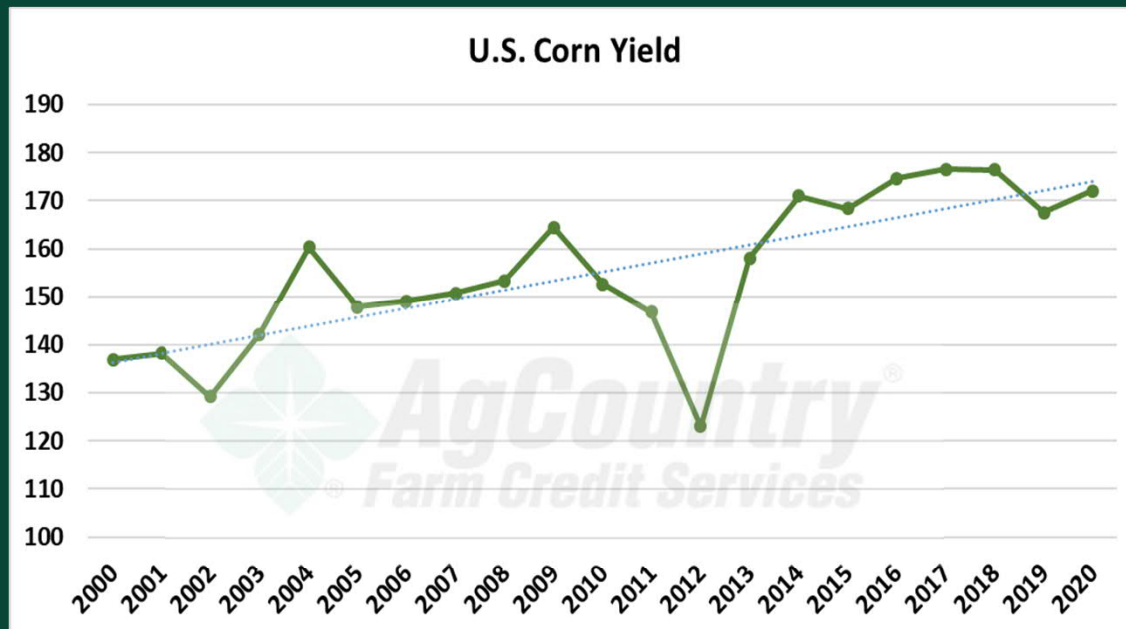
Crop Production

Corn

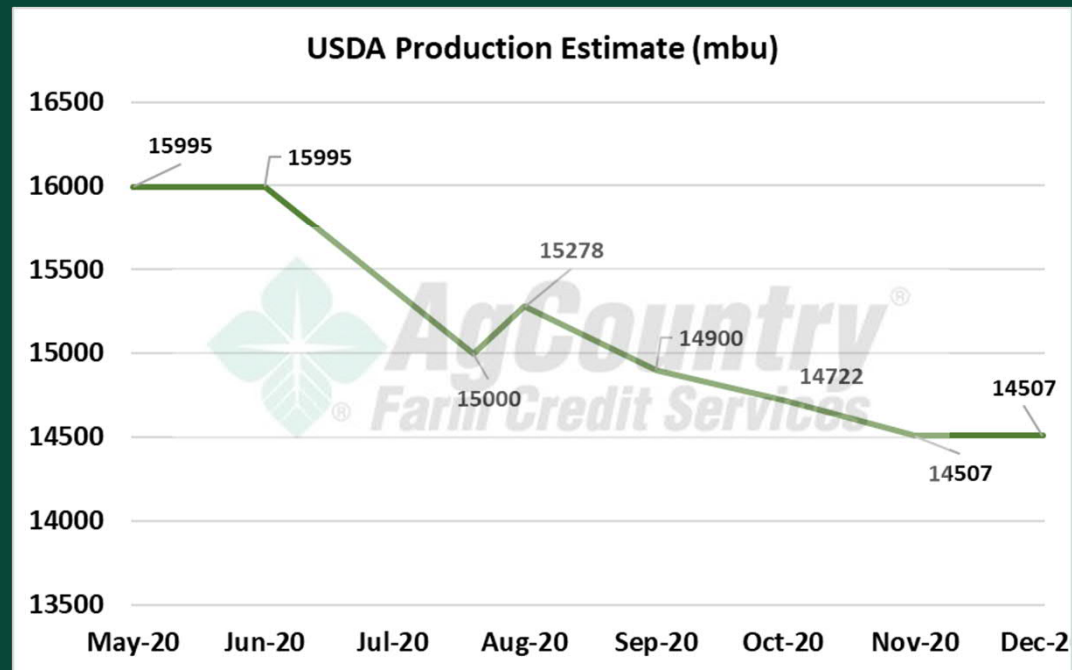
- Iowa – 178 bu/ac, down 6 bu from Nov
 - Minnesota – 192, down 10 bu from Nov
 - Wisconsin – 174, down 10 bu from Nov
 - North Dakota – 139 down 6 bu from Nov
-
- South Dakota* - 162, down 3 but still a record

U.S. Corn

- 2020 is still a “good” crop
- It is, however now below trend. A 20 year trend would indicate ~174.7 bu/ac
- Fun with numbers: Yield is only PART of the story.
 - Original Planted area estimate was 97 million acres and USDA is currently at 91 million acres.
 - January production did reduce planted area slightly, but harvested area remained the same



Corn Production



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U.S. Corn

Total Production: Down 325 mbu

* Adjustments were made to the 2019 balance sheet, so carry in was less as well

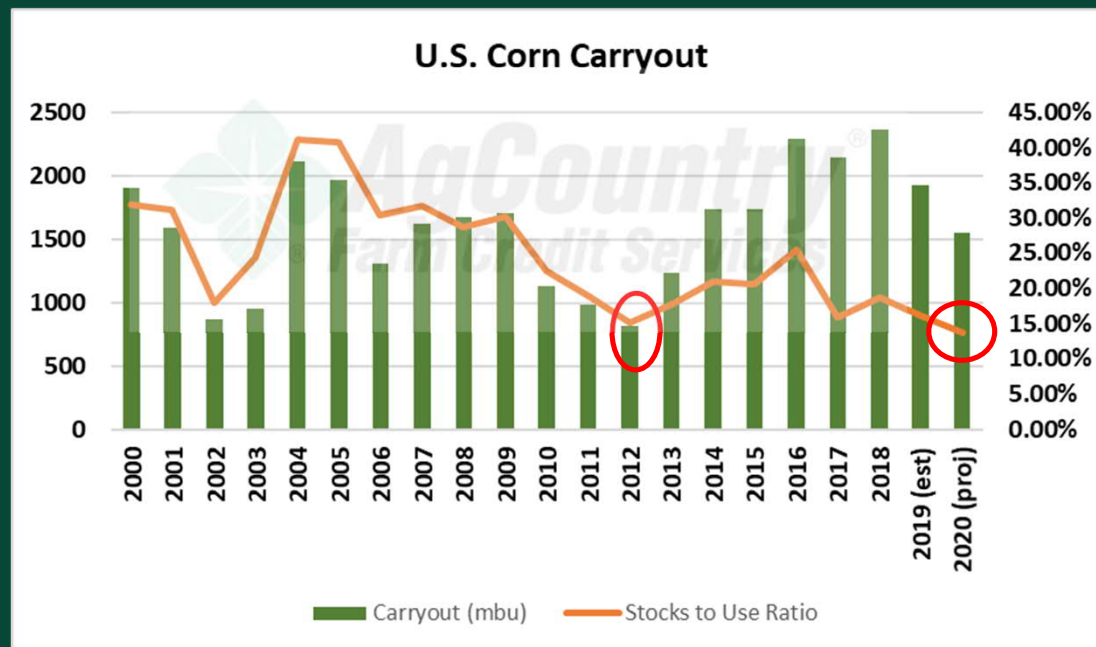
Total Consumption: Down 250 mbu

*THIS IS THE FIRST REPORT TO CUT TOTAL USE**

Industrial: Down 100 mbu

Feed: Down 50 mbu

Exports: Down 100 mbu



2020 Projected Price is now \$4.20 compared to the 2019 Ending price of \$3.56

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Quarterly Grain Stocks

- Corn

- Lower 2020 production was definitely a contributing factor, BUT it doesn't explain all of it

On farm vs. Off Farm

- 11.322 billion TOTAL, Of that, 4.27 bbu is off farm, 7.04 is on farm
- Roughly equal to the split from 2019 BUT
 - We have no carry

Quarterly Grain Stocks

- LSA:

	Dec 1 2020 Total	Dec 1 2019 Total	Dec 1, 2020 On Farm	Dec 1, 2019 On Farm
Minnesota	1.341	1.223	.980	.920
N. Dakota	.252	.385	.165	.340
S. Dakota	.625	.514	.420	.360
Wisconsin	.465	.379	.280	.255

World Corn

South American Production					
	Actual	Average	Range	Dec Est	2019/2020
Brazil Sbeans	133	131.42	128 - 133	133	126
Arg. Sbeans	48	48.44	46 - 49.5	50	48.8
Brazil Corn	109	107.74	102 - 110	110	102
Arg. Corn	47.5	47.41	45 - 49	49	51

