

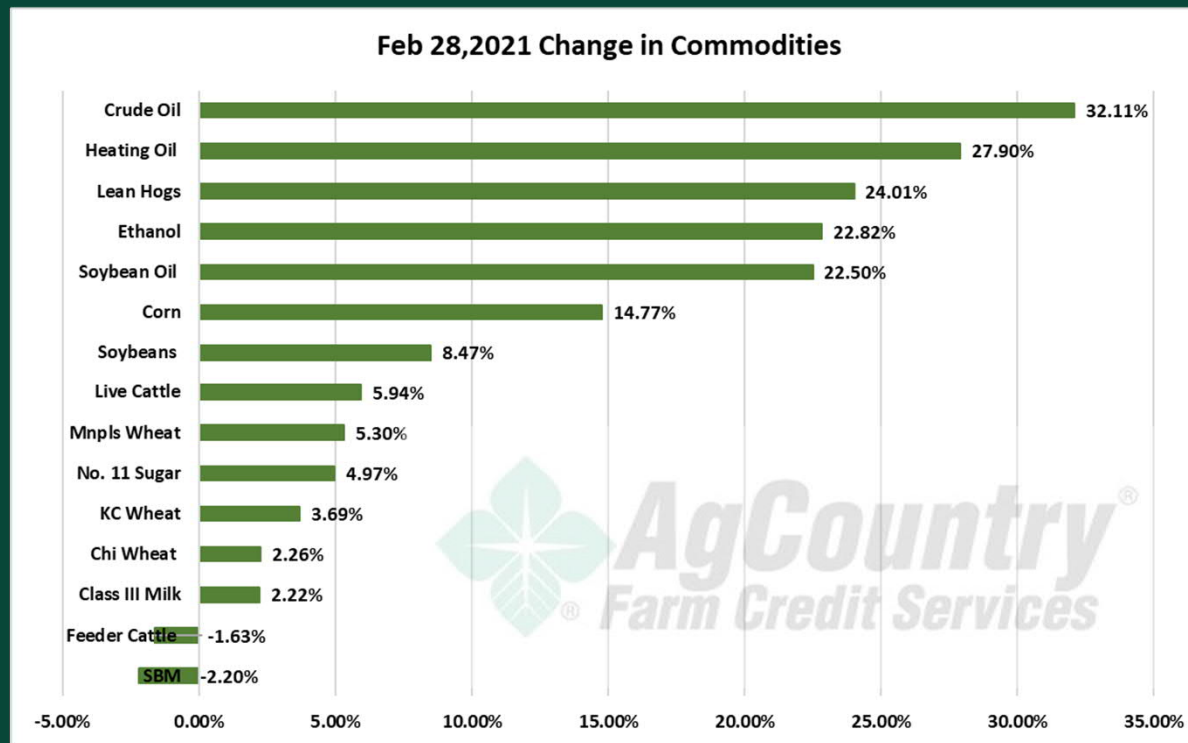


Market Update

March 2020



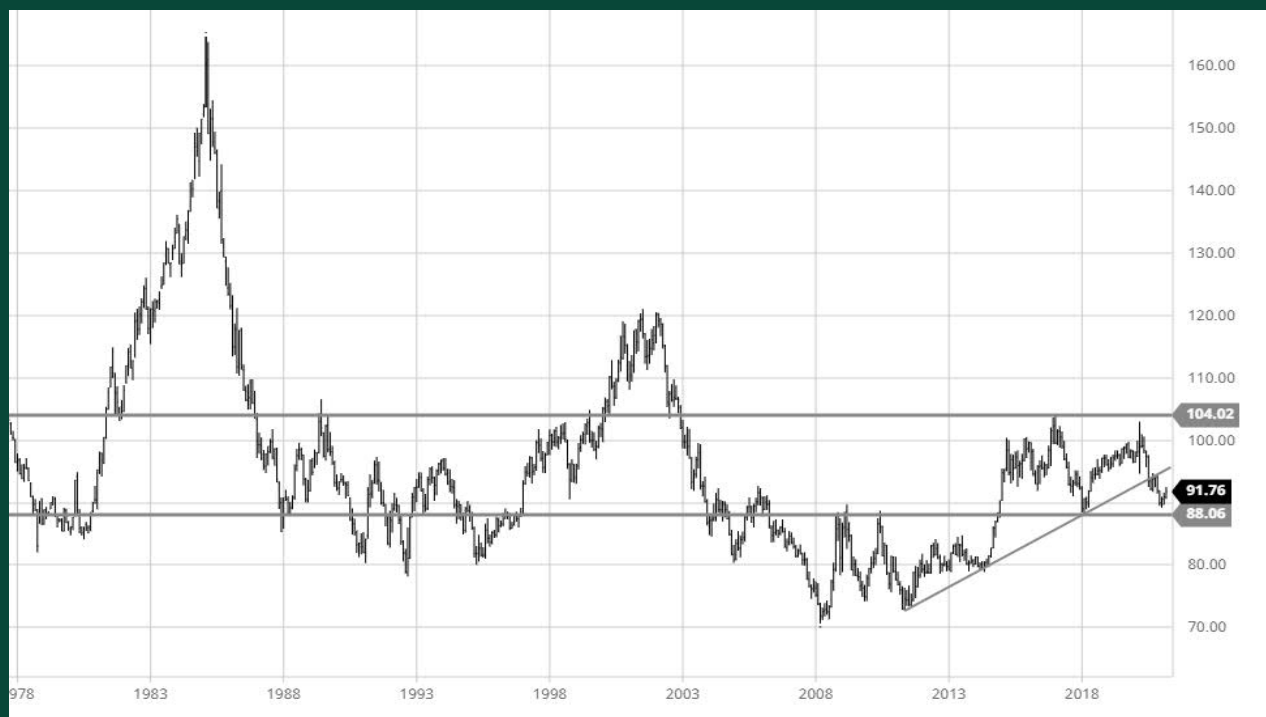
Commodity Rally



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General Comments



-Distributed Stimulus is inherently INFLATIONARY, heavy national debt COULD be deflationary

There is substantial discussion about what options the government will have in the intermediate term when it comes to controlling inflation

What does that mean for commodities?

General Comments

- Per March Federal Reserve Summary of Projections:
 - Expect inflation to average 2.4% in 2021 – currently below 2%
 - Federal Funds rates projected to remain at or very near zero for the foreseeable future
- Remember the goal of the Federal Reserve:
 - Control inflation and maintain full employment
 - Their goal inflation is 2% over the long term, so we will run higher and lower than that level, there is no magic switch



CORN



U.S. Corn

- One year ago:

Spot month corn futures: \$3.52 ½

Dec 20 Corn futures: \$3.64 ¼

Monday: \$5.49 (+55.7%)

Dec 21 Corn futures: \$3.79 ¼

Monday: \$4.68 (+23.3%)

Crop Insurance

Crop Insurance Price is set at \$4.58 compared to \$3.88 for 2020

On a 175 bushel APH, at 75%, the guarantee is \$91.78 MORE than last year

On average, producers in our trade area are covering about 90% of their expenses compared to 70% last year

Costs

What would change that?

