

AG ECONOMY OUTLOOK

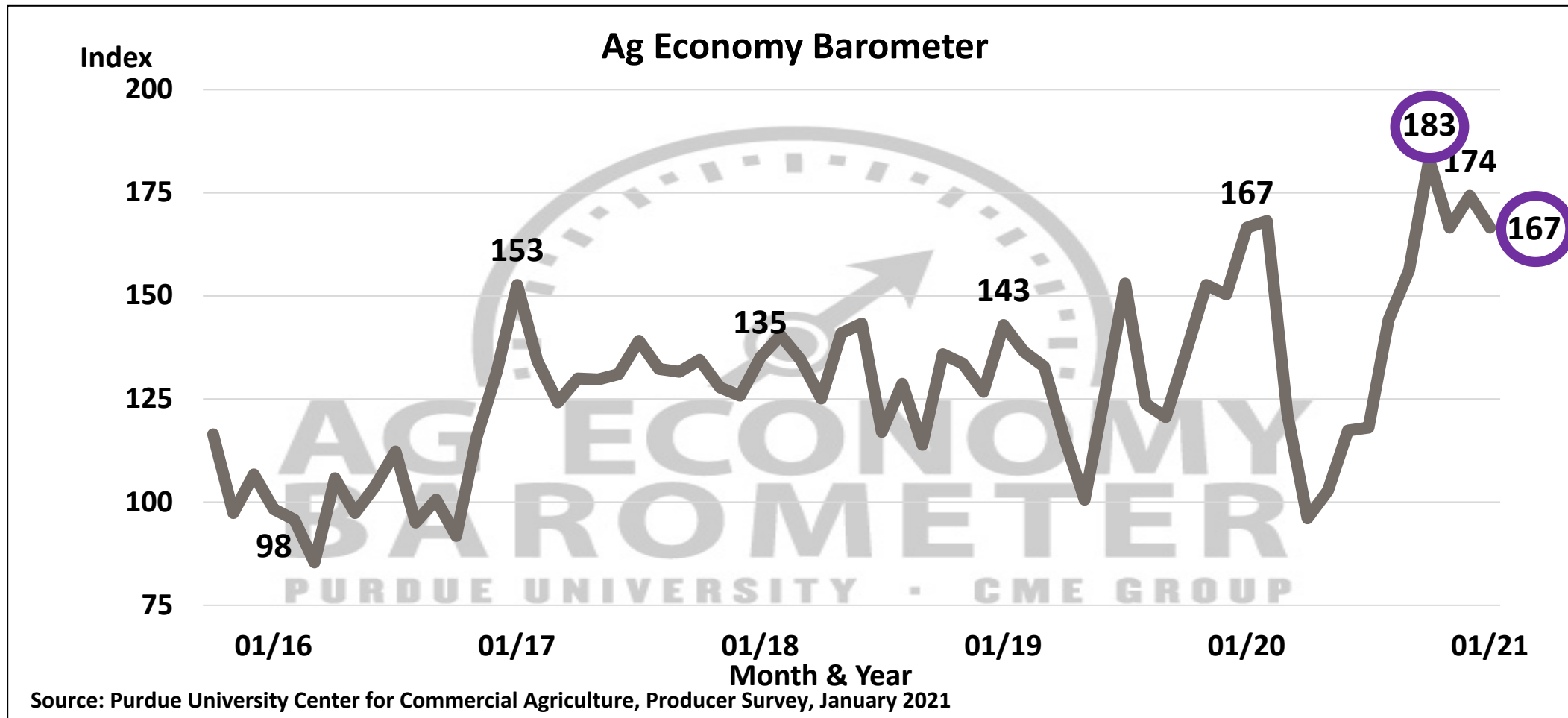
MONDAY, FEBRUARY 22, 2021

James Mintert, Professor & Director, Center for Commercial Agriculture

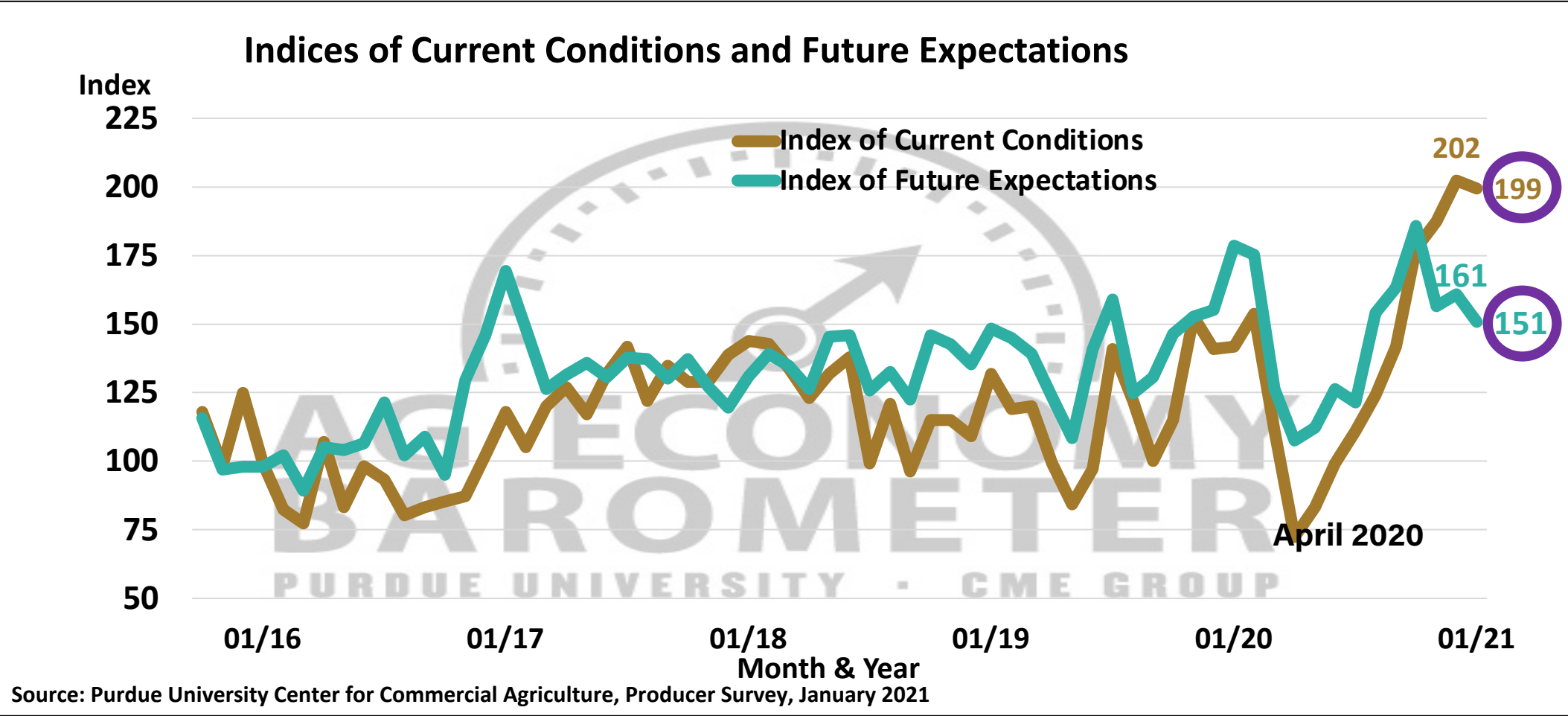