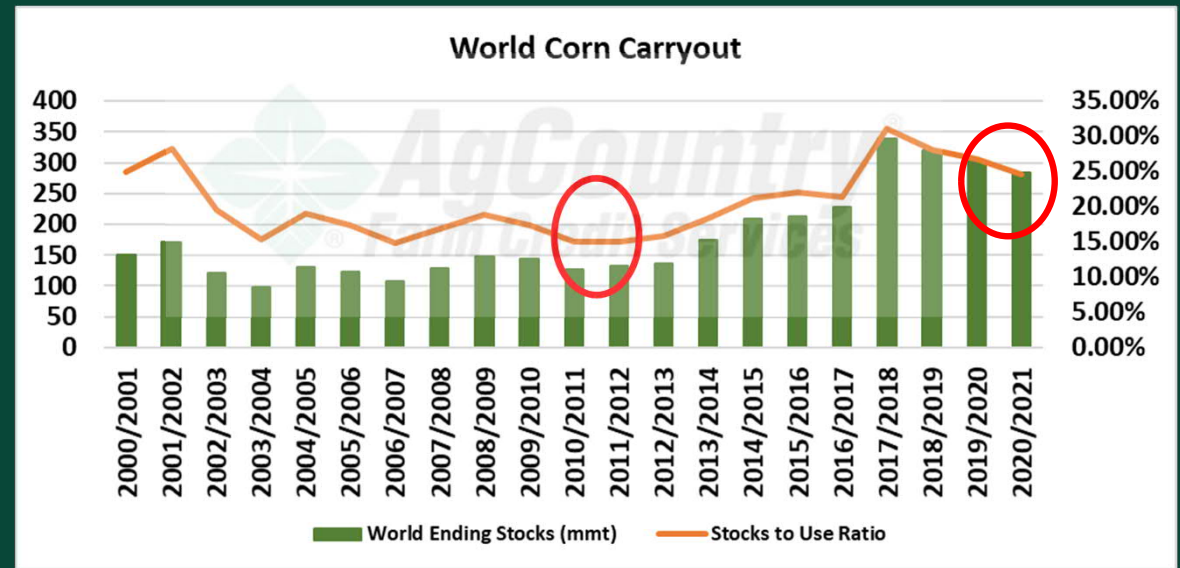
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World Corn

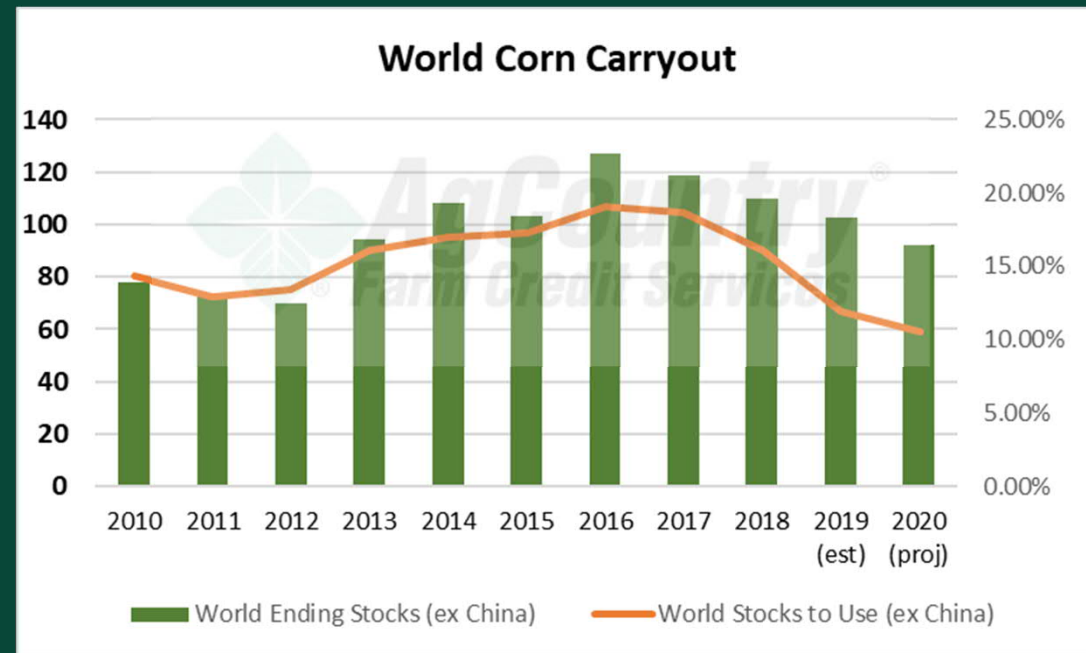
2020/2021 World Corn
production dropped
U.S. Reductions, but
also smaller S.A.
reductions

World Use Dropped – down 5
mmt

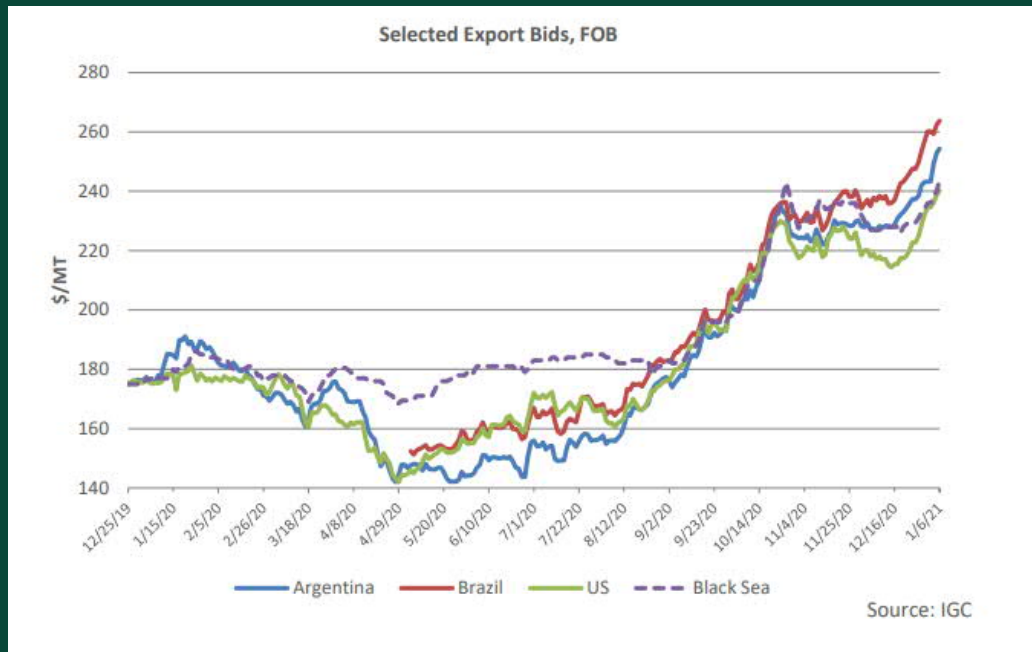


World Corn

- Chinese Stockpiles – Where are they?
- USDA did raise the import estimate for China again this month to 17.5 mmt (still ~ 4.5 to 5 mmt less than USDA's attache) – Offset by losses other places (EU)
- How does SA Crop Play out? We don't know yet



World Corn



Source: USDA January 2021 FAS Grain World Outlook

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World Corn

Other Items:

- Argentina Export Ban, On again Off Again Port Issues, etc
- The Price Spread between U.S. Futures and Internal Chinese corn prices has widened despite the U.S. rally
- Mexico says they will be banning GMO Corn, but possibly only for food use

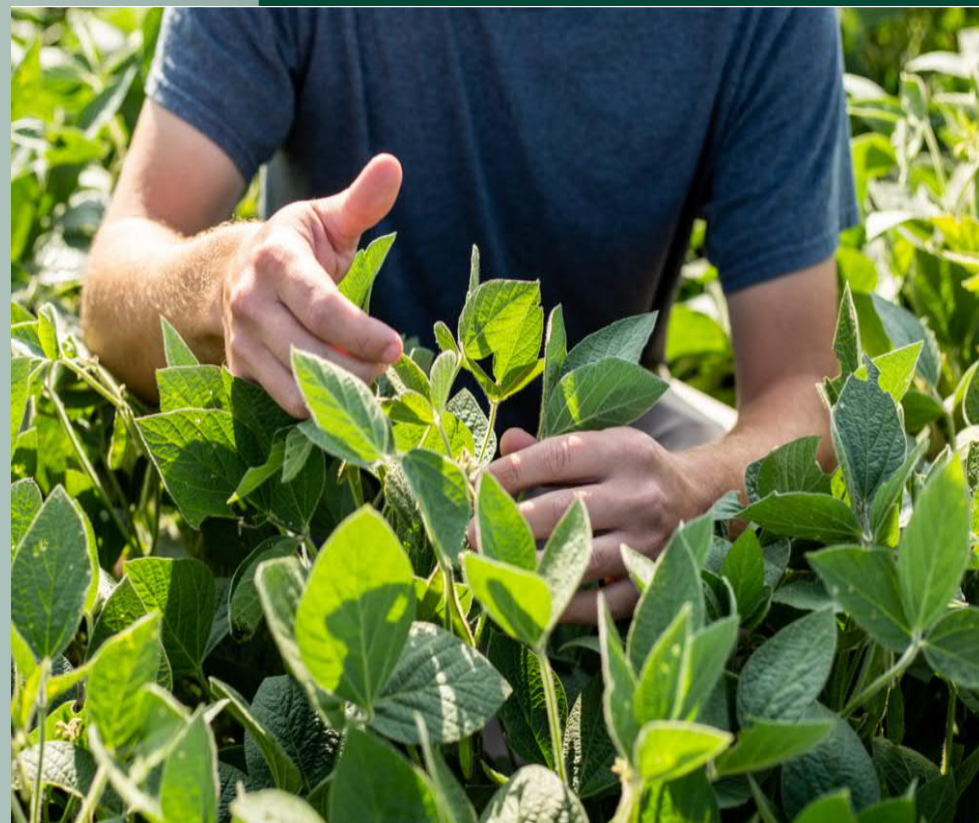
Source: USDA January 2021 FAS Grain World Outlook