Input costs – Fertilizer but also chemical for those who have not already locked those in. Some chemical companies have voided price lists already because their costs/logistics have changed

At this point, the market may have a difficult time attracting additional corn acres because of the higher input costs on corn

Planting Outlook

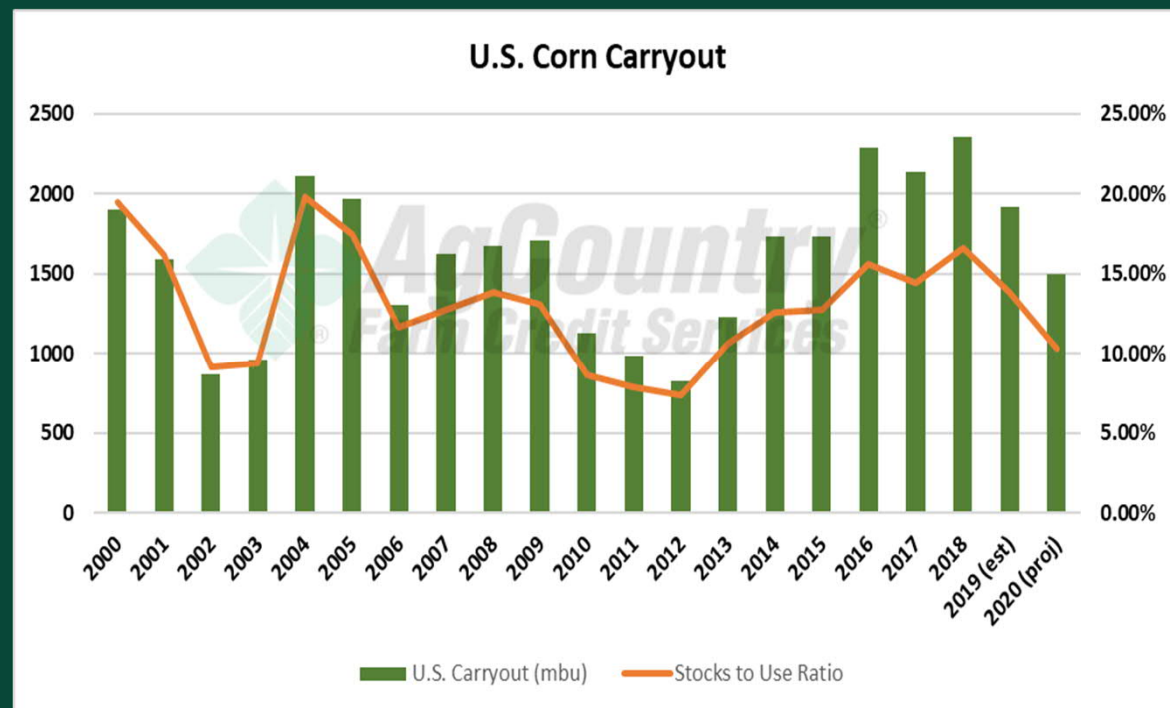
Dry conditions last fall meant fertilizer was applied in the cornbelt almost up until Christmas – those acres are committed, they aren't going back to soybeans

What if you didn't price fertilizer ahead? Then the return on corn is likely very similar to last year at this time, so not much incentive

If you're somewhat flexible in nitrogen sources, NH_3 is the best "value" but there are clearly a lot of other considerations. Prices are also more volatile for NH_3 , so keep that in mind

U.S. Corn

- No Changes to the March balance sheet
- Current Export projections of 1.6 billion bushels would be a record
- Stocks are tightening, but not ridiculous, at least according to what USDA has



U.S. Corn

-Current USDA projection shows stocks to use remaining flat

To Consider –

- Can we increase demand at higher price levels?
- What will the relationship to China look like and will it affect demand for commodity goods?
- Weather?

Corn Balance Sheet 2021/22			
		2020/2021	As Projected
Supply			
Beginning Stocks		1,919.00	1,502.00
Planted Area		90.8	92
Harvested		82.46	84.18
Yield		172	179.5
Total Production		14,183.12	15,150.00
Imports		25.00	25.00
Total Supply		16,127.12	16,677.00
Demand			
Exports		2600	2650
Feed and Res.		5650	5850
Food, Seed, Ind		6375	6625
Total Demand		14,625.00	15,125.00
Carryout		1,502.12	1,552.00
Stocks to Use		10.27%	10.26%

How Sensitive IS The Balance Sheet?

	2020/2021	As Projected	+ 1 Mill Acres	- 1 Mill Acres	Higher Yield	Lower Yield
Supply						
Beginning Stocks	1,919.00	1,502.00	1,502.00	1,502.00	1,502.00	1,502.00
Planted Area	90.8	92	93	91	92	92
Harvested	82.46	84.18	85.10	83.265	84.18	84.18
Yield	172	179.5	179.5	179.5	184.2	174.8
Total Production	14,183.12	15,150.00	15,274.55	14,946.07	15,505.96	14,714.66
Imports	25.00	25.00	25.00	25.00	25.00	25.00
Total Supply	16,127.12	16,677.00	16,801.55	16,473.07	17,032.96	16,241.66
Demand						
Exports	2600	2650	2650	2650	2650	2650
Feed and Res.	5650	5850	5850	5850	5850	5850
Food, Seed, Ind	6375	6625	6625	6625	6625	6625
Total Demand	14,625.00	15,125.00	15,125.00	15,125.00	15,125.00	15,125.00
Carryout	1,502.12	1,552.00	1,676.55	1,348.07	1,907.96	1,116.66
Stocks to Use	10.27%	10.26%	11.08%	8.91%	12.61%	7.38%

How Sensitive IS The Balance Sheet?

Corn Balance Sheet 2021/22							
		2020/2021	As Projected	+ 1 Mill Acres	- 1 Mill Acres	Higher Yield	Lower Yield
Supply							
Beginning Stocks		1,919.00	1,502.00	1,502.00	1,502.00	1,502.00	1,502.00
Planted Area		90.8	92	93	91	92	92
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Demand							
Exports		2600	2600	2600	2600	2600	2600
Feed and Res.		5650	5650	5650	5650	5650	5650
Food, Seed, Ind		6375	6375	6375	6375	6375	6375
Total Demand		14,625.00	14,625.00	14,625.00	14,625.00	14,625.00	14,625.00
Carryout		1,502.12	2,052.00	2,176.55	1,848.07	2,407.96	1,616.66
Stocks to Use		10.27%	14.03%	14.88%	12.64%	16.46%	11.05%

