



## Market Update

December 2020



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## 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



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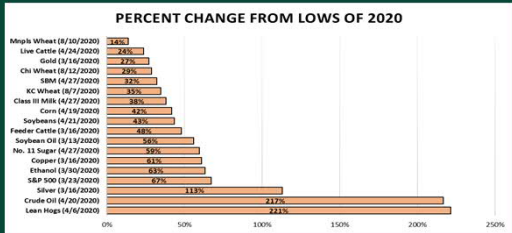
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## Commodity Rally



Commodity	Percent Change from Lows of 2020
Maple Wheat (8/10/2020)	245%
Live Cattle (6/24/2020)	245%
Gold (3/16/2020)	225%
Chi Wheat (8/12/2020)	245%
SBM (4/27/2020)	225%
KC Wheat (8/7/2020)	245%
Class III Milk (4/27/2020)	245%
Corn (4/18/2020)	242%
Soybeans (4/11/2020)	235%
Feeder Cattle (3/16/2020)	235%
Soybean Oil (3/13/2020)	235%
No. 11 Sugar (4/7/2020)	235%
Copper (3/16/2020)	235%
Ethanol (3/16/2020)	235%
S&P 500 (3/23/2020)	235%
Silver (3/16/2020)	235%
Crude Oil (4/20/2020)	235%
Lean Hogs (4/6/2020)	221%

\*Through the close of Dec 11, 2020



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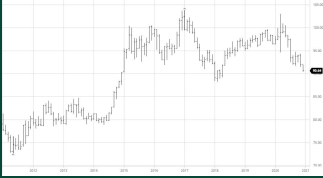
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## General Market Comments



- U.S. Dollar has broken its uptrend, but remains within a six year trading range
- Proposed additional stimulus, impending distribution of COVID vaccine, likelihood of interest rates remaining low



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## 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



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# CORN



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## U.S. Corn

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

Spot Month Corn: +85 ½ cents  
New Crop Dec 21: +49 cents



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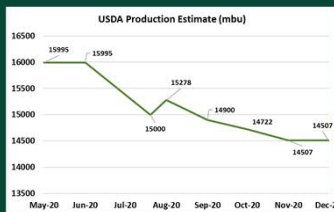
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## Corn Production



- Total "lost" production since May totals just under 1.5 BILLION bushel
- ~ somewhere between the total CARRYOUT estimates for 2013 and 2014
- About equal to production in 2018



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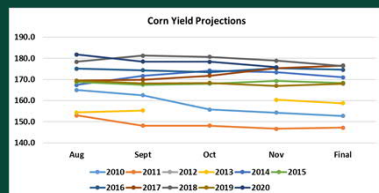
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## U.S. Corn

- 2020 is still a "good" crop
- Third highest yield on record if we finish at the November estimate
- Once yield falls on the USDA model after harvest has started, it typically does not go back up, 2019 is the exception to the rule



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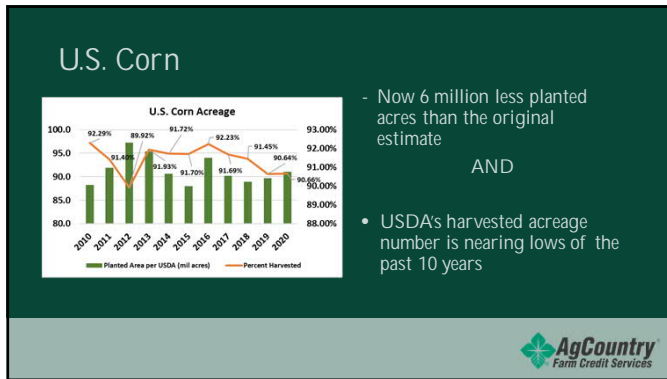
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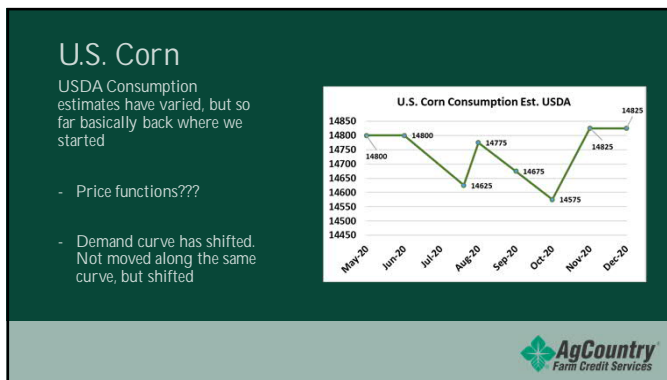
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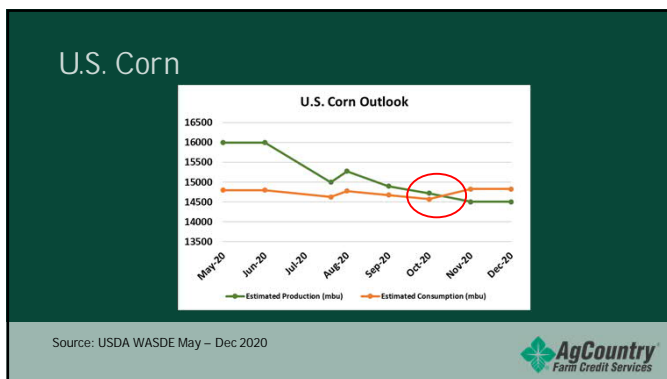
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## Demand – Where are we headed