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Soybeans



U.S. Soybeans

Spot Month Soybean: +\$6.02

New Crop Nov 21: +\$3.49

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U.S. Soybeans

- Total Production is down 35 mbu from Dec and rebounded from the 2019 disaster
- Very small 2 mbu change to the 2019 ending stocks, but a 20 mbu increase in U.S. bean imports from Dec
- Total supply for 2020 is down 14 mbu from Dec Estimate

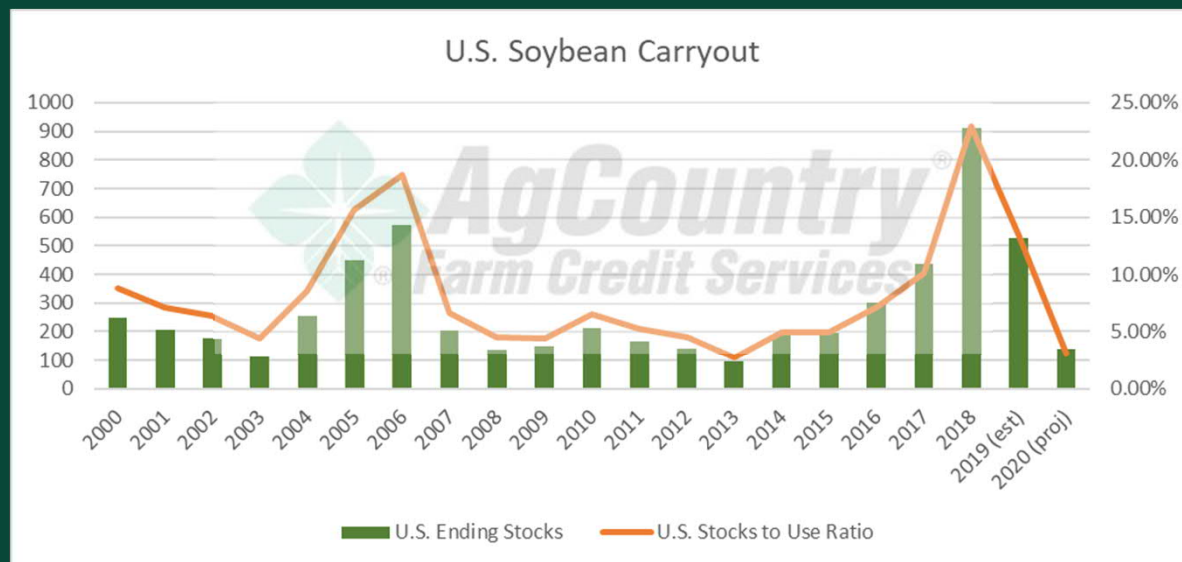
U.S. Soybeans

Total Usage INCREASED:

Crush: up 5 mbu

Exports: up 30 mbu

Residual: down 13 mbu

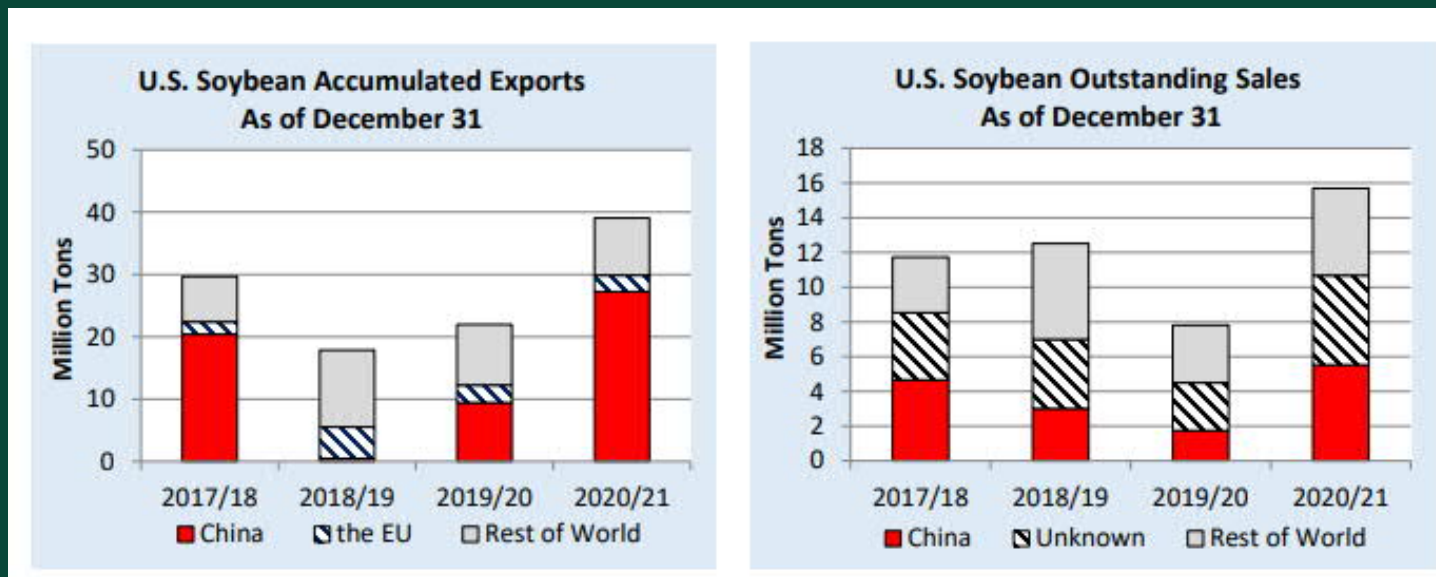


Expected Market Year Average Price for 2020 Soybeans is now \$11.15, compared to \$10.55 Im

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U.S. Soybeans



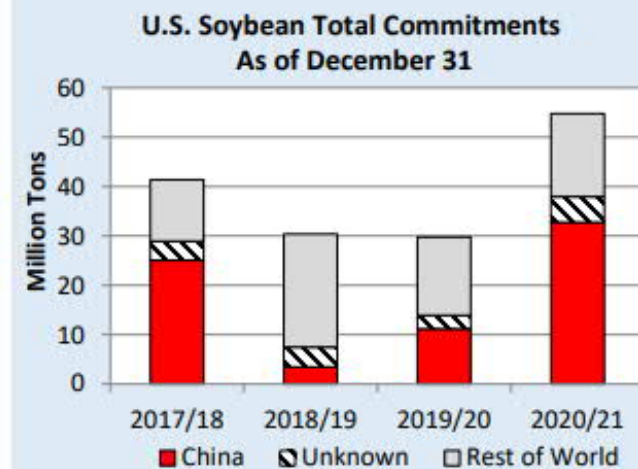
Source: Jan 2021 USDA Oilseed Outlook Report

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U.S. Soybeans

	Jan 1, 2020	Dec 31, 2020	Net Change	% Change
<i>Accumulated Exports</i>				
China	9.4	27.3	17.8	189%
ROW	12.5	11.8	-0.7	-6%
<i>Outstanding Sales</i>				
China	1.7	5.5	3.8	217%
ROW	6.1	10.2	4.1	68%
<i>Total Commitments</i>				
China	11.2	32.8	21.6	194%
ROW	18.6	22.0	3.4	18%



Source: Jan 2021 USDA Oilseed Outlook Report

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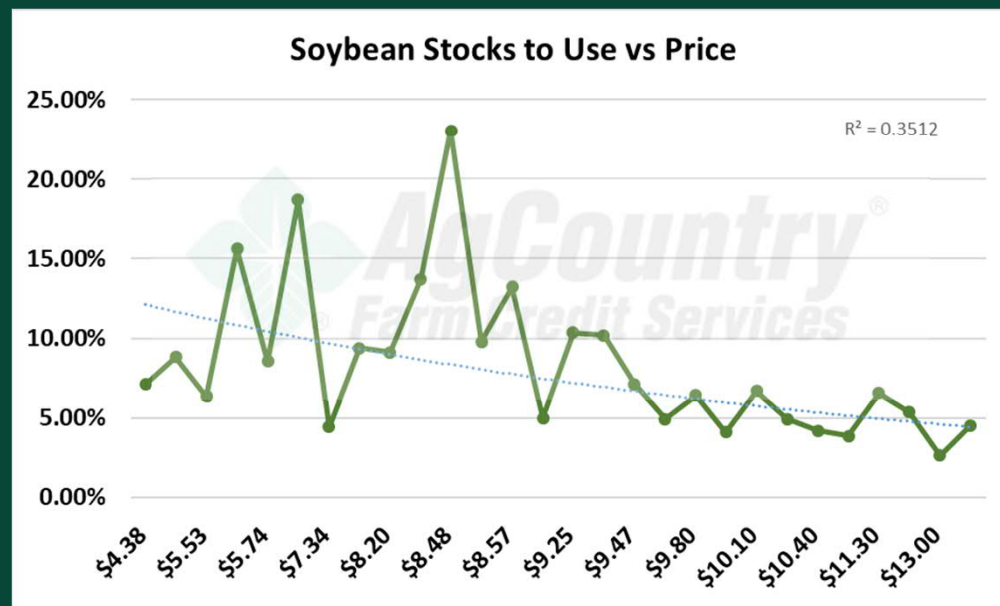


U.S. Soybeans

Relationship between Stocks to Use and Final Market Year Average price is not great.