World Corn

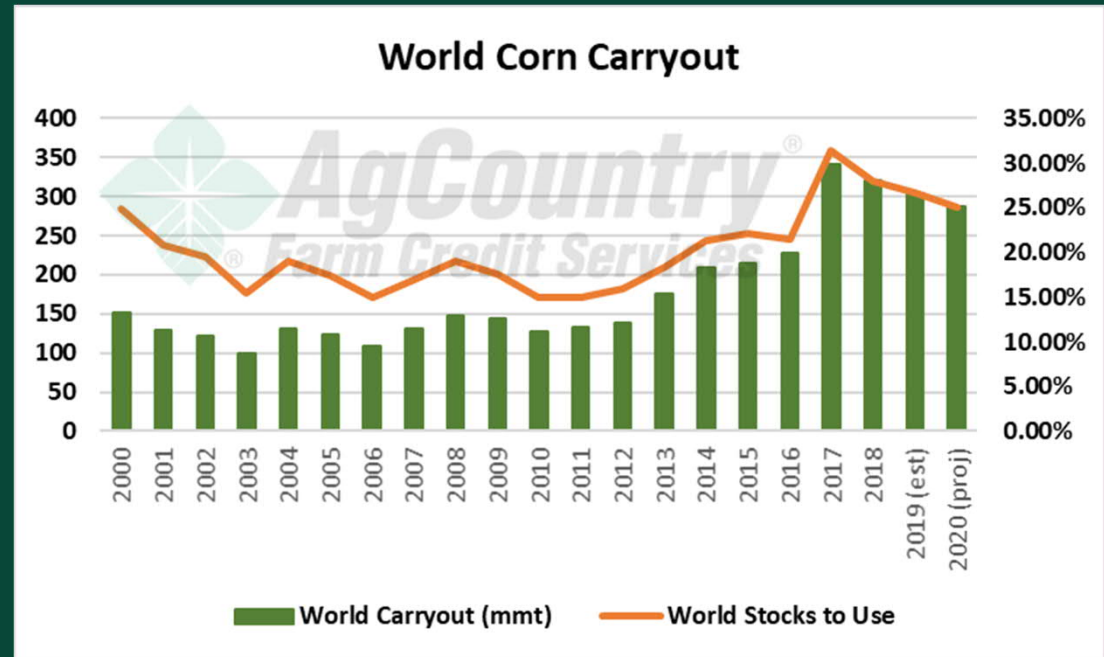
World Ending Stocks					
	Actual	Ave Est	Range	Feb USDA	2019/2020
Corn	287.67	284.23	280 - 286	286.53	303.01
Soybeans	83.74	82.66	81 - 85.5	83.36	95.39
Wheat	301.19	304.39	302.4 - 309	304.22	300.09

World Corn

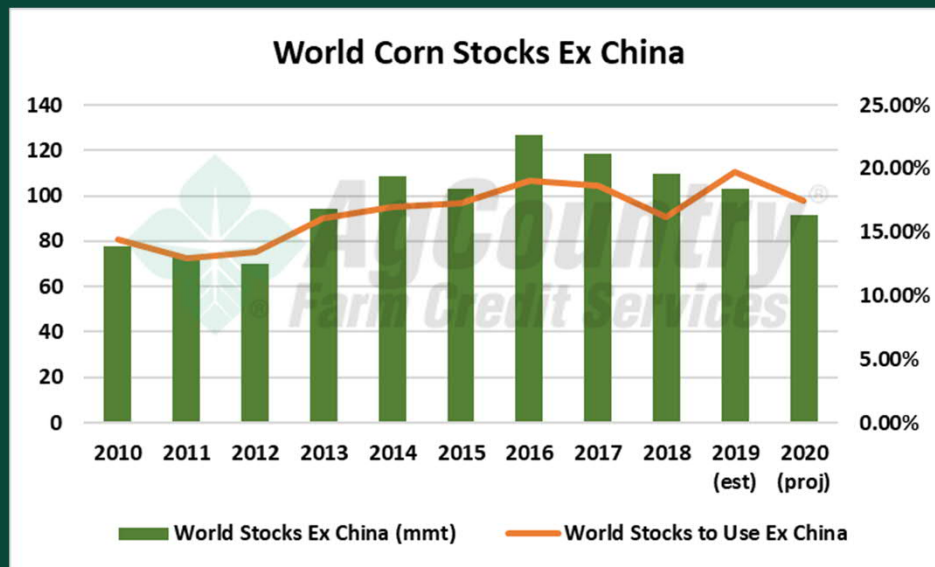
2021 Projected World Ending Stocks ROSE to 287.67 mmt

~ 2 mmt production increased, partially from South Africa

Basically carried through to the Ending Stocks number



More Complicated



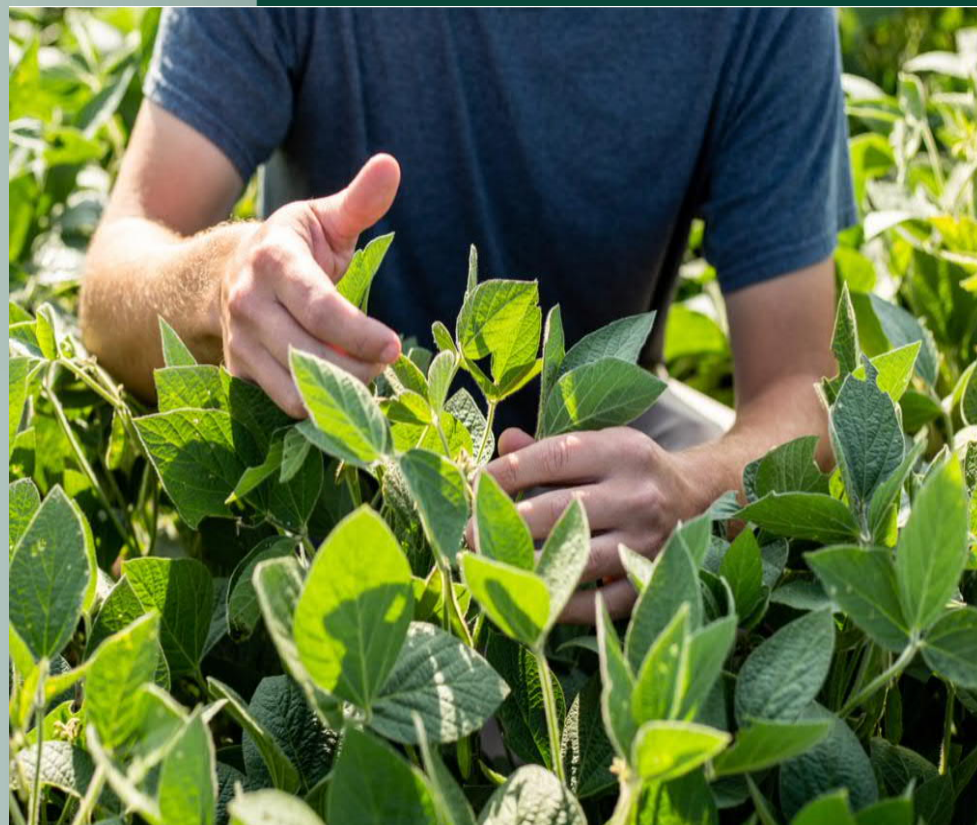
- World Stocks Increasingly Concentrated in China
- Chinese Imports held steady in March but are historically very high at 24 mmt
- Chinese Feed Use was held steady, but again at historically high levels

More Complicated

- USDA 's Chinese Baseline Stocks HAVE NOT changed. World stocks became increasingly concentrated, but according to USDA, Chinese stocks themselves, are not low
- BUT!!! The Food and Agricultural Organization (run by UN) cut Chinese stocks by 54 mmt in Feb compared to December.
- No way to reconcile the two



Soybeans



U.S. Soybeans

One year ago:

Spot Month Soybean: \$8.68 ½ Tuesday: \$14.23 ¼ (+63.8%)