Center for Commercial Agriculture

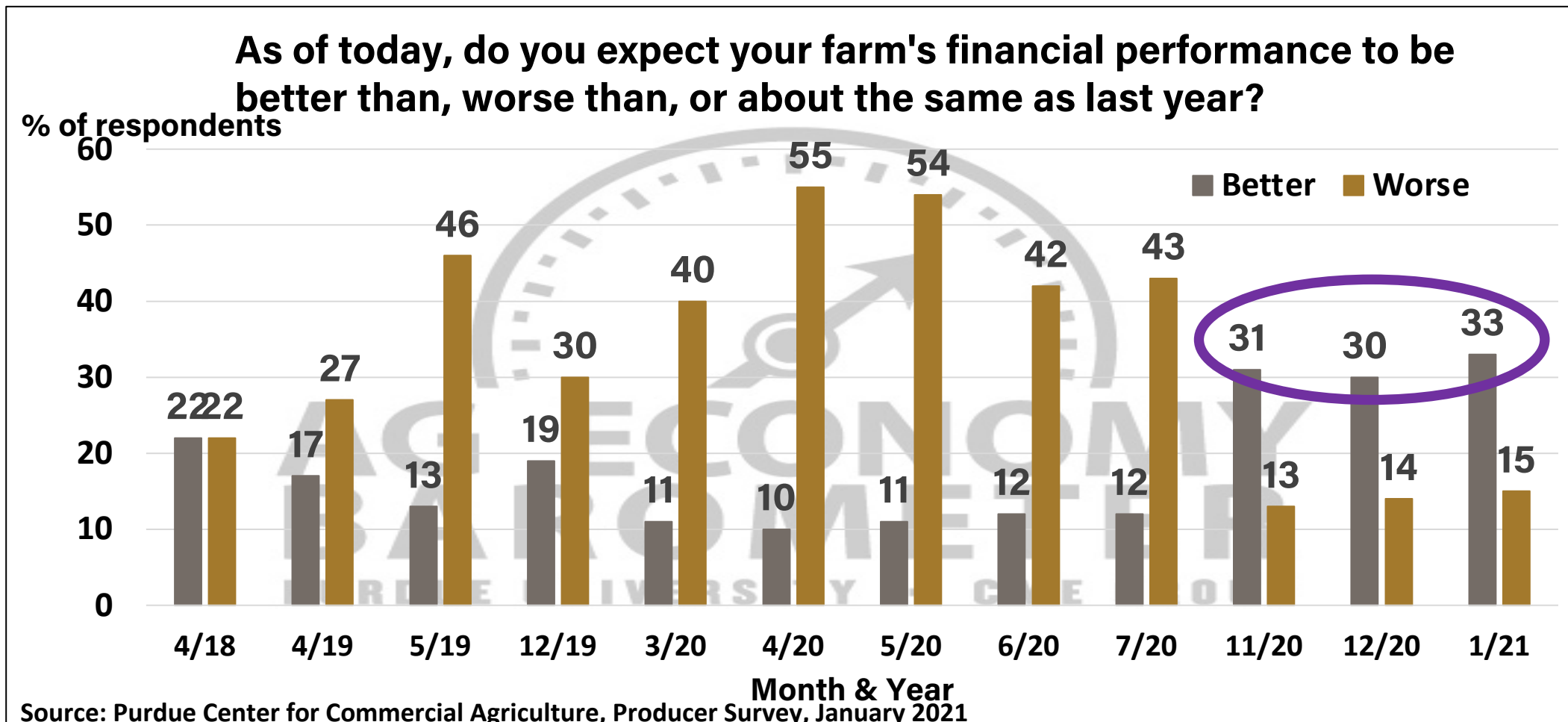
Overall Farmer Sentiment Peaked in October



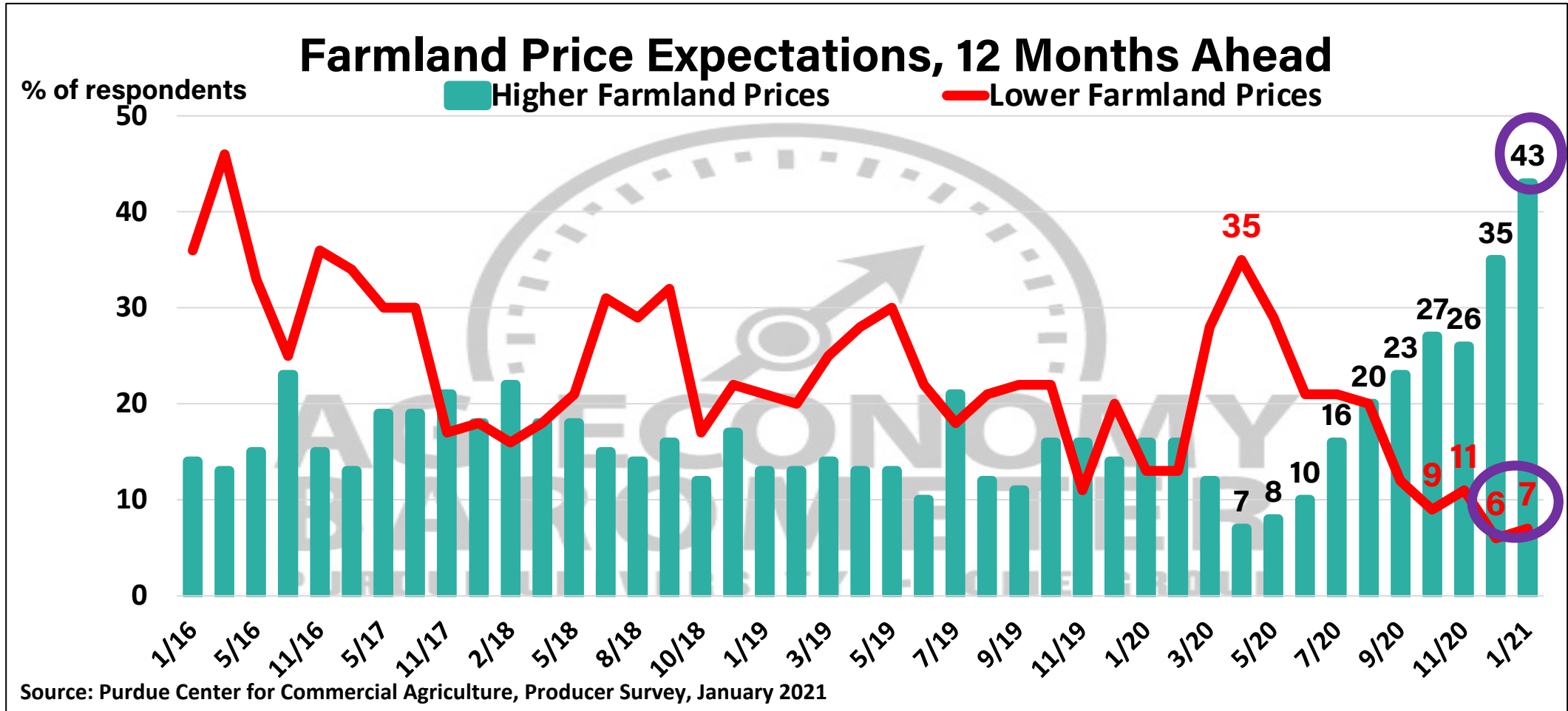
Recent Sentiment Weakness Driven by Concerns About the Future