Doesn't make it useless, just has to be viewed in context.

i.e. crush margin



Expected Market Year Average Price for 2020 Soybeans is now \$10.55

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World Soybeans

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World Ending Stocks					
	Actual	Ave Est	Range	Dec USDA	2019/2020
Corn	283.83	283.53	269 - 287.96	288.96	303.01
Soybeans	84.31	82.66	75 - 85	85.64	95.39
Wheat	313.19	315.37	310 - 318.36	316.5	300.09

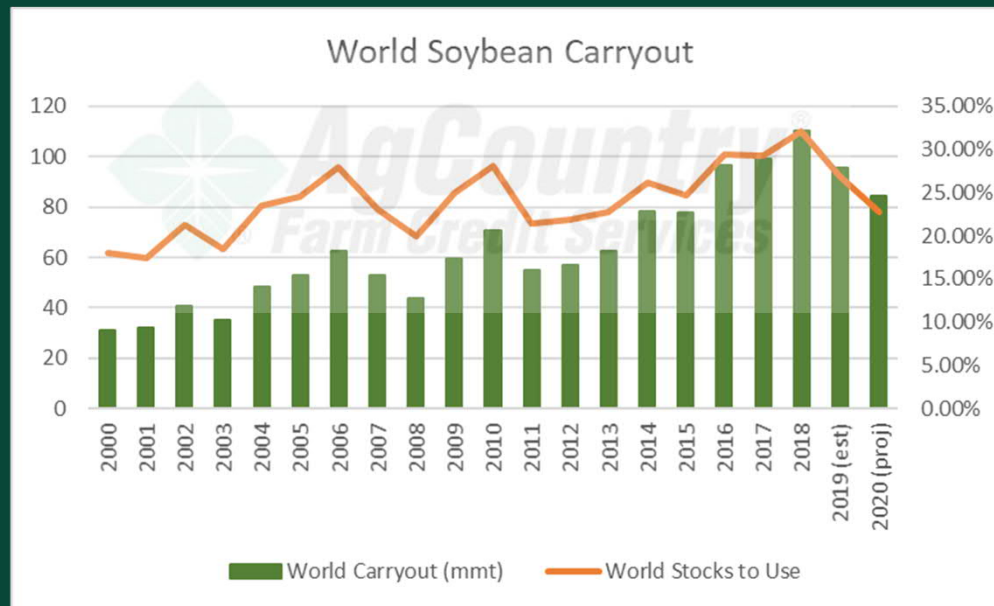
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World Soybeans

World Soybean Consumption has increased substantially in the past 20 years, but production has basically kept up.

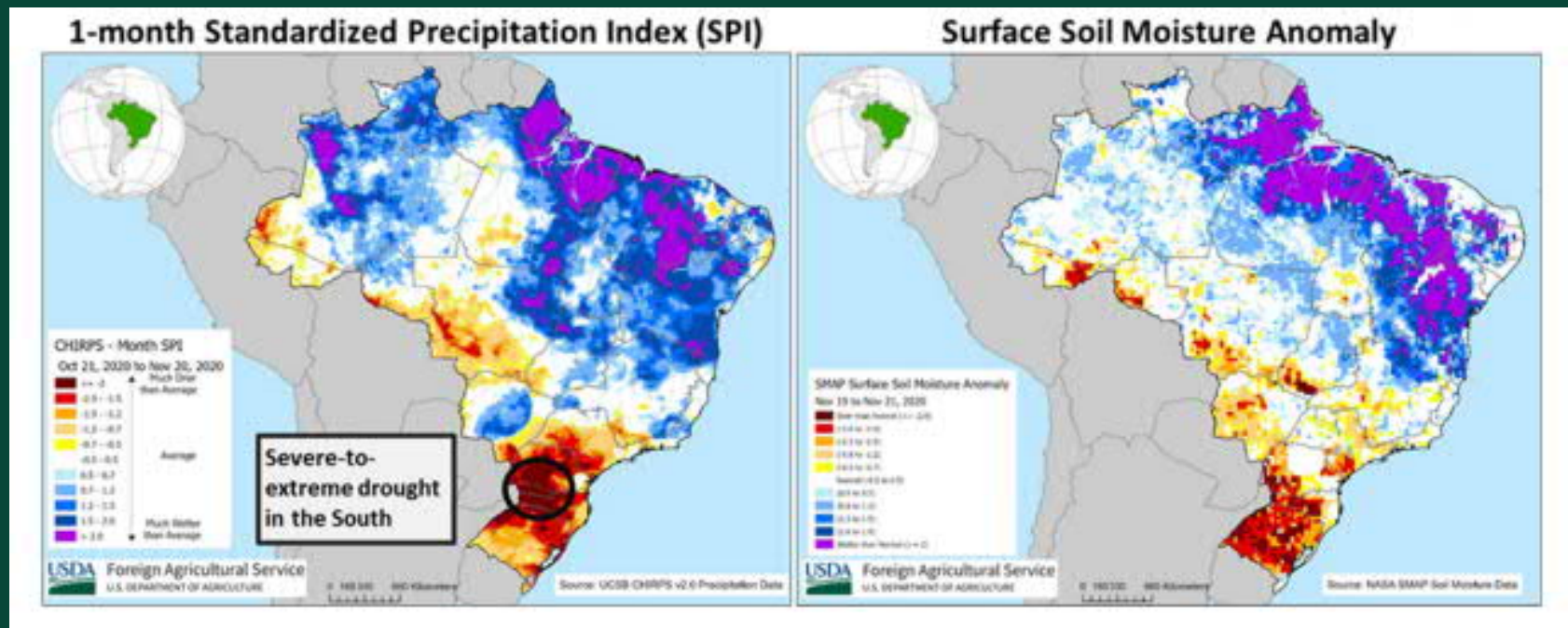
That said, we are near the lower end of recent STU, Chinese demand continues to grow, and Brazil looks less than ideal



World Soybeans

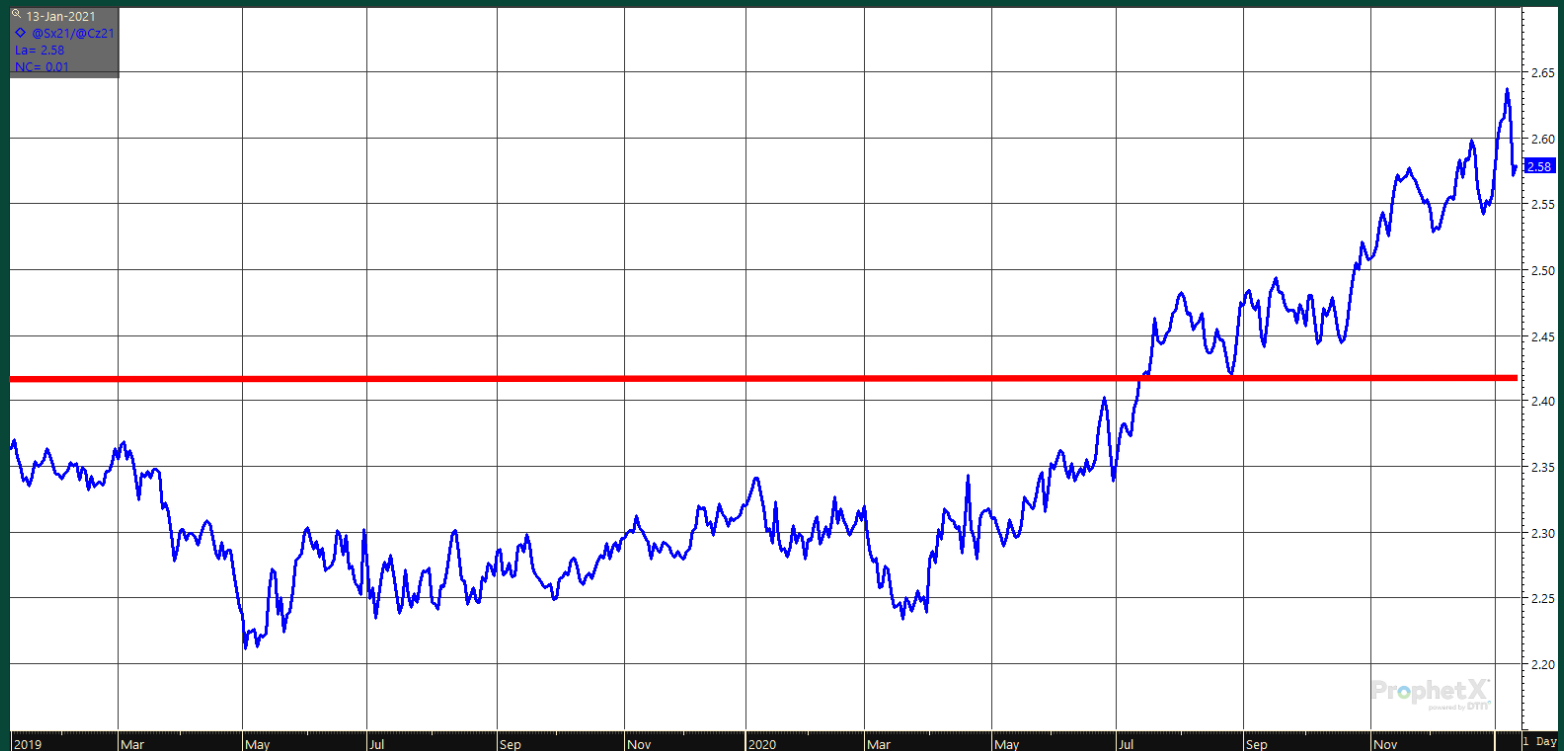
- South American Outlook:
 - Weather
 - The Brazilian Producer is estimated to be around 50% priced, which is aggressive for them for this point in the season.
 - Prices fell substantially going into year end, largely due to the Real strengthening