New Crop Nov 20: \$8.72 ½

New Crop Nov 21: \$8.52 Tuesday: \$12.23 ½ (+43.6%)

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U.S. Soybeans

Insurance price is: \$11.87 compared to \$9.17 the prior year

On a 45 bushel APH with 75% insurance, you're also getting \$90 more per acre

Coverage levels vary substantially, but our territory we see producers covering roughly 95% of expenses on beans, if not 100%

U.S. Soybeans

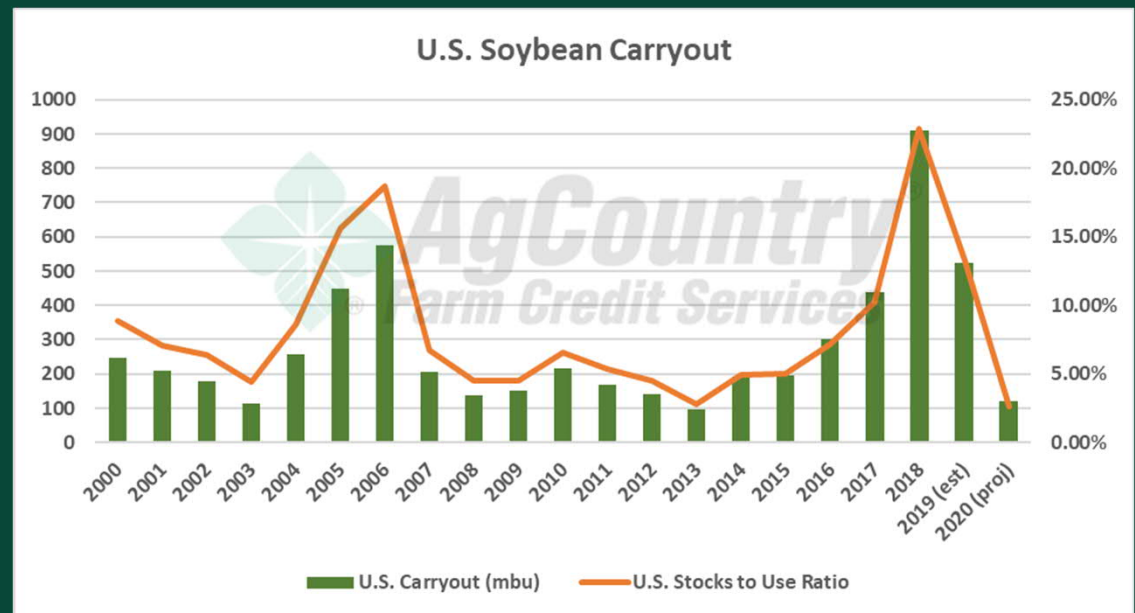
- USDA came in with a 120 mbu carryout, which is a low print for this time of year
- The only year lower (final estimate was lower) were 2003 and 2013
- Only change was a 20 mbu increase to export projections
- USDA DID NOT increase projected price

U.S. Soybeans

U.S. Low Print Projection for March

AND

U.S. soybean shipments hit a new record of 48.5 million metric tons at the end of Feb



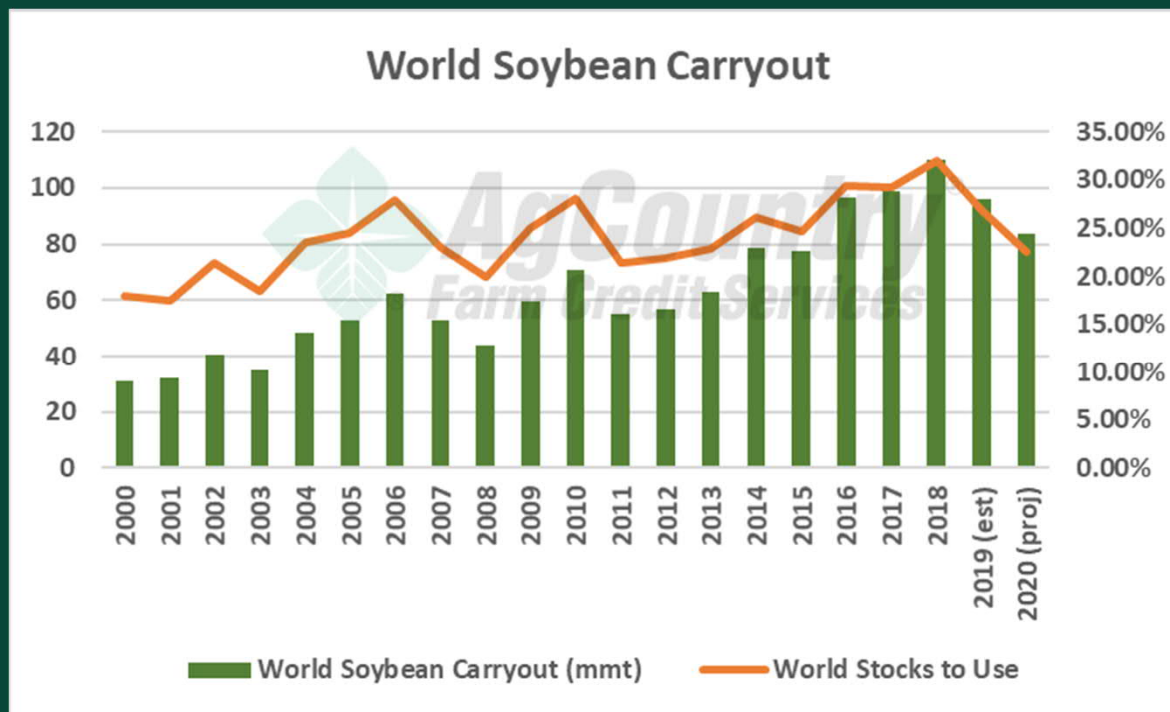
How Sensitive IS The Balance Sheet?

Soybean Balance Sheet 2021/22		2020/2021	As Projected
Supply			
Beginning Stocks		525.00	120.48
Area Planted		83.10	90.00
Area Harvested		82.38	89.05
Yield		50.20	50.80
Production		4,135.48	4,523.74
Imports		35.00	35.00
Total Supply		4,695.48	4,679.22
Demand			
Exports		2,250.00	2,200.00
Crush		2,200.00	2,210.00
Seed and Res		125.00	124.00
Total Demand		4,575.00	4,534.00

How Sensitive IS The Balance Sheet?