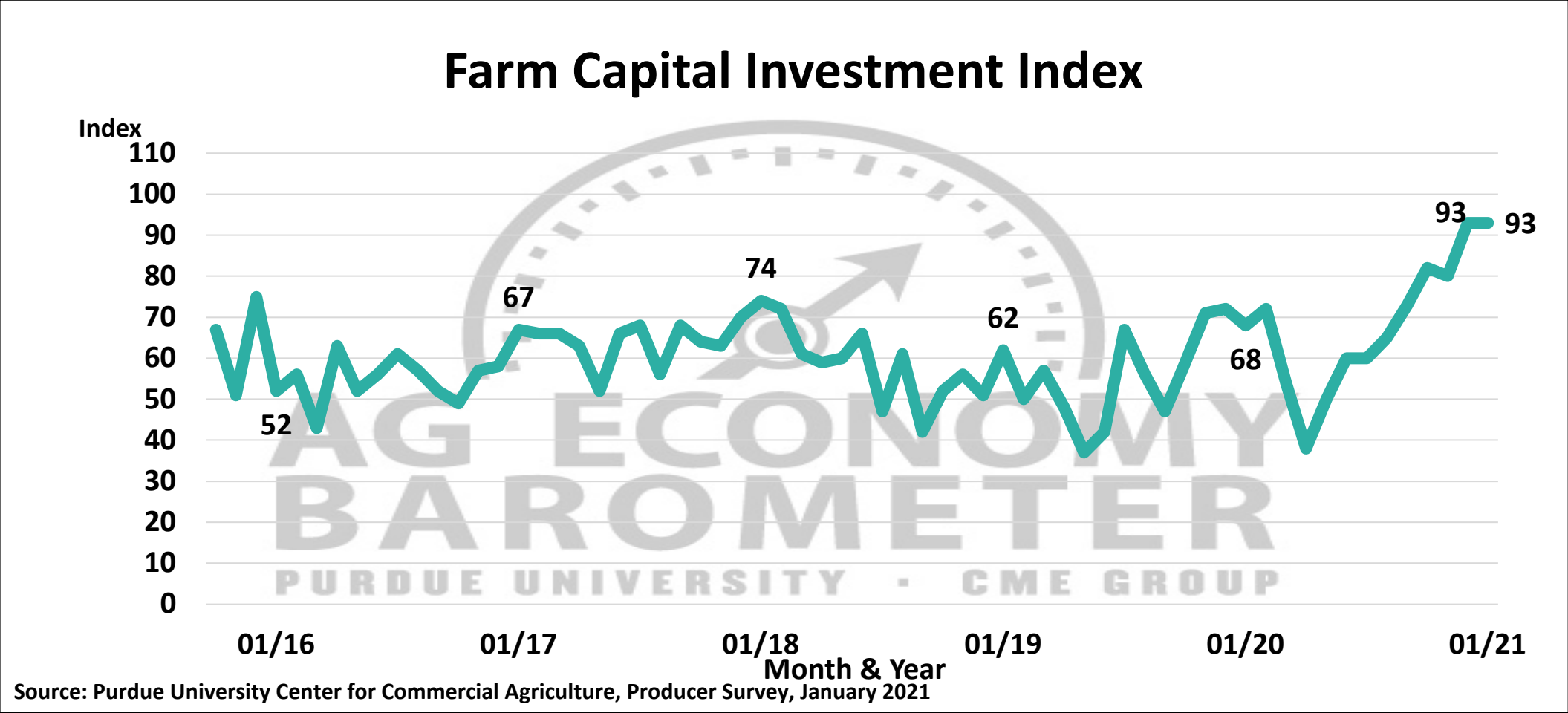
Producers More Optimistic About Financial Performance in the Year Ahead



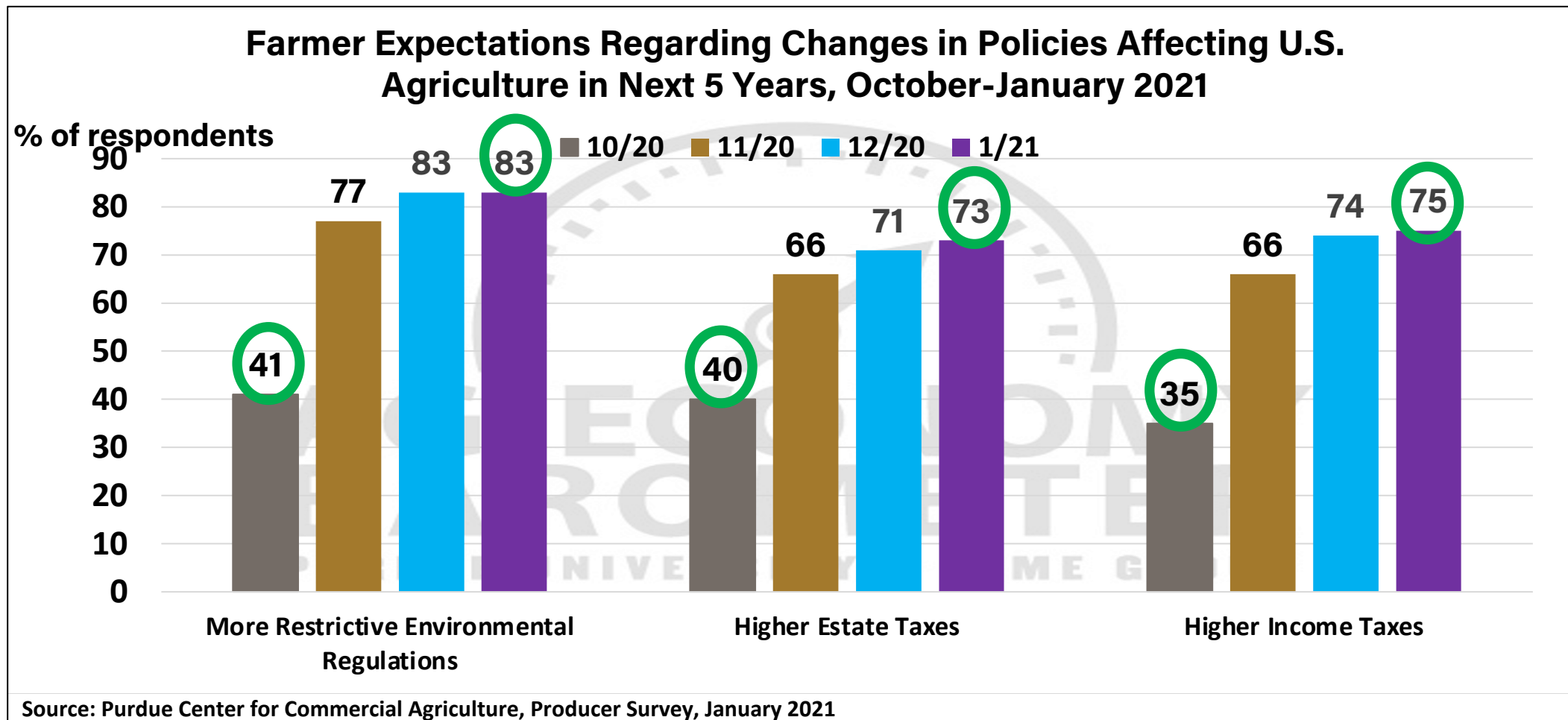
Optimism Reflected in Expectations for Higher Farmland Values