World Soybeans



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World Soybeans



For 2021 Crop, Soybean/Corn Ratio is 2.58

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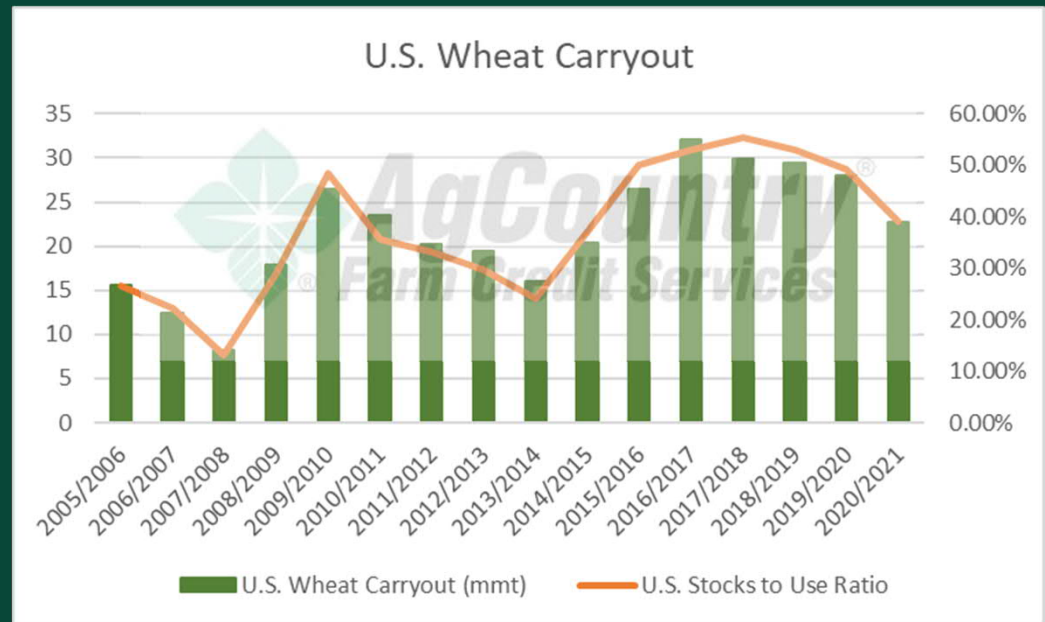
Wheat



U.S. Wheat

Wheat Production was finalized in Sept 2020

However, USDA demand estimates continue to rise as lost feed demand for corn switches over to wheat in the Southern Plains



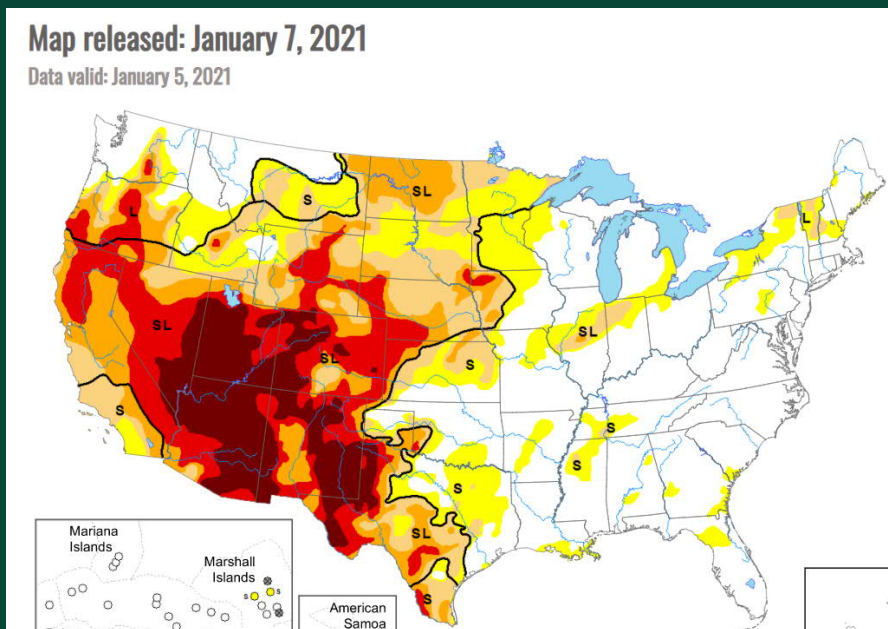
Winter Wheat Seedings

Winter Wheat Planting				
	Actual	Ave Est	Range	2020 Plantings
All Wheat	31.991	31.528	30.395 - 32.50	30.415
HRW	22.3	22.14	21.352 - 22.9	21.362
SRW	6.23	5.884	5.441 - 6.26	5.564
White	3.48	3.514	3.40 - 3.70	3.489

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U.S. Wheat



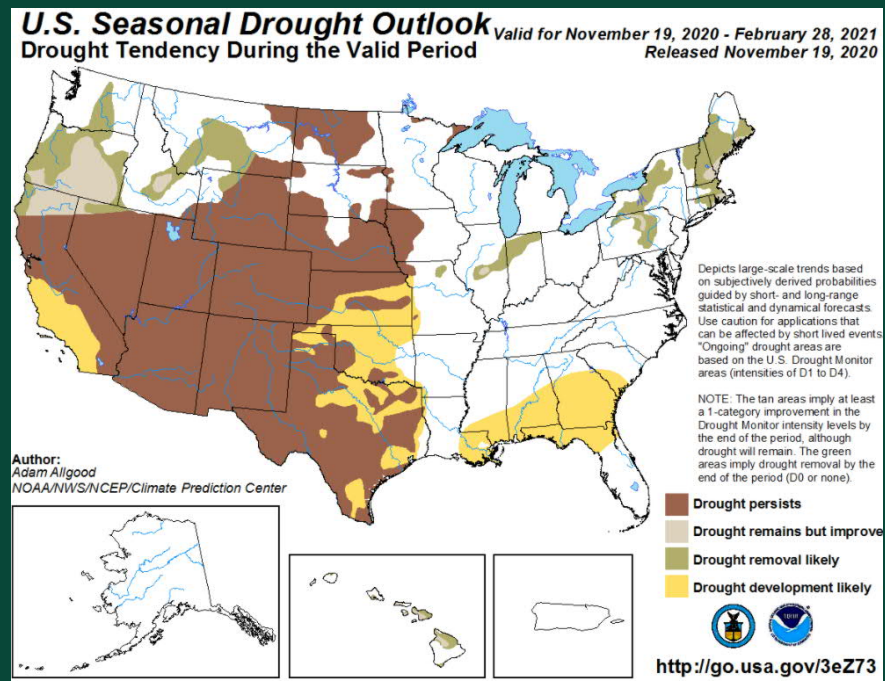
IF there is going to be a story in wheat for 2021, it probably going to be drought

That said, Drought in the winter is tough to worry about

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U.S. Wheat

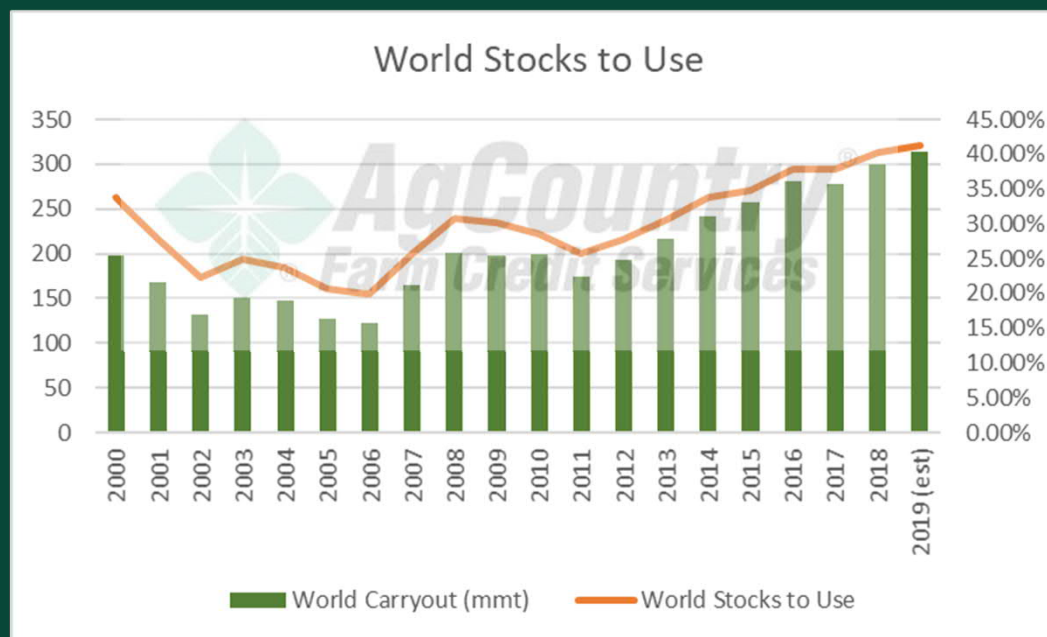


Competing Crops: Cotton and Milo

Milo/Sorghum prices have skyrocketed this fall, but very dependent on Chinese buying