Soybean Balance Sheet 2021/22							
		2020/2021	As Projected	+1 Mill Acres	- 1Mill Acres	High Yield	Lower Yield
Supply							
Beginning Stocks		525.00	120.48	120.48	120.48	120.48	120.48
Area Planted		83.10	90.00	91.00	89.00	90.00	90.00
Area Harvested		82.38	89.05	90.10	88.00	89.05	89.05
Yield		50.20	50.80	50.80	50.80	53.30	48.30
Production		4,135.48	4,523.74	4,577.08	4,470.40	4,746.37	4,301.12
Imports		35.00	35.00	35.00	35.00	35.00	35.00
Total Supply		4,695.48	4,679.22	4,732.56	4,625.88	4,781.37	4,456.60
Demand							
Exports		2,250.00	2,200.00	2,200.00	2,200.00	2,200.00	2,200.00
Crush		2,200.00	2,210.00	2,210.00	2,210.00	2,210.00	2,210.00
Seed and Res		125.00	124.00	124.00	124.00	124.00	-
Total Demand		4,575.00	4,534.00	4,534.00	4,534.00	4,534.00	4,410.00
Carryout		120.48	145.22	198.56	91.88	247.37	46.59
Stocks to Use		2.63%	3.20%	4.38%	2.03%	5.46%	1.06%

World Soybeans



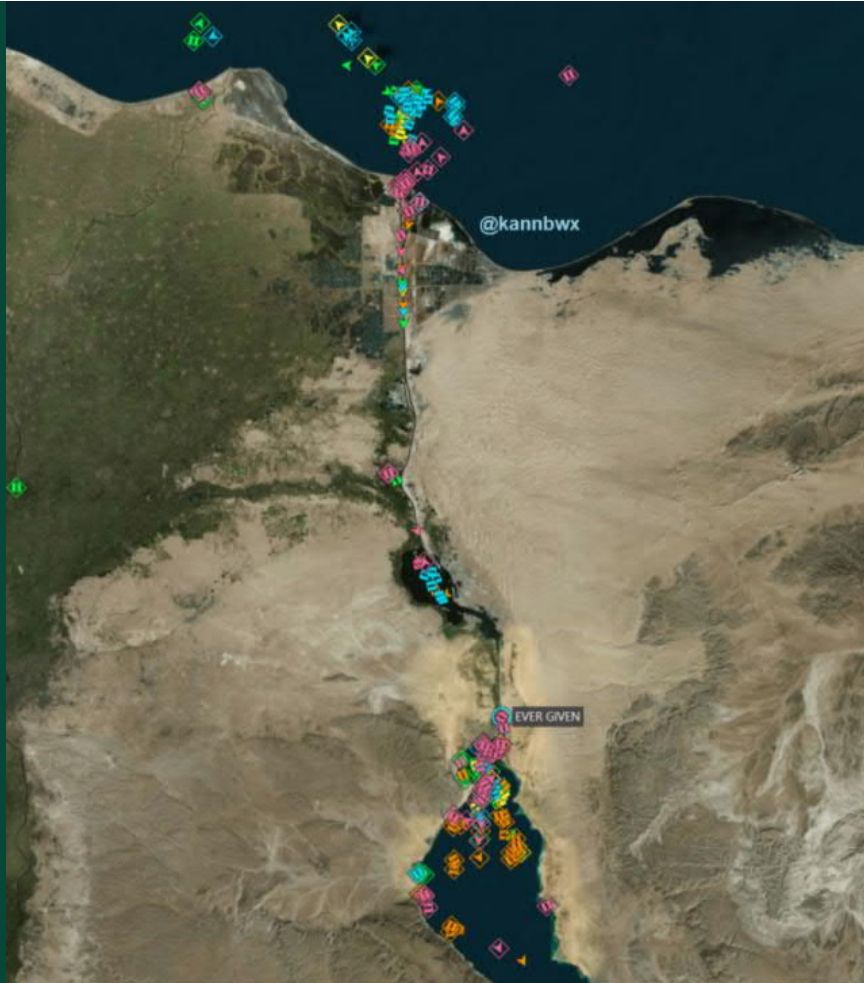
What is the busiest shipping
lane in the world?







A **bulldozer** trying to dislodge the cargo ship. Suez Canal, via Agence France-Presse — Getty Images





Wheat



U.S. HRS Wheat

The insurance price is: \$6.53, compared to \$5.56 in 2020
Highest price since 2012

On a 65 bushel APH at 75%, a grower has \$47.28 more coverage than last year

Typically, producers this year can cover about 75% of expenses, last year it was closer to 65%

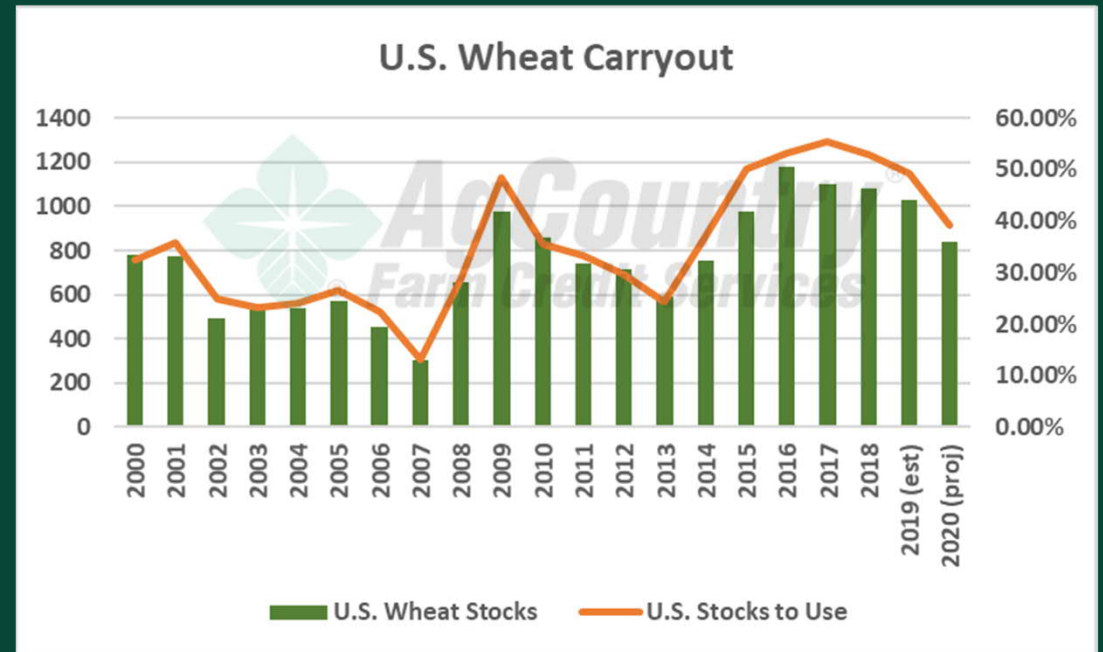
U.S. Wheat

No change to the Wheat balance sheet in March.