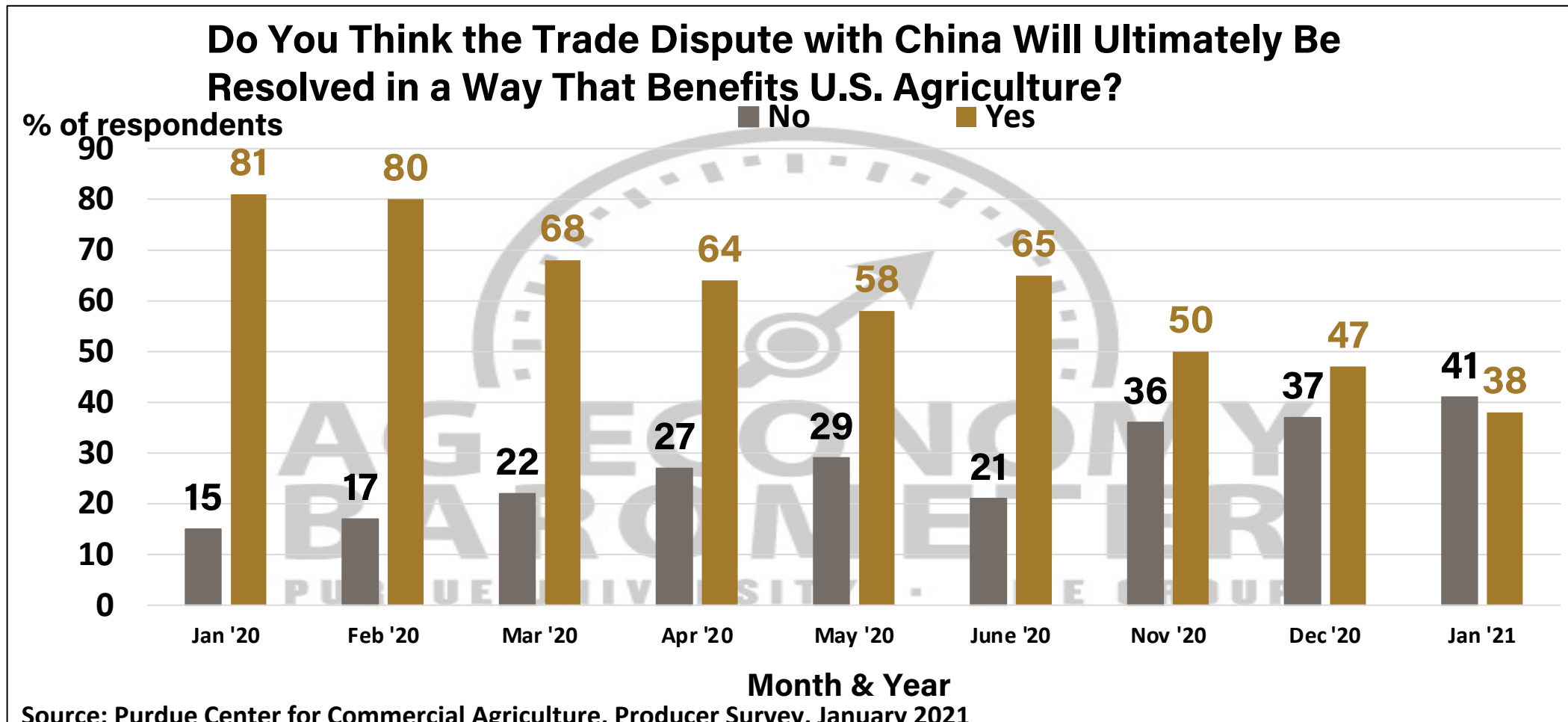
Producers Are Favorably Inclined Towards Making Investments in Their Farm Operation