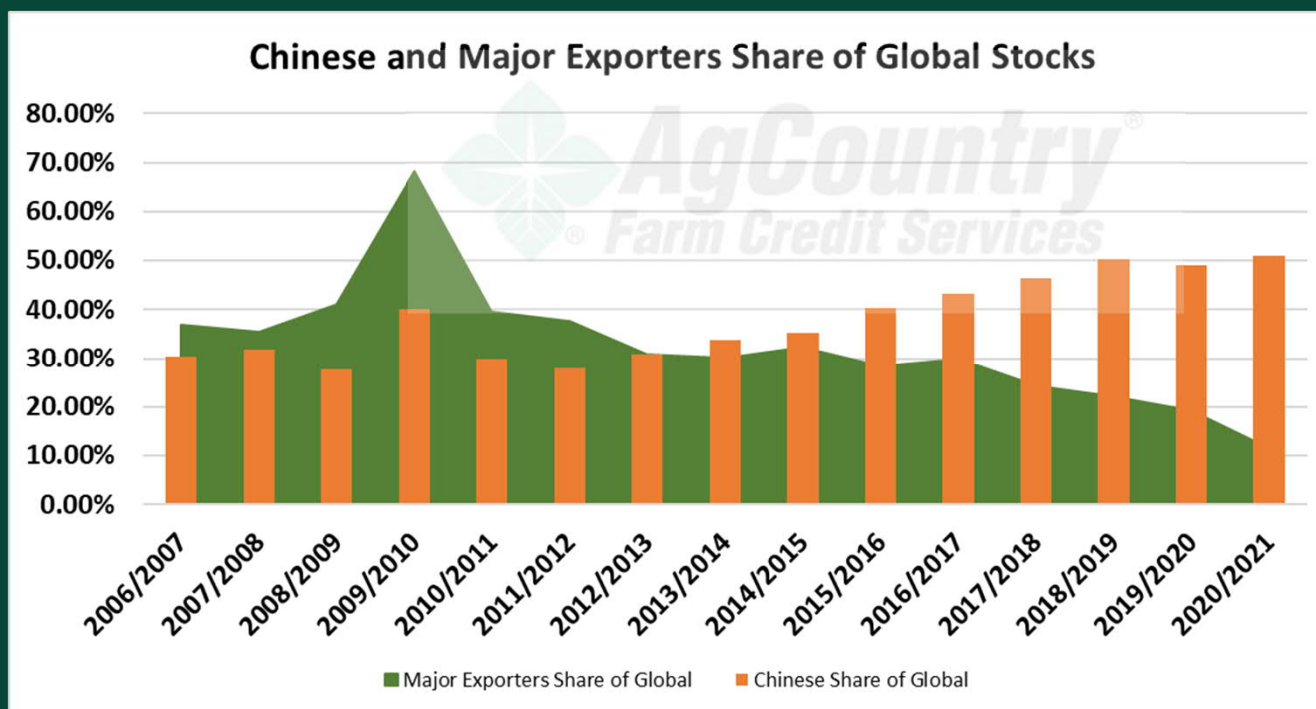
Cotton appears to be underpriced but is seen as a possible competitor this winter

World Wheat



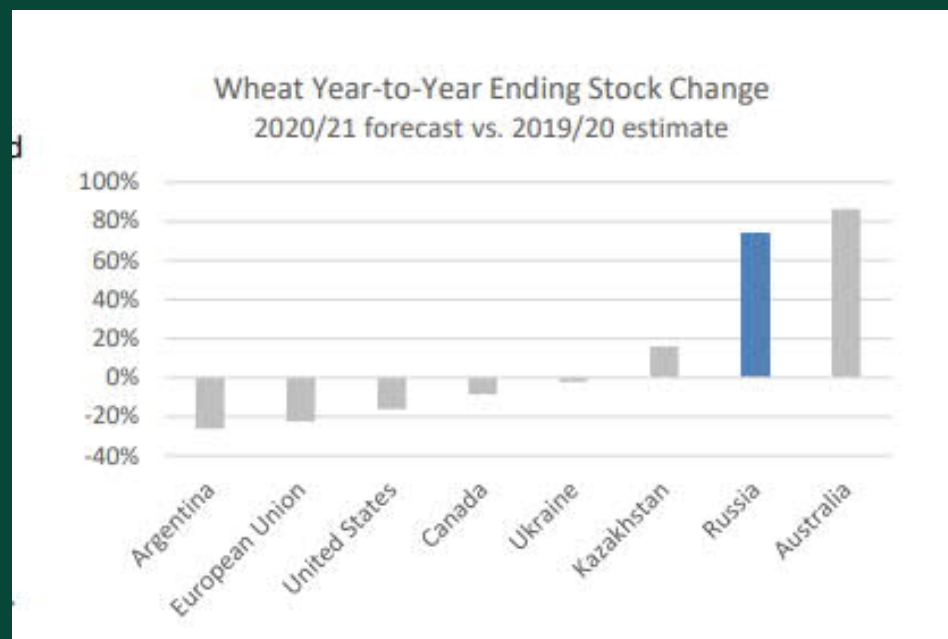
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World Wheat



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World Wheat



Source: USDA Jan 2021 Grain Outlook Report

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World Wheat

Story for World Wheat is demand and Imports

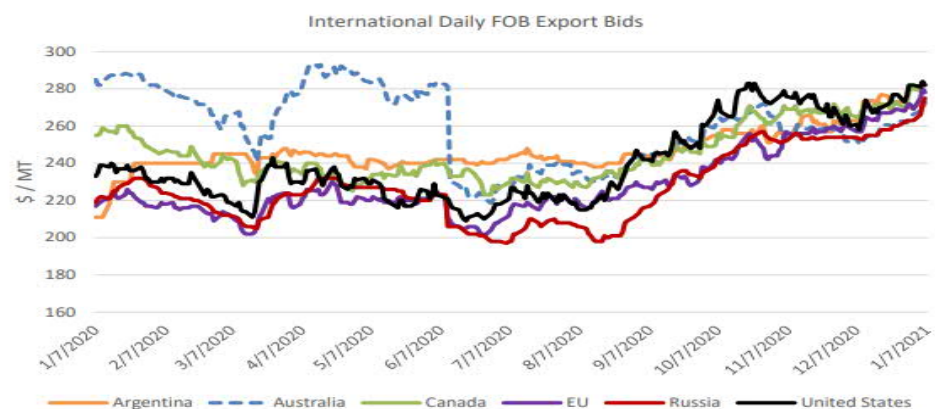
China AND Pakistan are showing substantial appetite for additional supplies. Pakistan is projected to take more wheat than they have in 12 years.

- Since May, USDA has raised its import forecasts for Pakistan alone by ~88 mbu and domestic prices there are up ~40%
- Indonesia continues to demand higher protein, higher quality wheat, although they have been largely supplied by Canada (record exports), and probably Australia given current production estimates

World Wheat

Argentina	Australia	Canada	EU	Russia	United States
\$273	\$274	\$281	\$276	\$275	\$281

Note: As of January 7th, 2020



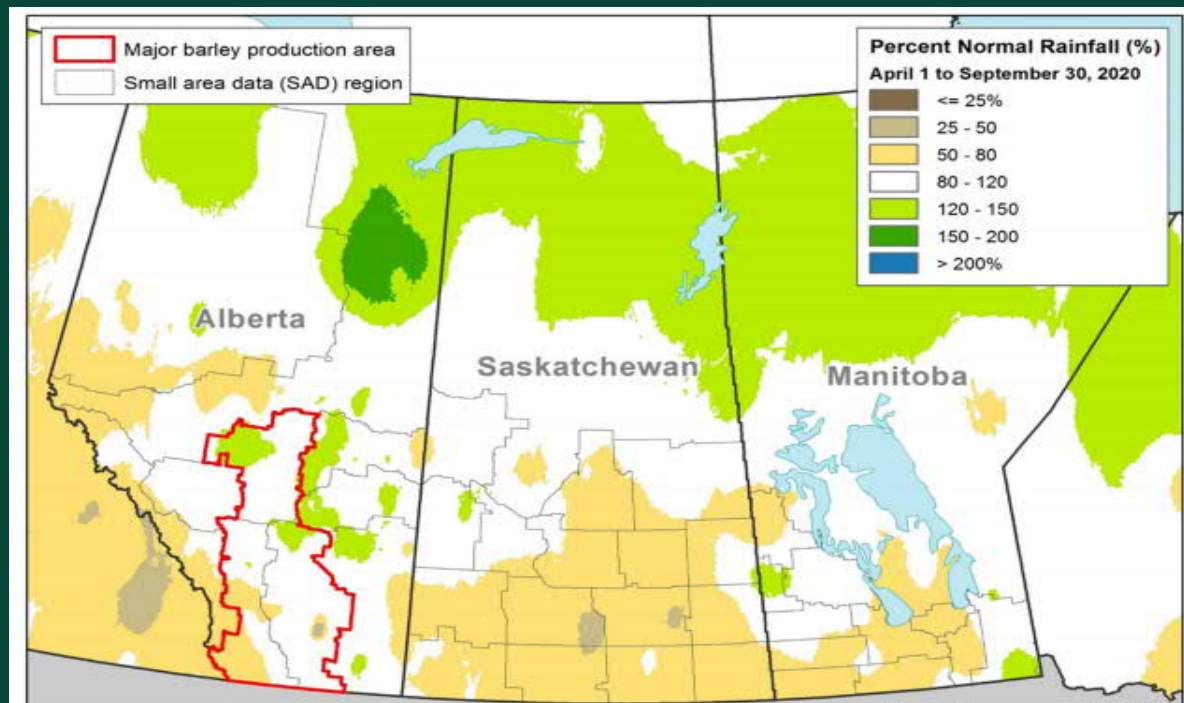
Source: IGC

*Note on FOB prices: Argentina- 12.0%, up river; Australia- average of APW; Fremantle, Newcastle, and Port Adelaide; Russia - Black Sea- milling; EU- France grade 1, Rouen; US- HRW 11.5% Gulf; Canada- CWRS (13.5%), Vancouver