Class by class balance sheets were also the same:

- U.S. Sold HRS wheat into Canada following heavy Canadian exports

- Emergence and condition of HRW will be watched more closely as we emerge from dormancy



U.S. Wheat

2021 Outlook

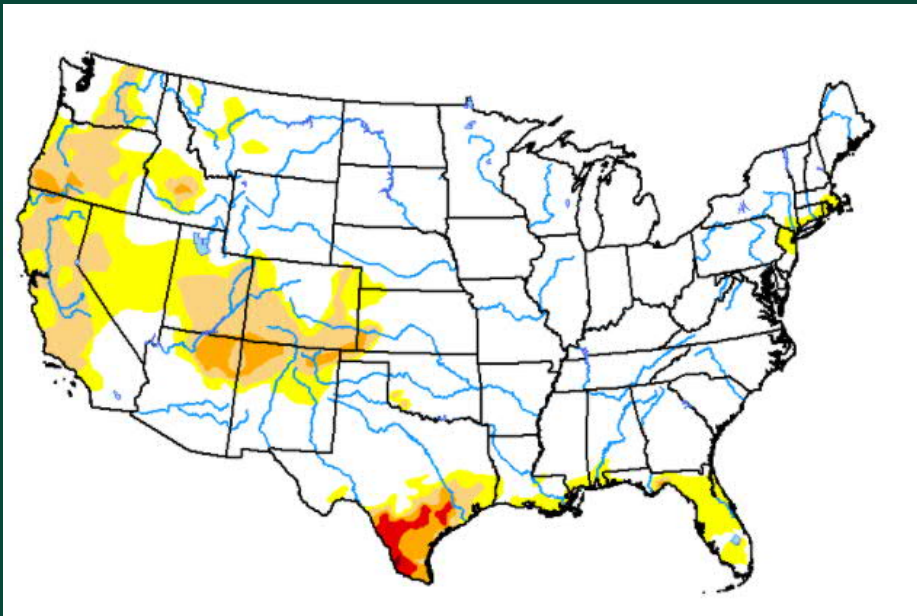
Less flex than corn or soybeans because winter wheat is already planted. For spring wheat, prices are better, but question is more is there another benefit to adding wheat

Intra-class spreads likely to remain skewed until at least summer

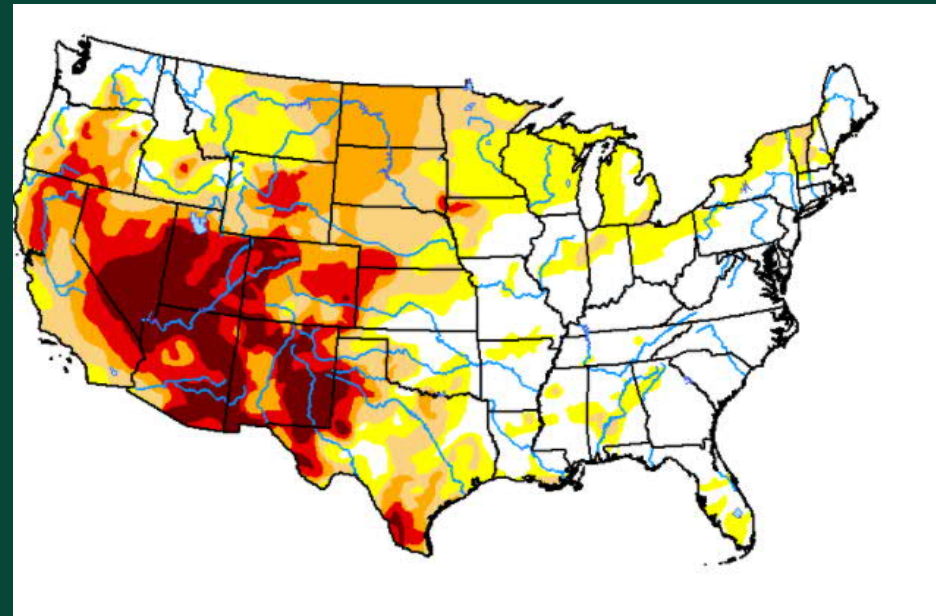
U.S. Wheat Balance Sheet for 2021/22

	Domestic Units		
	2020/21 (Feb)	2021/22	Diff.
Area planted (mil. acres)	44.3	45.0	+0.7
Yield (bu/acre)	49.7	49.1	-0.6
Production (mil. bu)	1,826	1,827	+1
MY Imports	120	130	+10
MY Exports	985	925	-60
Feed & Residual	125	140	+15
Food & Seed	1,028	1,030	+2
Ending Stocks	836	698	-138
Average Farm Price	\$5.00	\$5.50	+\$0.50

U.S. Wheat



March 17, 2020



March 18, 2021

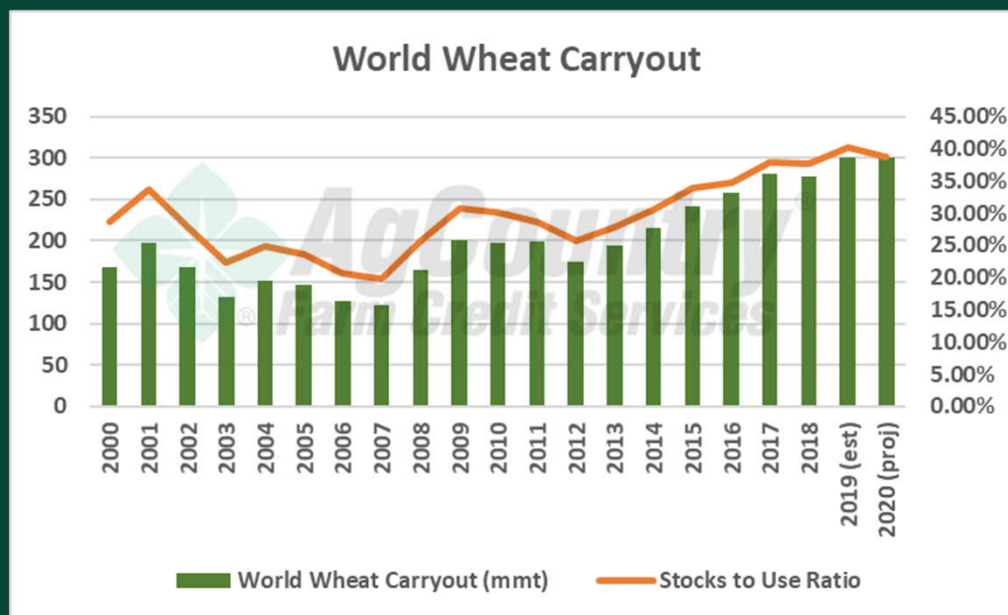
University of Nebraska Lincoln U.S. Drought Monitor March 18, 2021

World Wheat

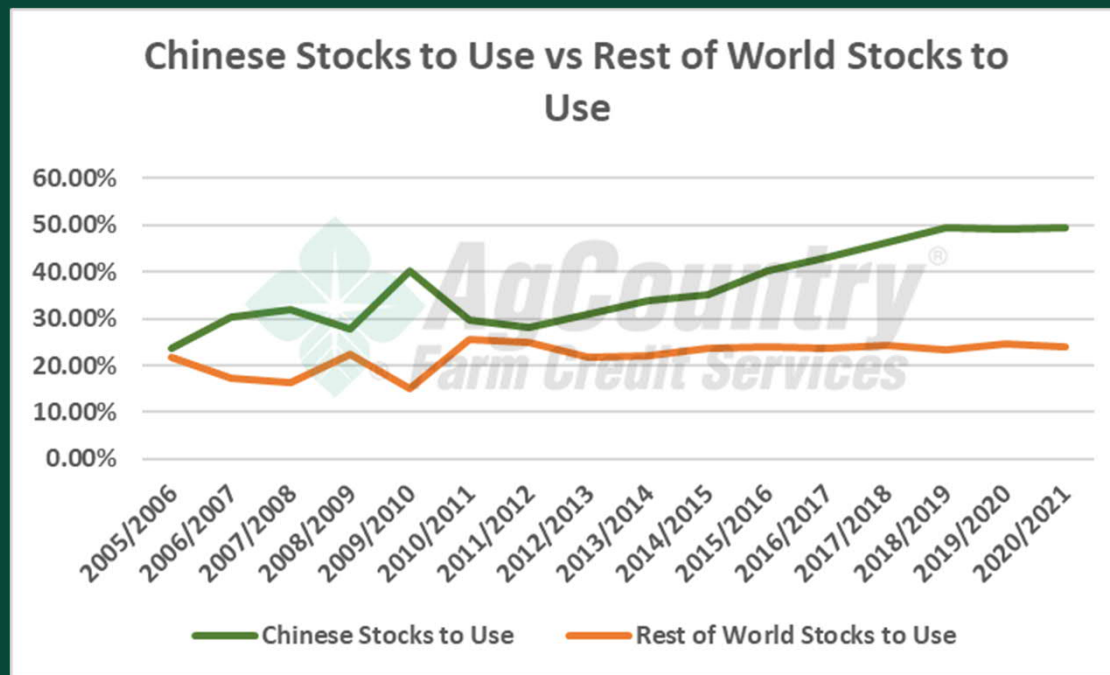
Notable Changes:

