

AgCountry Farm Credit Services
MARCH 2021 MARKET UPDATE
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Corn

U.S. corn futures rallied throughout the first quarter of 2022, with old crop hitting new highs in early March and new crop hitting new highs the last day of March. While prices were beginning to rally early in the quarter, moves were amplified in mid-February when Russia invaded Ukraine, the fourth largest producer of corn in the world. Effects of this on production and logistics remain uncertain, demanding some market premium. New crop contracts followed suit but were pushed later after USDA's Prospective Plantings report showed U.S. producers intending far fewer acres of corn than the trade had expected.

Soybeans

Both old and new crop soybean prices hit contract highs in mid-February when news of the Russian invasion of Ukraine pushed markets into turmoil. The impacts of drought on the South American soybean crop continue to be realized with unseasonal buying of U.S. beans providing some support; however, balance sheets appear comfortable, and aggressive export shipments are needed to meet USDA's current export projections for the 2021 crop. USDA Prospective Planting reports on the last day of March reflected far more soybean acres than the trade had expected, pressuring new crop prices.

Wheat

All classes of U.S. wheat were volatile in the wake of the Russian/Ukraine situation as those countries together represent roughly 29% of global export volume. Prices peaked in early March before settling back as logistic challenges settled and traders became more accustomed to the risk presented. Spring wheat balance sheets remain challenged by 2021 production issues caused by drought. USDA Prospective Plantings report showed more total acres of wheat than traders expected, but primarily of winter wheat types. Spring wheat plantings were lower than last year with the bulk of those acres moving to additional durum.

Sugarbeets

USDA World Agricultural Supply and Demand reports showed a tightening balance sheet from February to March as USDA cut both beet and cane sugar production estimates for the U.S. These cuts were only partially offset but increased imports while usage continued to rise. Current stock to use estimates of 13.6% is not as tight as the 2019 crop balance sheet but is slightly reduced from 2020 estimated final number of 13.8%. USDA planting intentions for sugar beets showed reductions from last year's plantings, primarily in Michigan.

Dry Beans

USDA's Annual Crop Production report released in mid-January was confirmation of a tough 2021 crop year for many dry bean classes. USDA reported total U.S. Pinto production at 7.4 million cwts, a 45%

reduction from 2020, although it remained higher than in 2019. North Dakota in particular came in lower at 4.2 million cwts compared to 4.5 million in 2019. Similar trends were seen in Black beans and Navies. Old crop prices have softened from the beginning of the year but remain historically strong. The USDA Prospective Planting report showed a net reduction in total planned dry bean acres, although a class-by-class estimate is not available at this time.

Ethanol

Ethanol markets have struggled against building stocks through the first quarter of 2022, ending March at the 3rd highest record inventory amounts. This quarter ending 26.5 million barrels of inventory was the exceeded only during the COVID lockdowns. Ethanol producers have increased production levels through February and March, a trend that remains questionable in the face of historically high gasoline prices. Profit margin on ethanol production as estimated by the Iowa State Center for Agricultural and Rural Development as of the last week of March is basically breakeven with income roughly equal to operating and capital costs. This is a very different return than the steeply negative margins seen the last time inventory levels were this high.

Lean Hogs

Lean Hog futures posted a low in December before rallying sharply into February. Since then, prices have consolidated, but we have not seen a new low. Seasonally, prices typically remain supported at wholesalers and groceries begin stocking for summer grilling season. Total frozen pork inventories built through February but remain just below last year's numbers. Quarterly Hogs and Pigs numbers from USDA released on March 31st came in with 2% reductions from 2021 across all major categories: Total Inventory, Kept for Breeding, and Marketing. This was more than the trade expected and is supportive as markets head into the summer season

Feeder Cattle/Fat Cattle

Both fat and feeder cattle futures struggled through February and into March. Cattle futures are less consistently seasonal than other contracts, however, price trend so far this year are similar to 2019. USDA WASDE beef production projections show supply peaking in Q1 of 2022 before falling off below 2021 levels as the year progresses. Similarly, USDA projects fat cattle prices for 2022 to average \$139.50/cwt compared to just \$122.40/cwt in 2021 and \$108.51/cwt in 2020. Feeder cattle volumes through sale barns have been lower than one year ago per USDA's National Feeder and Stocker Cattle Summary. March's Cattle on Feed numbers showed heavier than expected placements in February, which may have pulled some feeder inventory ahead.

Dairy

Class III milk futures posted a grind higher through Q1 of 2022, supported by overall inflationary pressures as well as declining production estimates. USDA March WASDE report reduced cow numbers and slowed the growth of production per cow. Total milk projections in March were lowered to 226 billion pounds, just below 2021 totals while demand estimates remained firm. USDA raised the projected price levels for every major dairy product class; of note the all milk price was raised by \$1.50/cwt to \$25.05/cwt. This is a \$6.46/cwt increase from estimates of 2021 prices.