- If prices are higher, why are we consuming the same amount as May?

	2019	May 2020	Dec 2020
Feed and Residual	5,827	6,050	5,700
Food, Seed, Industrial	6,282	6,600	6,475
Ethanol	4,852	5,200	5,050
Exports	1,778	2,150	2,650



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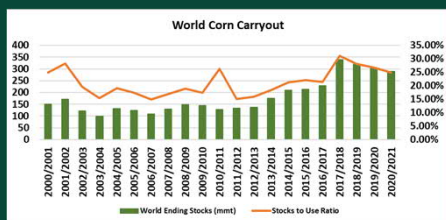
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## World Corn



Source: USDA WASDE Dec 2020



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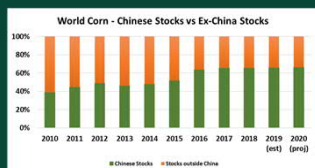
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## World Corn



- Chinese Stockpiles – Where are they?
- USDA did raise the import estimate for China again this month, now at 16.50 mmt (was 7 mmt just two months ago)
- China has already purchased ~ 9 mmt from the U.S. alone. But the need to take delivery



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## World Corn

- There has been, and will continue to be a readjustment in Global Supply
- Chinese stockpiles are not generally considered accessible to the rest of the world
- South America produces 2/3<sup>rd</sup> of its corn crop AFTER soybeans, so still some flex

Chinese and Global Stocks to Use

2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 (est) [proj]

Chinese Stocks to Use Remainder of Globe Stocks to Use

AgCountry Farm Credit Services

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## World Corn

Top Importers of Corn (Oct-Sep)

Million tons

EU Mexico Japan South Korea China Vietnam

2018/19 2019/20 2020/21

Top Importers of Barley (Oct-Sep)

Million tons

Russia EU Iran Iraq Myanmar

2018/19 2019/20 2020/21

Top Importers of Soybean (Oct-Sep)

Million tons

China European Union Japan Mexico Others

2018/19 2019/20 2020/21

Source: USDA December 2020 Grain Outlook Report

AgCountry Farm Credit Services

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## Soybeans

AgCountry Farm Credit Services

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## U.S. Soybeans

Spot Month Soybean: +\$3.09 ¼

New Crop Nov 21: +\$2.26 ¼



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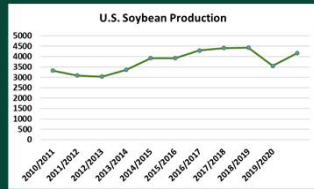
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## U.S. Soybeans

- Current yield projection is 50.7 bu/ac, likely to decline slightly again in January. Record is 52/bu, 2018 was 50.6
- UNLIKE CORN, USDA has shown a willingness to change the soybean production number retroactively. Its not out of the question that they revise 2019 production in January



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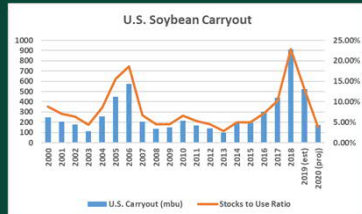
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## U.S. Soybeans

Change this month was a 15 mbu INCREASE to domestic crush

- Crush margins have fallen, but were still positive through Dec 1.
- Like corn, EXPORTS are the real story. Current projections are 2.2 bbu compared to 1.7 bbu last year