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World Wheat



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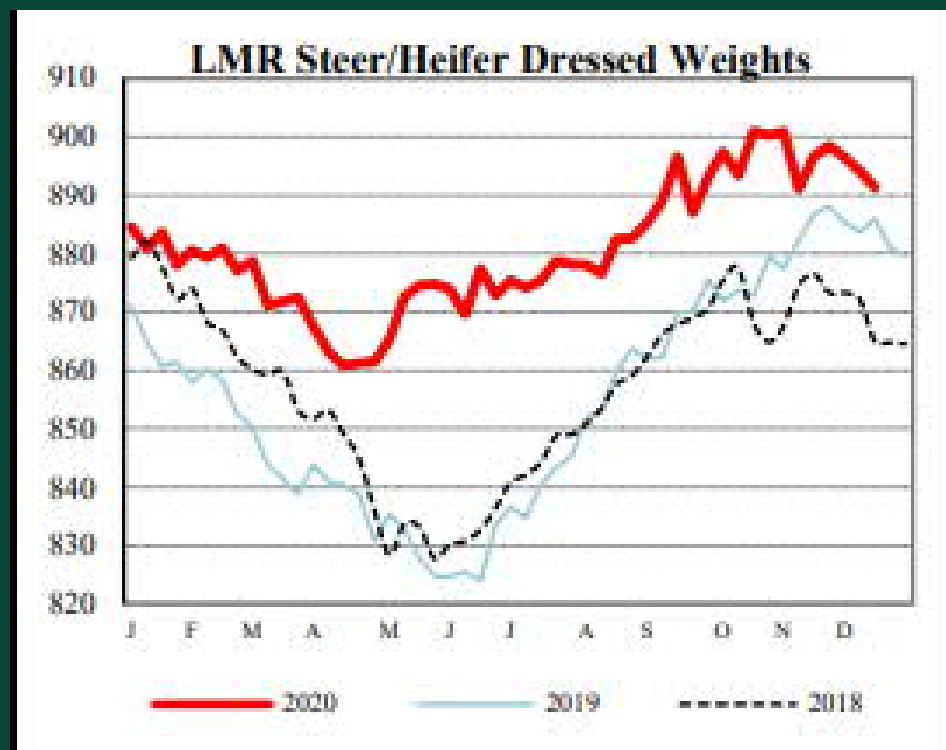
Livestock



Beef

- Cattle on Feed remains at record levels, although it appears to be leveling of, placement have dipped below last years levels, but . . .
 - Also remember cattle being backgrounded DO NOT count in this number
- Weights are still running heavy, but look like they topped out back in November.
- How quickly will the higher corn prices push weights down?

Beef



Source: USDA AMS National Daily Cattle & Beef
Summary 12-15-2020

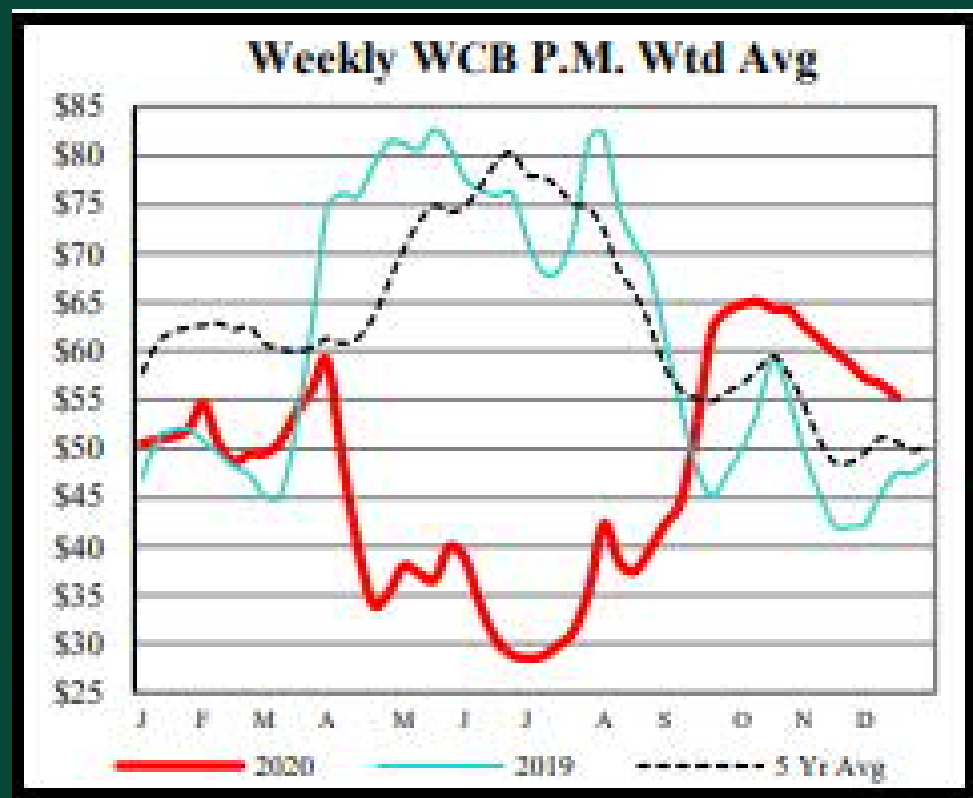
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Hogs

- One Wild Ride – seasonality out the window, volatility has finally evened out
- Chinese imports continue to be massive, but herd rebuilding is taking place
- ASF in Germany does open some opportunity
- PRRS breaks have been increasing through summer and fall, but challenge is more for producers than for the market

Hogs

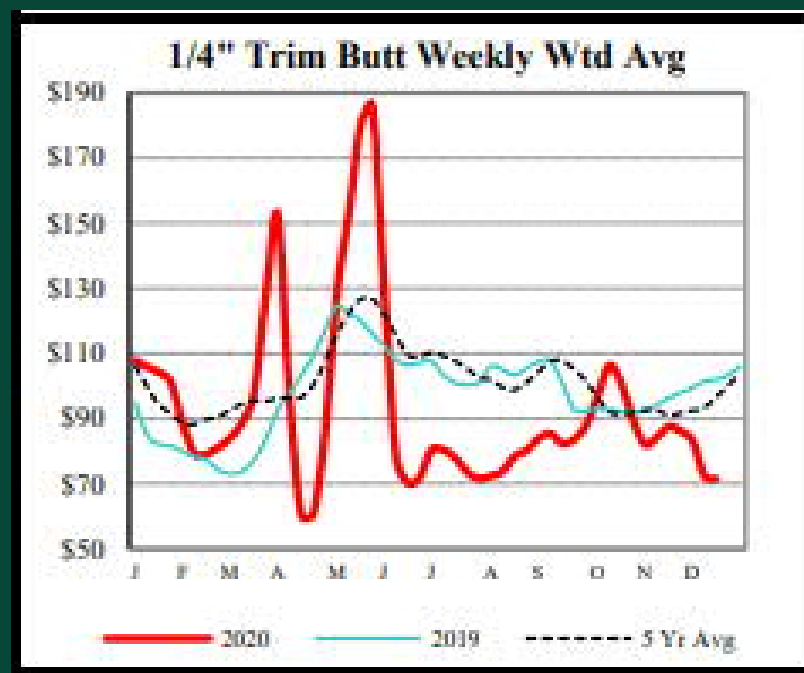
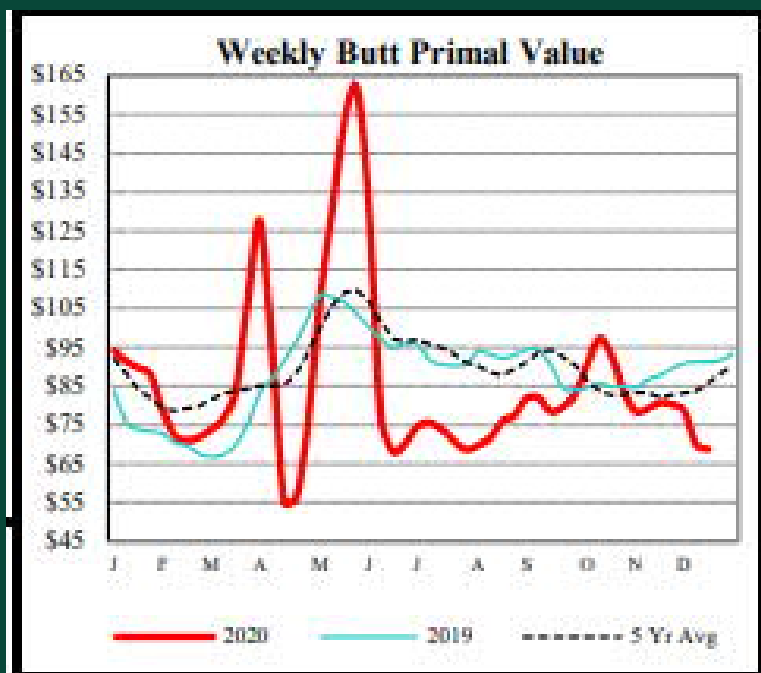