Key Reasons Behind Concerns About the Future: Environmental Reg.'s & Taxes

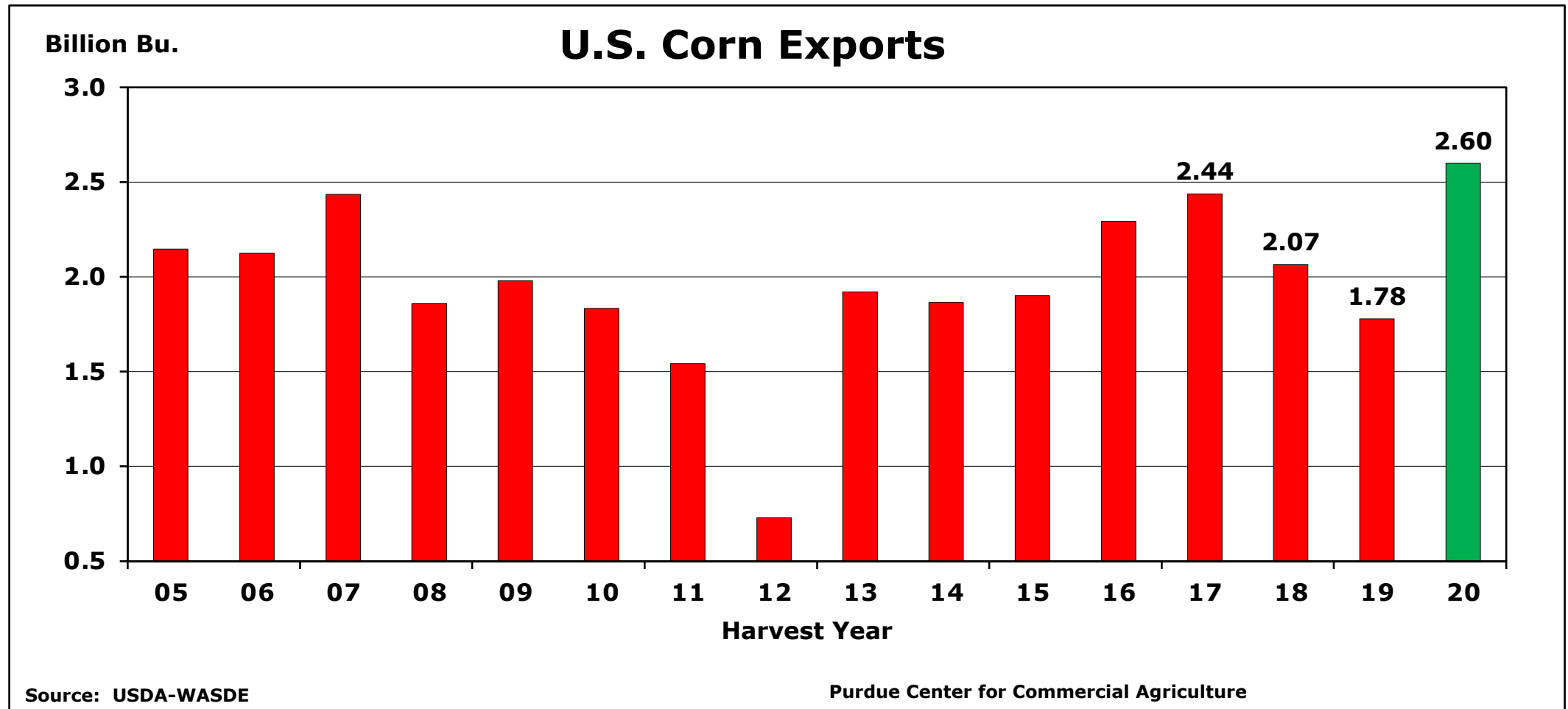


And There's Some Uneasiness About Future Trade with China



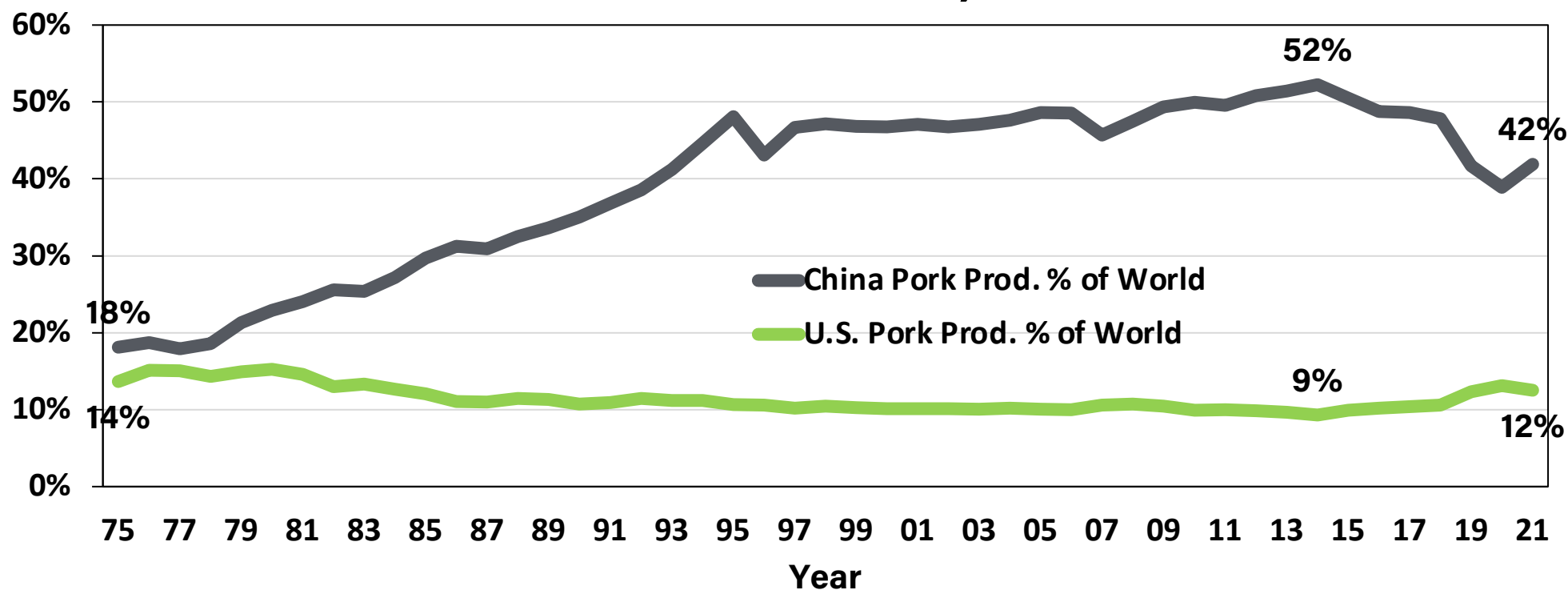
USDA Pushed Export Forecast on Feb. Report Up 50 Million Bu. Compared to January Forecast