- Australia crop estimated at 33.00 mmt, just over twice as much as last year's crop

- China increased feed usage by 5 mmt and food usage by another 5 mmt



World Wheat



World Wheat





Livestock

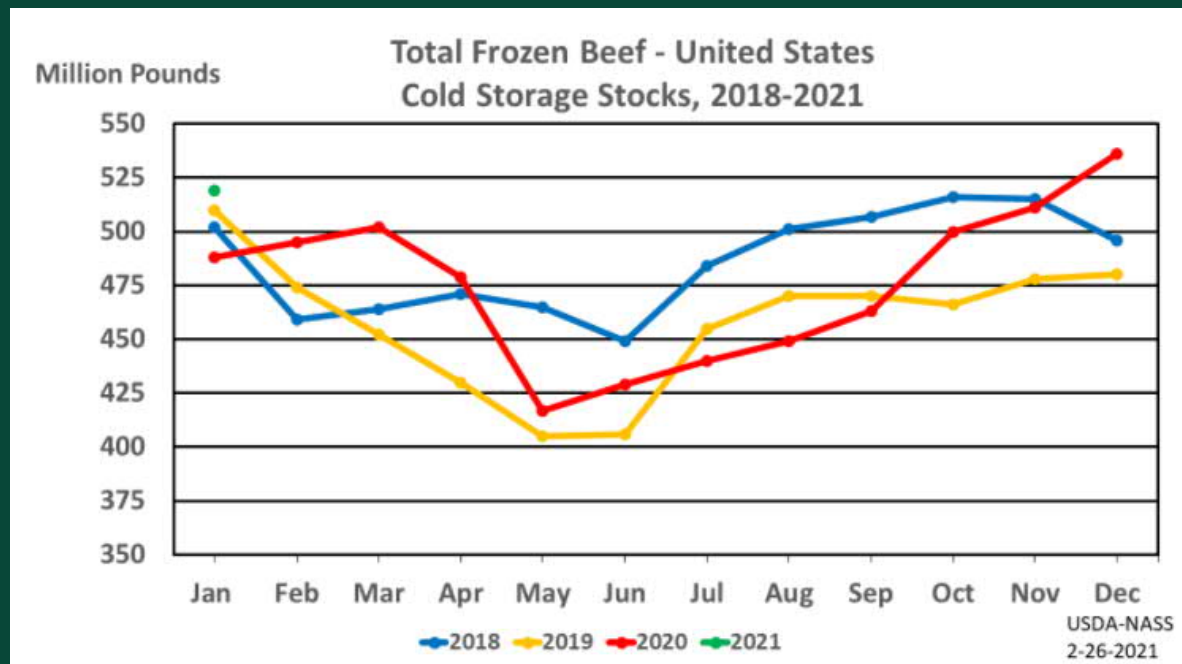


Beef

- 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

Beef Cold Storage



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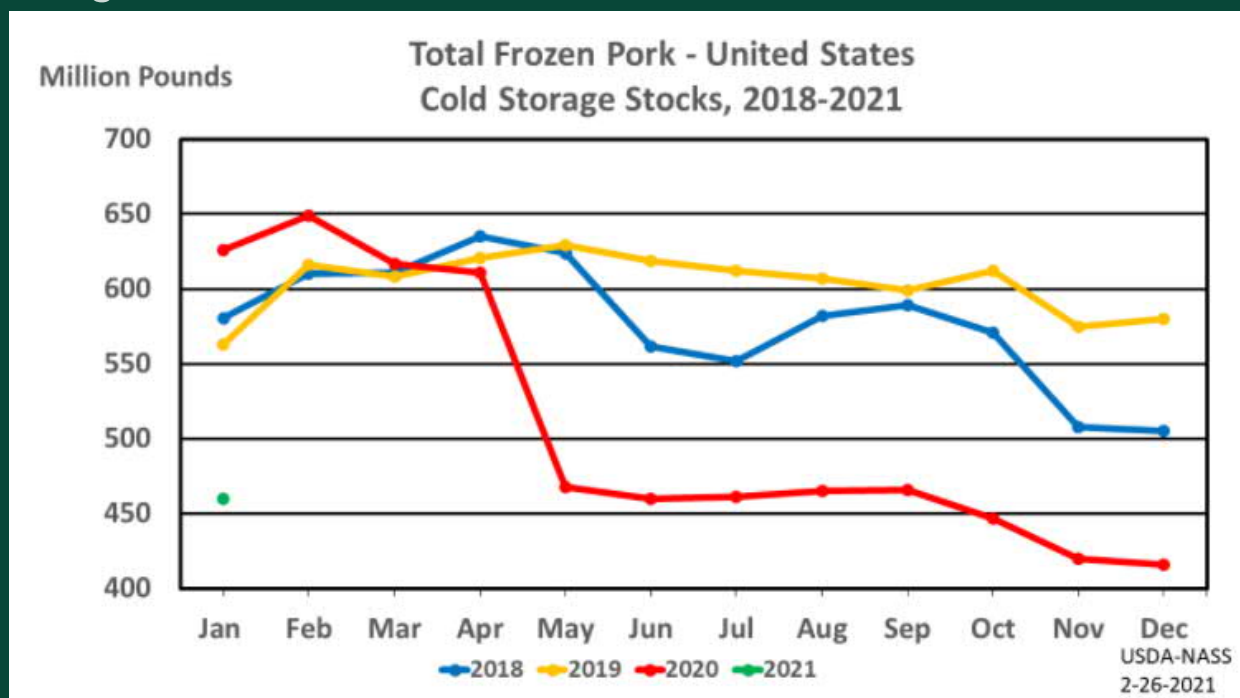