Source: National Daily Hog and Pork Summary Dec 15, 2020

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Hogs



Source: National Daily Hog and Pork Summary Dec 15, 2020

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Hogs

New Contract: Pork Cutout Futures and Options

Trades regular hours, 40,000 pound contract (same as lean hogs)

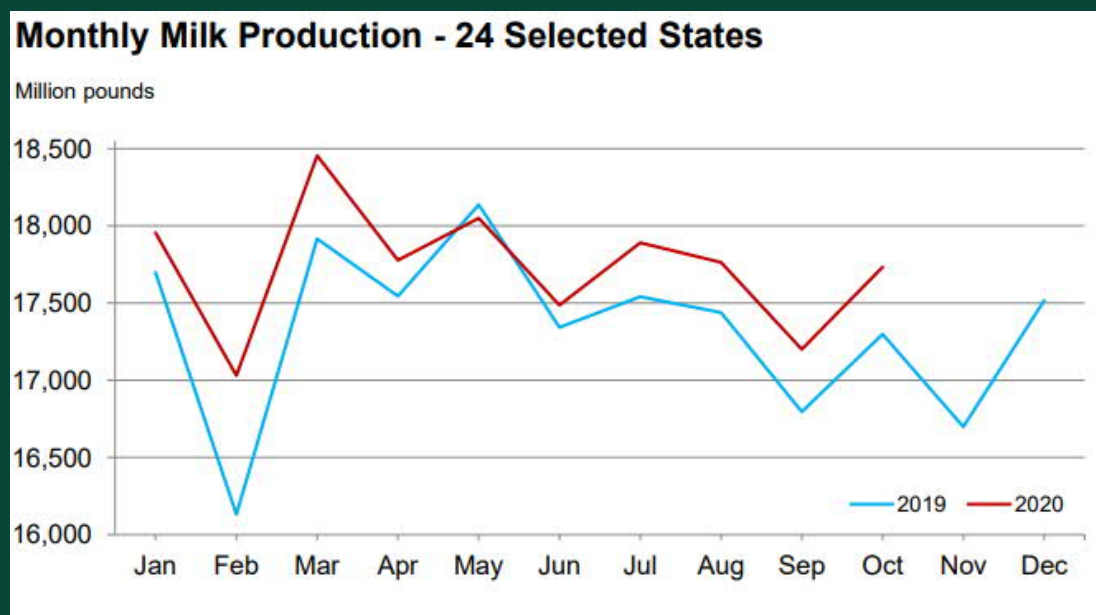
BUT . . . This is trimmed meat, not the hanging weight

Contract has its place. Is it a good hedging tool for a producer? Wait and see

This morning 15 Feb contracts had traded and 1 April. It is not liquid yet

Dairy

Production right now appears to be plenty to keep up with demand.



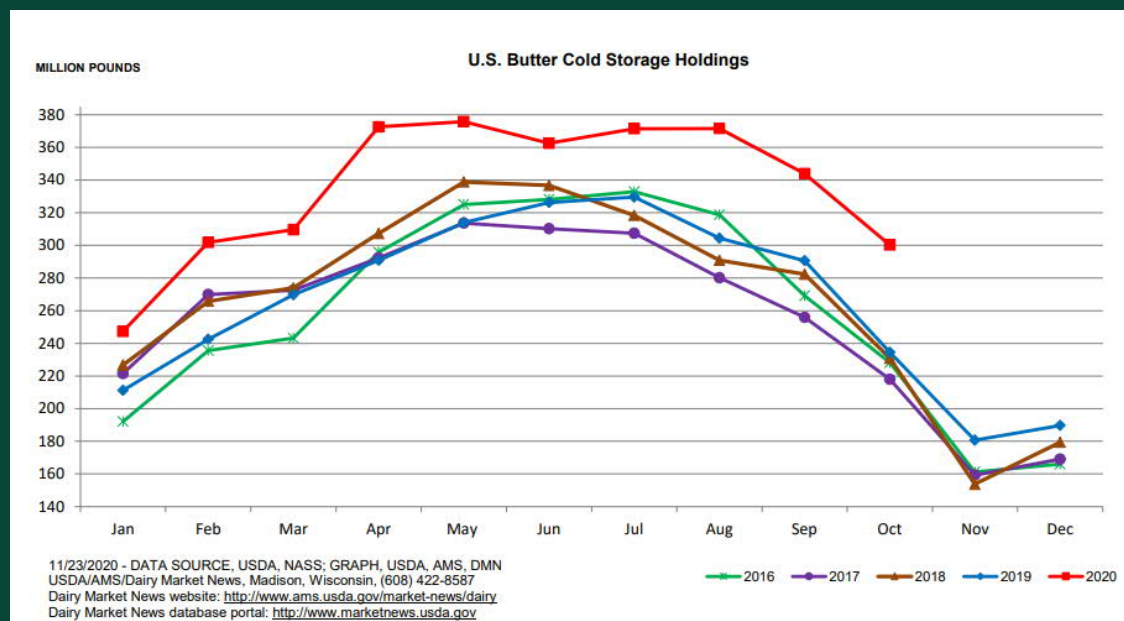
Source: USDA NASS Monthly Milk Production Report – Nov 2020

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Dairy

Cold Storage reports show product storage is still well ahead of “normal”, particularly for butter



Source: USDA Cold Storage November 2020

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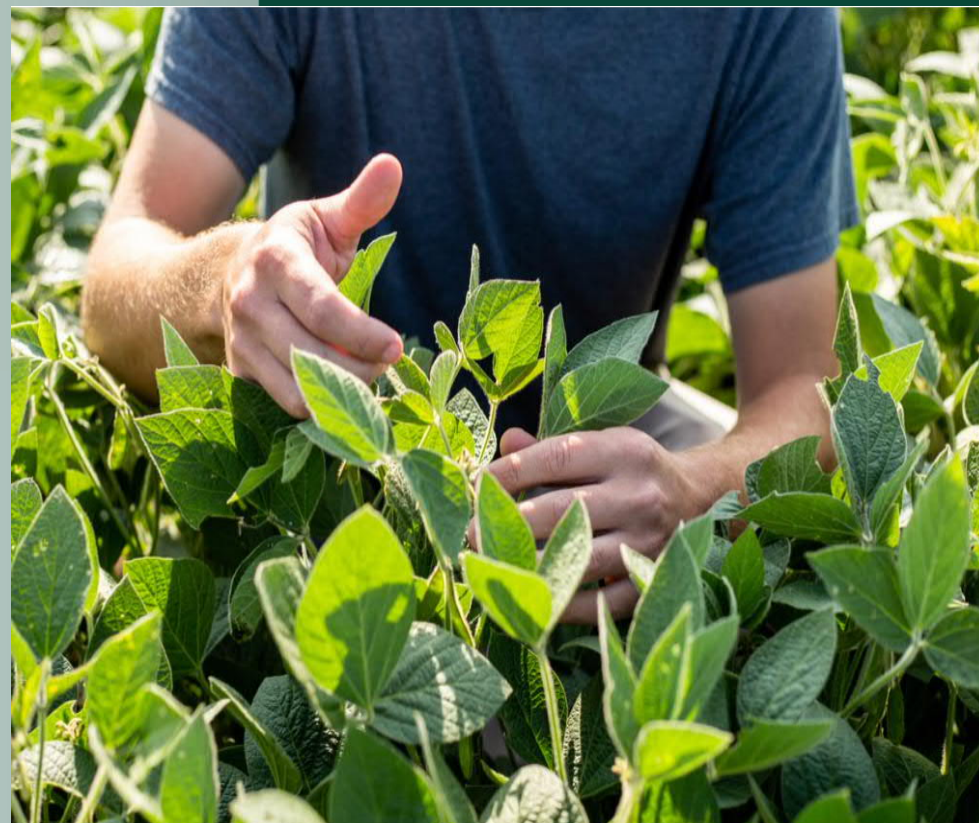


Dairy

- Rumors persist of possible government purchases of cheese, but remain unconfirmed, at least as of today
- Spot market load of milk are selling at a decent sized discount to contracted milk, further emphasizing the market is fairly saturated at this point.
- Stimulus also providing some support
- While prices are struggling, they're also at levels that many can "live" with. Not ideal, but if you are making money at these levels, its not a bad idea to set a floor if you have the ability too.



Government Programs



Government Programs

- ARC/PLC Signup through March 15 for the 2021 crop year
 - SCO/ECO
- WHIP+ Quality Loss Assistance
- CFAP 3.0
 - \$20/acre
 - Additional payments for cattle

Questions????