

Yesterday, USDA held their Annual Ag Outlook Forum and released estimates for the 2020/21 planting season for corn and soybeans. The link to USDA's Chief Economist Robert Johansson's slide deck is available on the event's [website](#).

The USDA perspective is that nearly all of the 16.7 million acres lost last year in principle crops will be planted in 2020/21 crop year. Programmatically, changes at NASS suggests that states that are no longer surveyed accounted for about 1 million of those acres lost. USDA estimates that corn will increase to 94 million acres (+5 million acres from last year) and to 85 million acres in soybeans (+9 million acres from last year). Those alone account for a 14 million acres of the acres left unplanted last year. Although it is still early in the year, our assessment is that planting issues seem likely again this year. To what extent remains in question, but the long run saturation indexes implies much of the Midwest and Missouri River Basin are already showing excess moisture conditions.

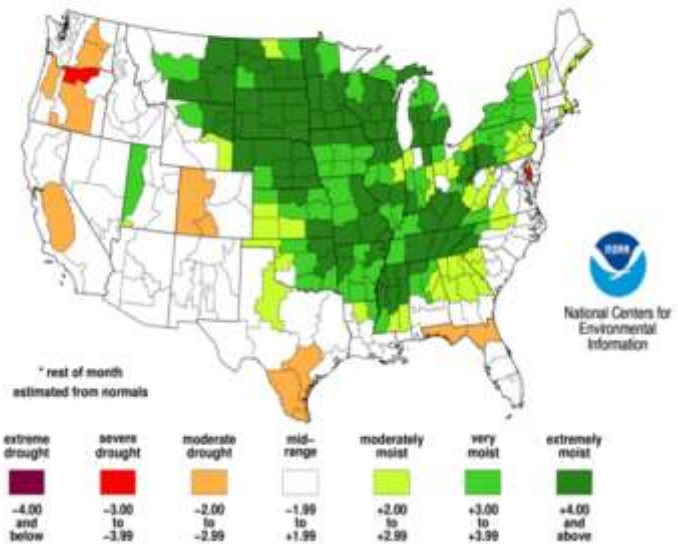
This is foreboding given the infrastructure damage to levies and roads last year. The spring melt could prove problematic in areas where the ground is already saturated. We suspect that there will be more prevented plant this spring than USDA currently has forecast. Moisture and flooding are presumably not to be the only issues. North and South Dakota both still have unharvested corn acres. These will require good spring weather to get into the fields this spring, harvest, prep and re-plant in time for a corn-corn rotation. It seems more likely that a more flexible planting window will be required for some of those areas.

North and South Dakota lost more than 4 million acres in principle crops last year, while the Midwest lost closer to 7 million acres. Corn and soybeans acres are expected to rebound in the Eastern Corn Belt and Midwest. Wild cards will be Northern tier states due to soil moisture and unharvested acres, as well as other high priced planting alternatives offering solutions as well. The southern states near the Mississippi delta also dealt with major flooding last year in early spring. Those states, too are currently showing high soil moisture.

Corn futures upon the USDA announcement lost some ground, and at the time of this writing was \$3.88 per bushel in December 2020. The USDA price projection sets the season average price at \$3.60 for the 2020/21 marketing year. Our opinion is that the WASDE and the futures market (if assuming trend line yield) are pricing in much higher usage in the coming months and next year,

Palmer Hydrological Drought Index
Long-Term (Hydrological) Conditions

February 2020: through February 15 2020*



either in the form of exports or domestic use.

Exports have looked more promising in recent weeks, easing just above last year's weekly figures. Year-to-date the picture remains bleak, and corn is still 50% below last year at this time. It looks more and more that corn will approach 2 billion bushel carryout in 2019/20 marketing year which will provide significant headwind to those prices. There seems to be little support for that figure to move lower at this time.

Soybeans are more likely to bid acres this year, as export demand has come back and demand for oil as of late has increased. Soybean meal demand has mirrored projected larger production figures for pork and chicken. The current soybean acre estimate is in line with our thoughts for now.

There appears to be some incongruities in the grain markets at this point in the year. Prices are not lining up with acreage and demand current drivers. Both crops are potentially facing other bearish demand triggers as we move through 2020. The ongoing Novel coronavirus remains an unknown on how that will effect the global economy, as well as cyclical economic decline could significantly reduce demand for U.S. corn and soybeans.

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