But Industry Was Expecting a Bigger Export Boost from USDA



China Turned Into A World Pork Powerhouse Over the Last 4 Decades

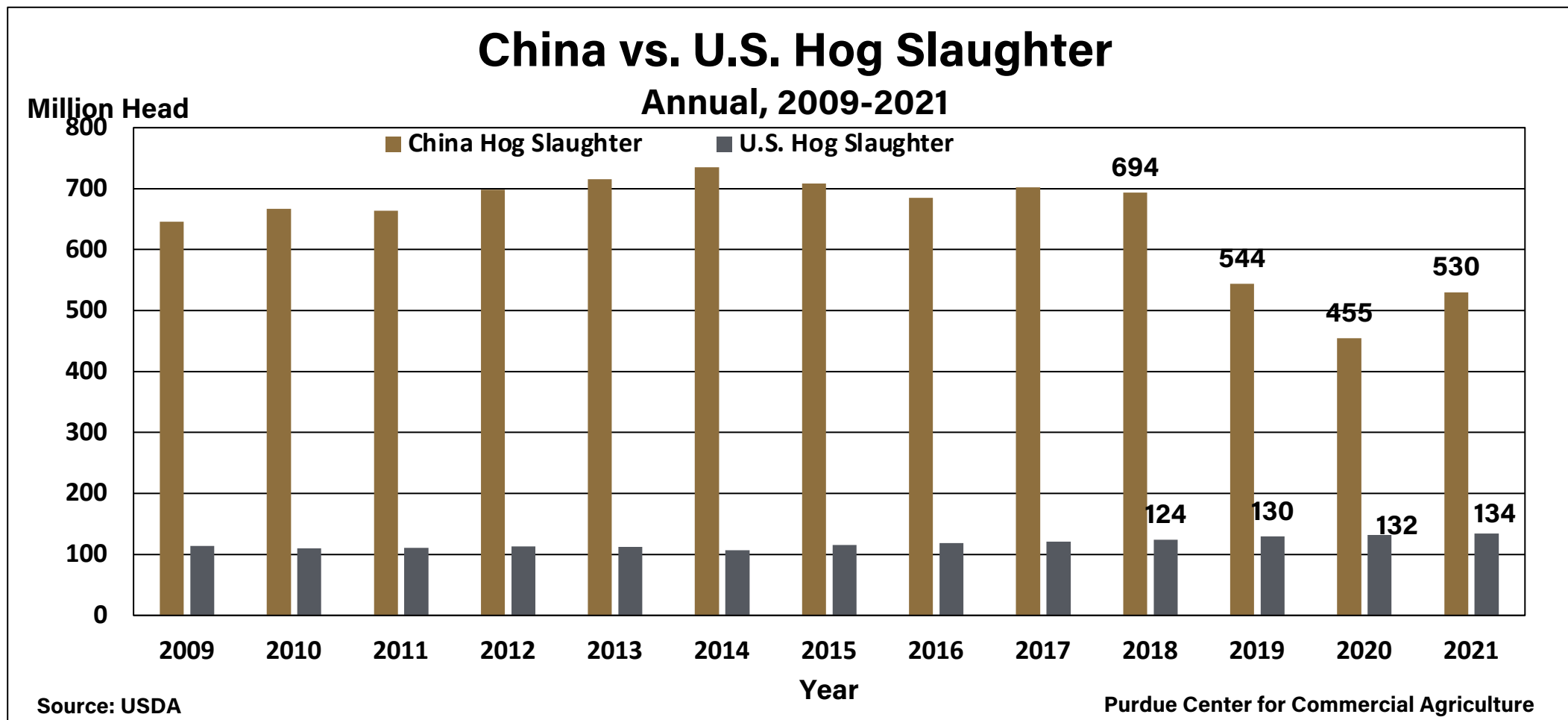
China and U.S. Annual Pork Production % of World Pork Production, 1975-2021



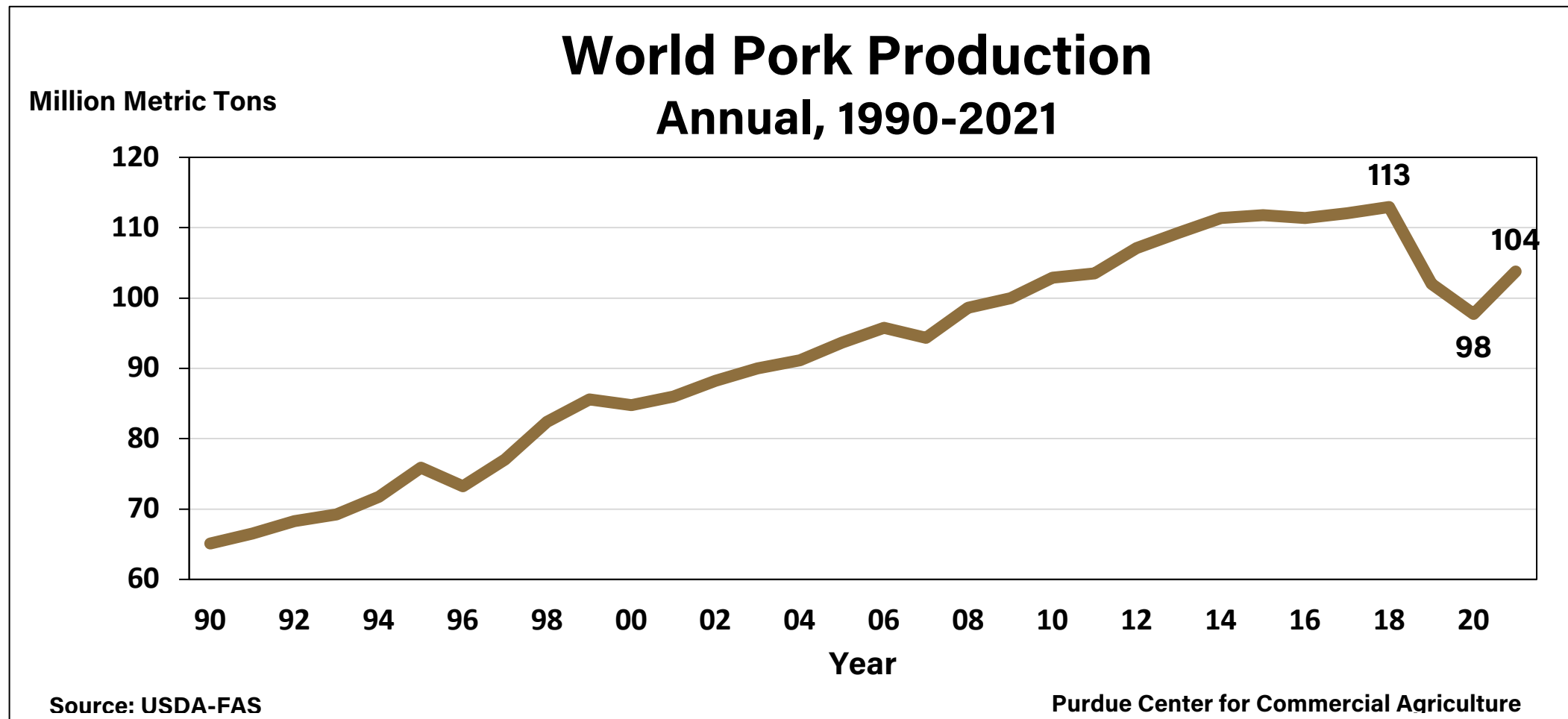
Source: USDA-FAS. 2021 Forecast

Purdue Center for Commercial Agriculture

China's Expected 2021 Hog Slaughter Nearly 4 Times the Size of U.S. Hog Slaughter