Hogs

- 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

Hogs

Pork Cold Storage

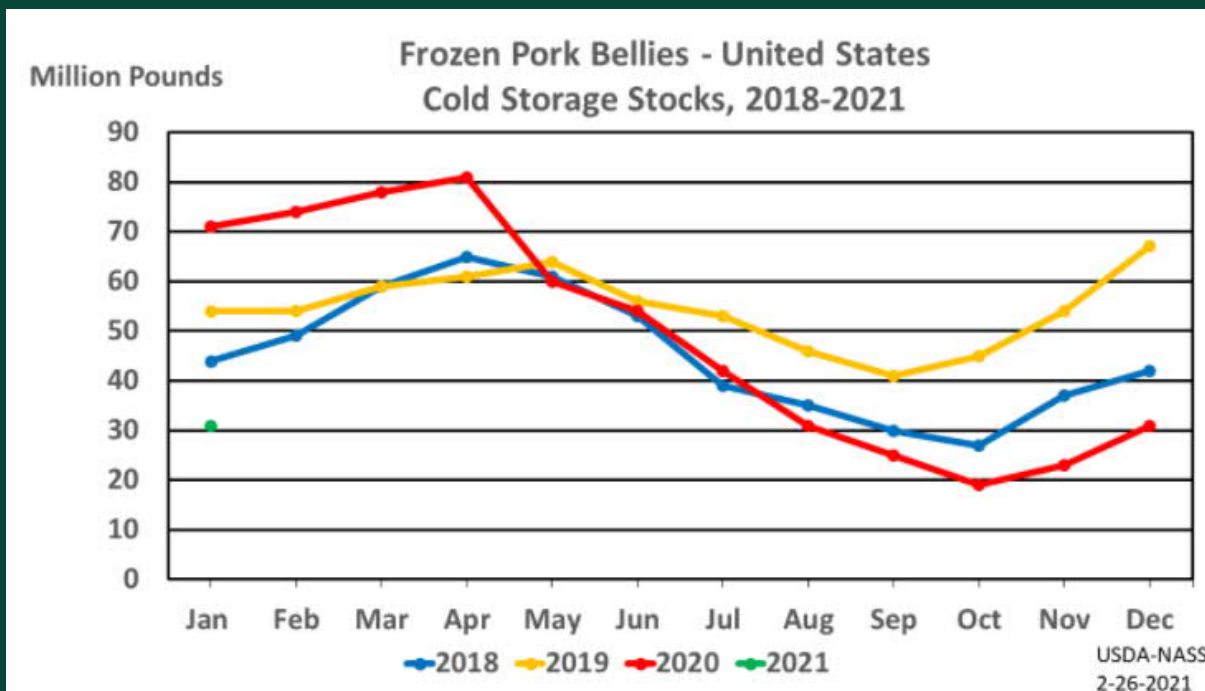


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Hogs

Pork Cold Storage



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Hogs



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Hogs

New Contract: Pork Cutout Futures and Options

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

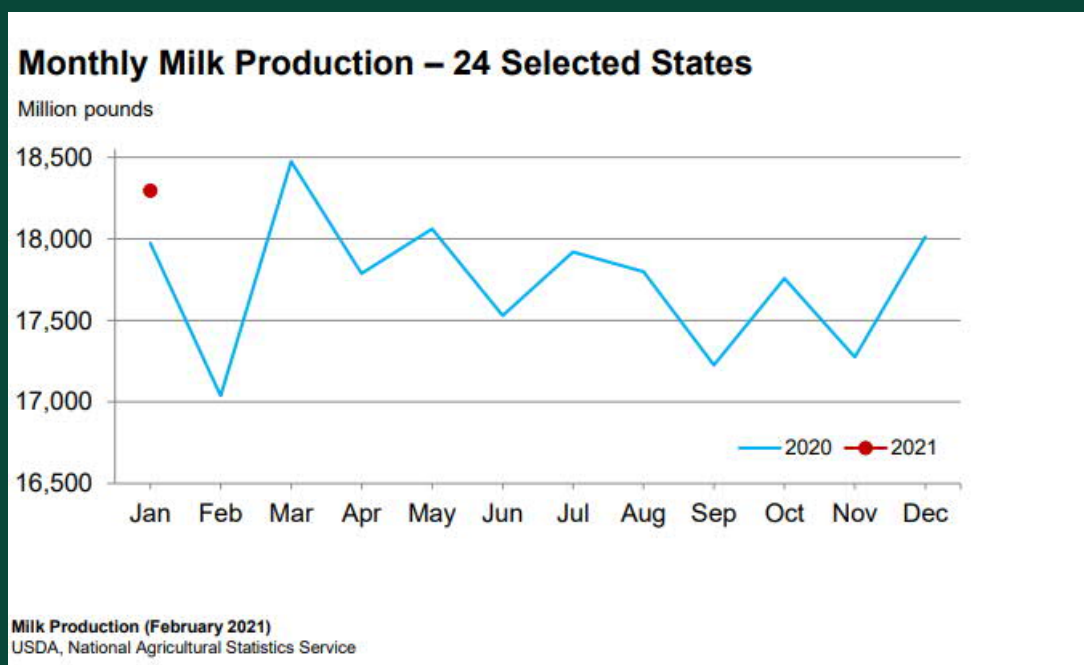
BUT . . . This is trimmed meat, not the hanging weight

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.



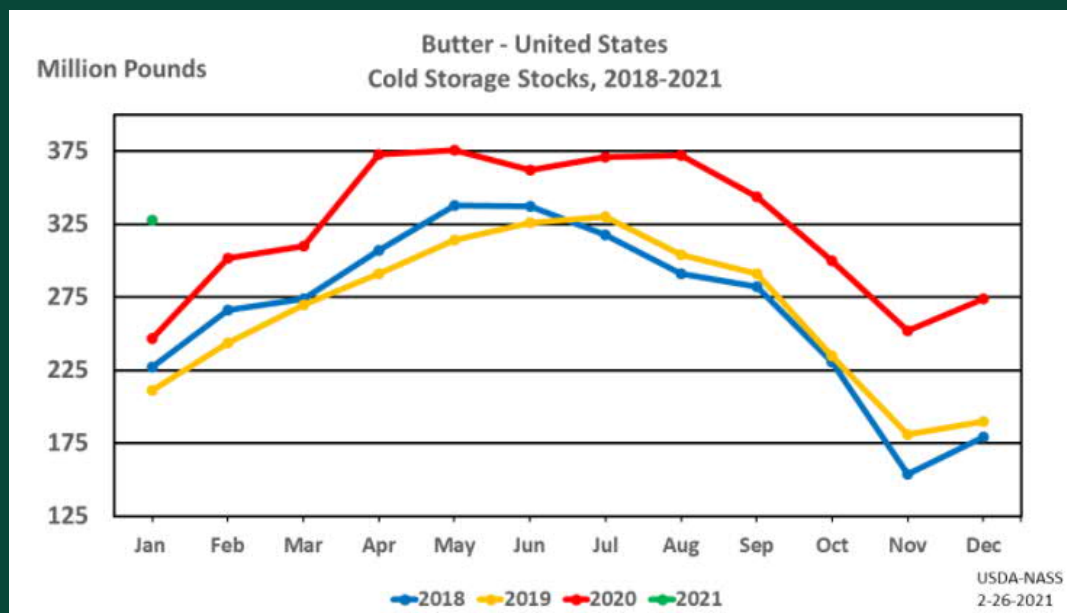
Source: USDA NASS Monthly Milk Production Report – Feb 2021

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Dairy

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



Source: USDA Cold Storage Feb 2021

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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.

Questions????