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



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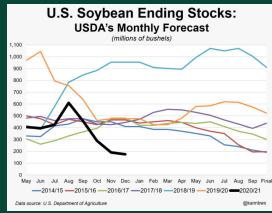
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## U.S. Soybeans



- The real stress here is that we are so early in the crop year.
- South American Crop must perform, as the U.S. doesn't have a lot of room to absorb additional exports
- Brazil is seen importing up to 1 mmt in the next year, but that's not totally unusual, and most likely will come from neighboring countries

Source: Karen Braun – Thompson Reuters



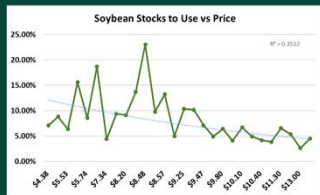
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## U.S. Soybeans

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

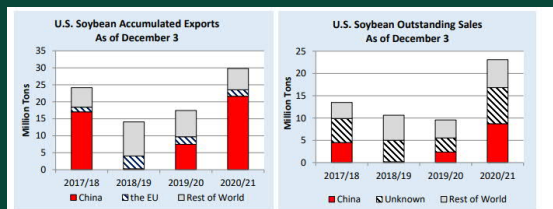


Expected Market Year Average Price for 2020 Soybeans is now \$10.55



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## U.S. Soybeans



Source: December 2020 Oilseed Outlook Report



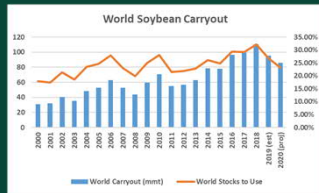
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## World Soybeans

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.



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## World Soybeans

- Little Change to South American Production from USDA
- Trade had been expecting a small one for Brazil, but not a game changer, Argentina lost 1 mmt of production, in line with expected
- -Forecasts remain variable and soil moisture deficits persist



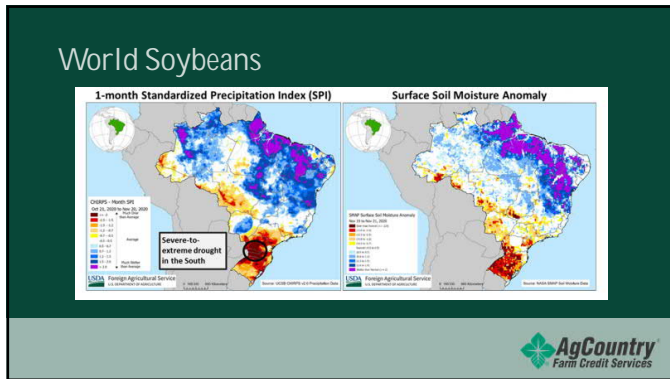
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## World Soybeans

- South American Outlook:
  - Weather
- The Brazilian Producer is estimated to be around 30% priced, which is aggressive for this early in the season for them.
- Prices have fallen around 20% in the past two weeks, largely due to the Real strengthening



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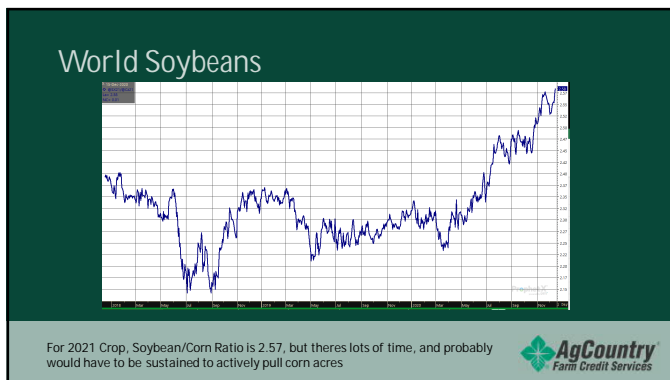
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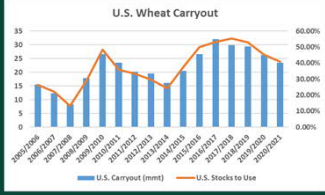
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## U.S. Wheat


No Change to U.S. Wheat Production

Exports improved, largely due to White Wheat sold into Asian Markets. HRW exports have tailed off a bit



U.S. Wheat Carryout

U.S. Carryout (mmt) U.S. Stocks to Use



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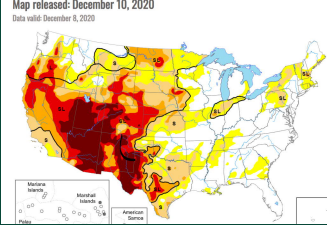
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## U.S. Wheat