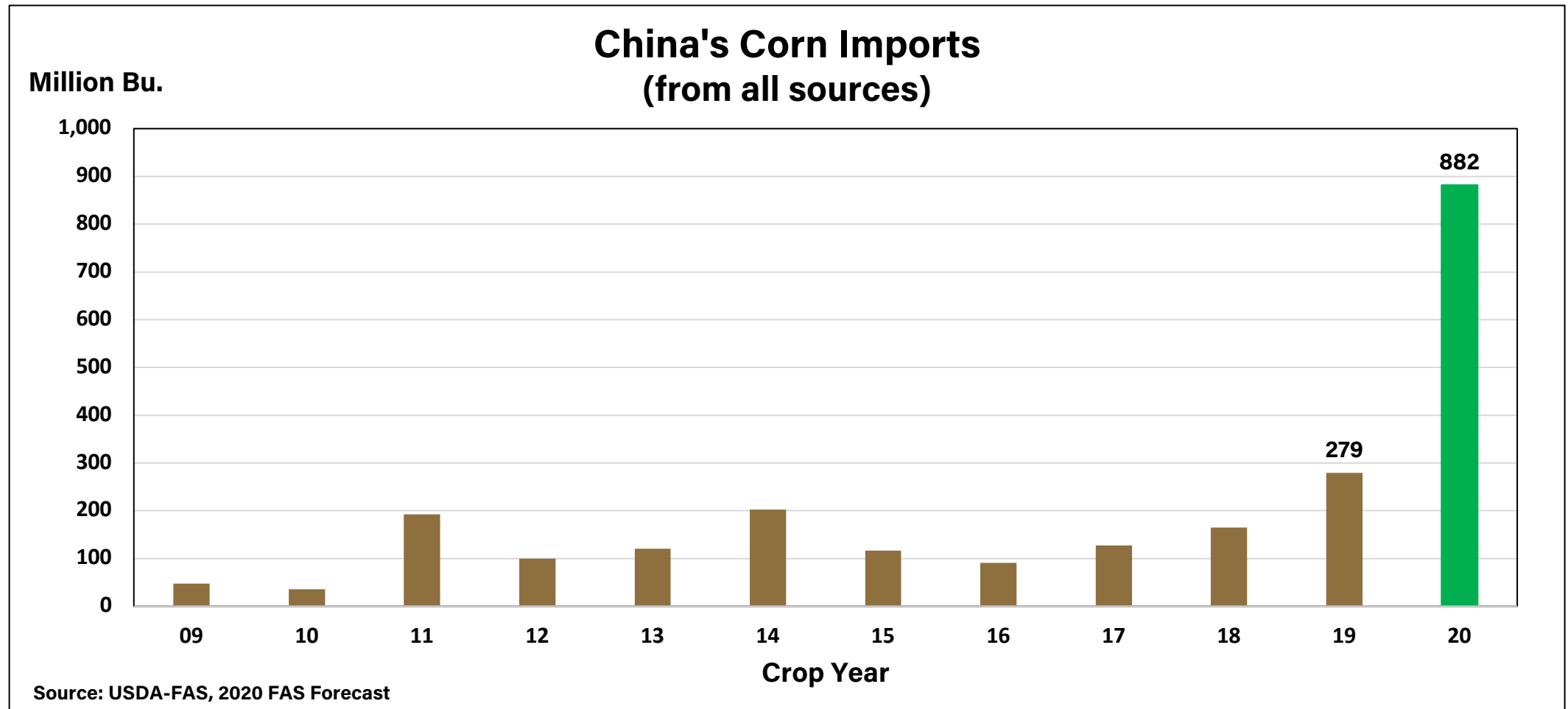


ASF in China Had a Huge Impact on World Pork Production

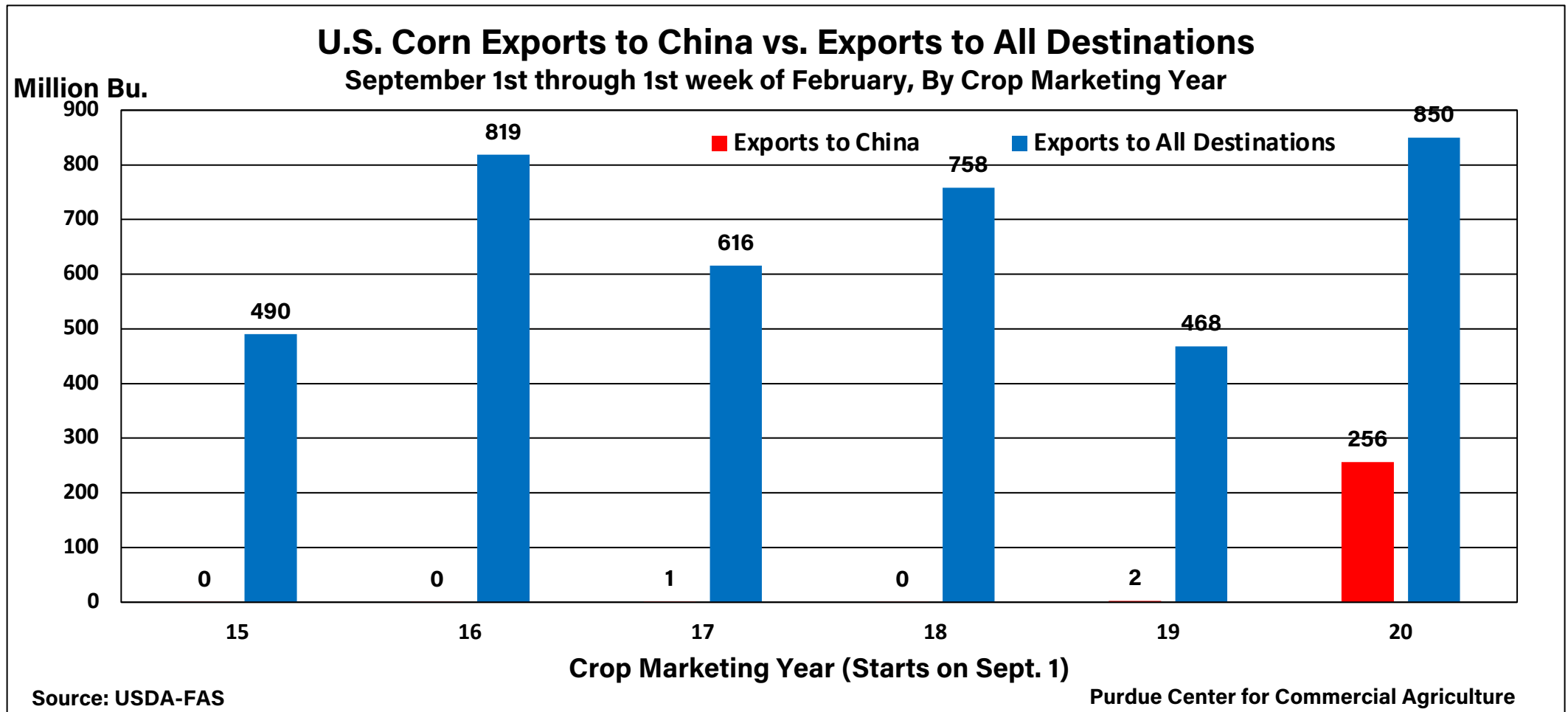


Rebuilding & Restructuring Their Hog Industry Is Having a Huge Impact on China's Corn Needs