Map released: December 10, 2020  
Data valid: December 8, 2020



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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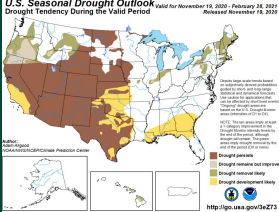
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## U.S. Wheat


U.S. Seasonal Drought Outlook  
Drought Tendency During the Valid Period  
Valid for November 10, 2020 - February 28, 2021  
Released November 18, 2020



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



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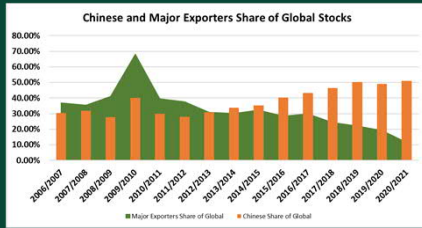
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## World Wheat



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## World Wheat

Story for World Wheat is demand and Imports

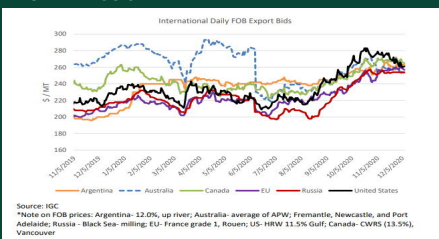
China AND Pakistan are showing substantial appetite for additional supplies. Pakistan is projected to take more wheat than they have in 12 years.

- 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



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## World Wheat

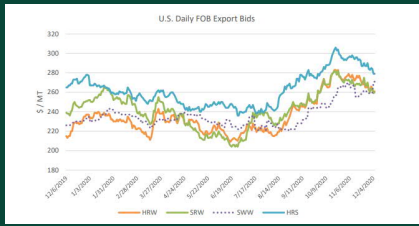


Source: International Grains Council



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## World Wheat



Source: International Grains Council



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## World Wheat

- Australian drought has been vastly improved; production estimates are just about TWICE what they were last year (30 mmt compared to 15 mmt)
- Unfortunately for producers, Chinese/Aussie Trade relations are poor at best right now
- Russian ports have raised export taxes, and at least threatened to, again
- Typically, this is a buy the rumor, sell the fact. But they will need a good crop next year



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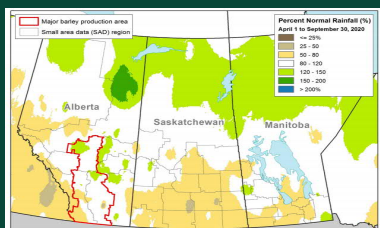
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## World Wheat



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# Livestock



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## 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.



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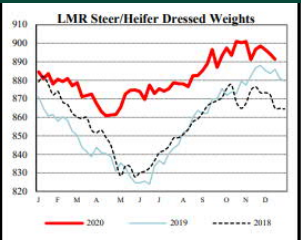
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## Beef



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



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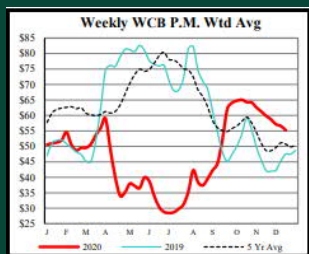
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## Hogs



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



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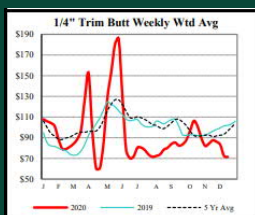
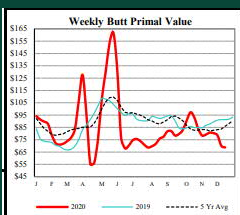
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## Hogs



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



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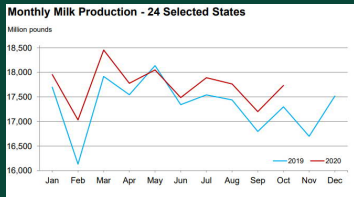
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## Dairy

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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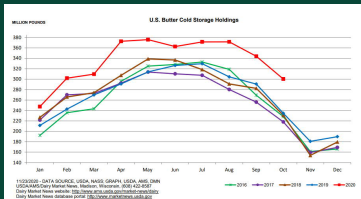
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## Dairy

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.
- Rumors of 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.



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Questions????



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