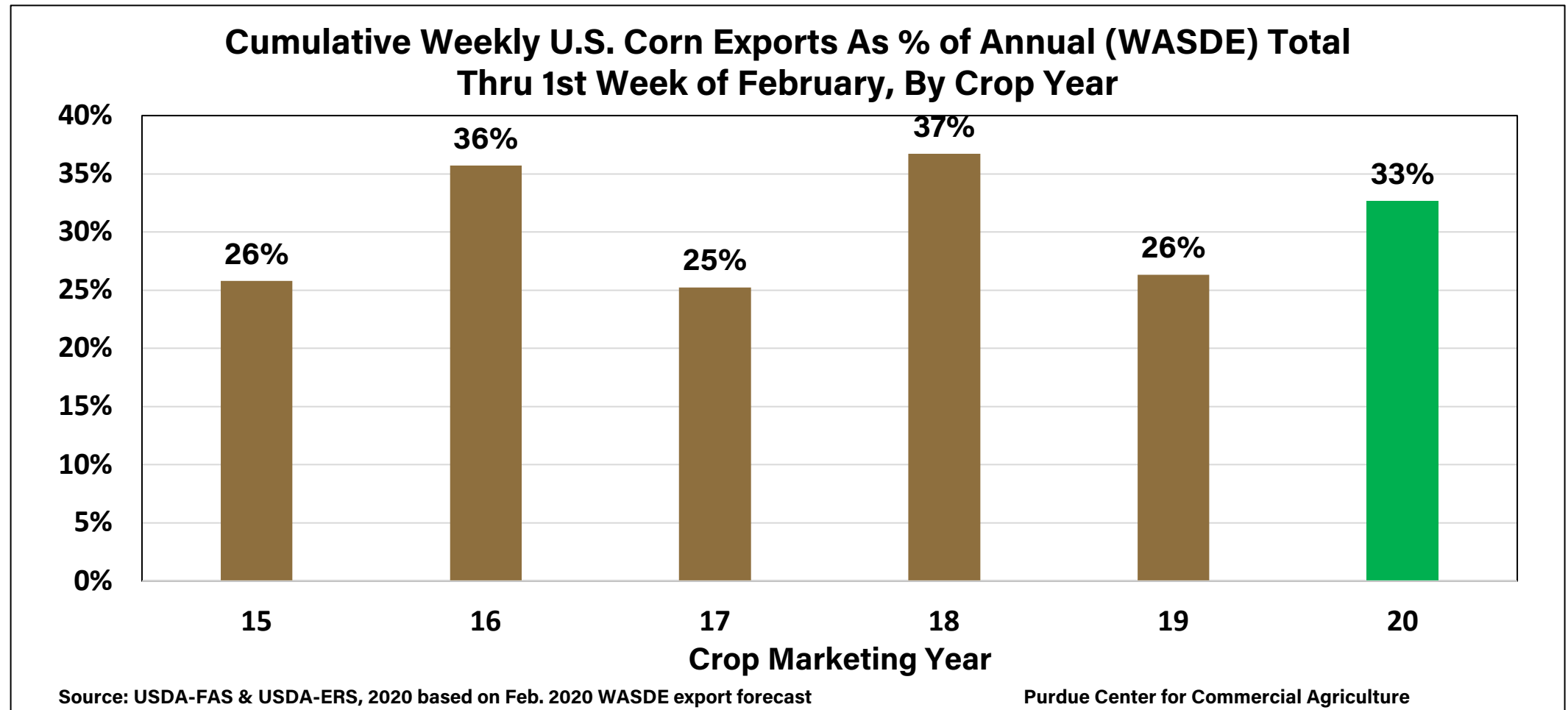
How Much Corn Will They Actually Buy From U.S.?



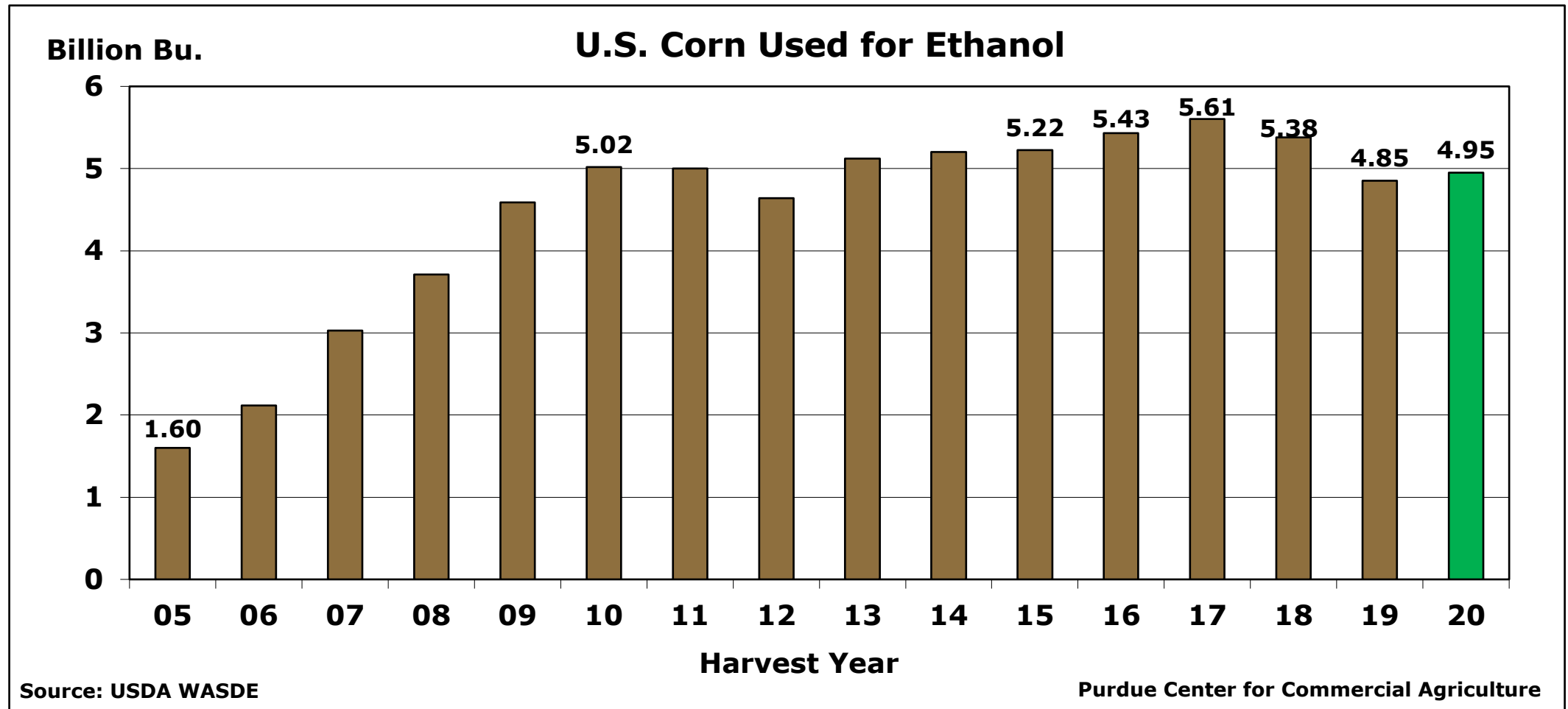
*So Far, Total Corn Exports Up 82% This Year, Rise in Exports to China Accounts for 67% of Increase
Will China Make More U.S. Corn Purchases?*



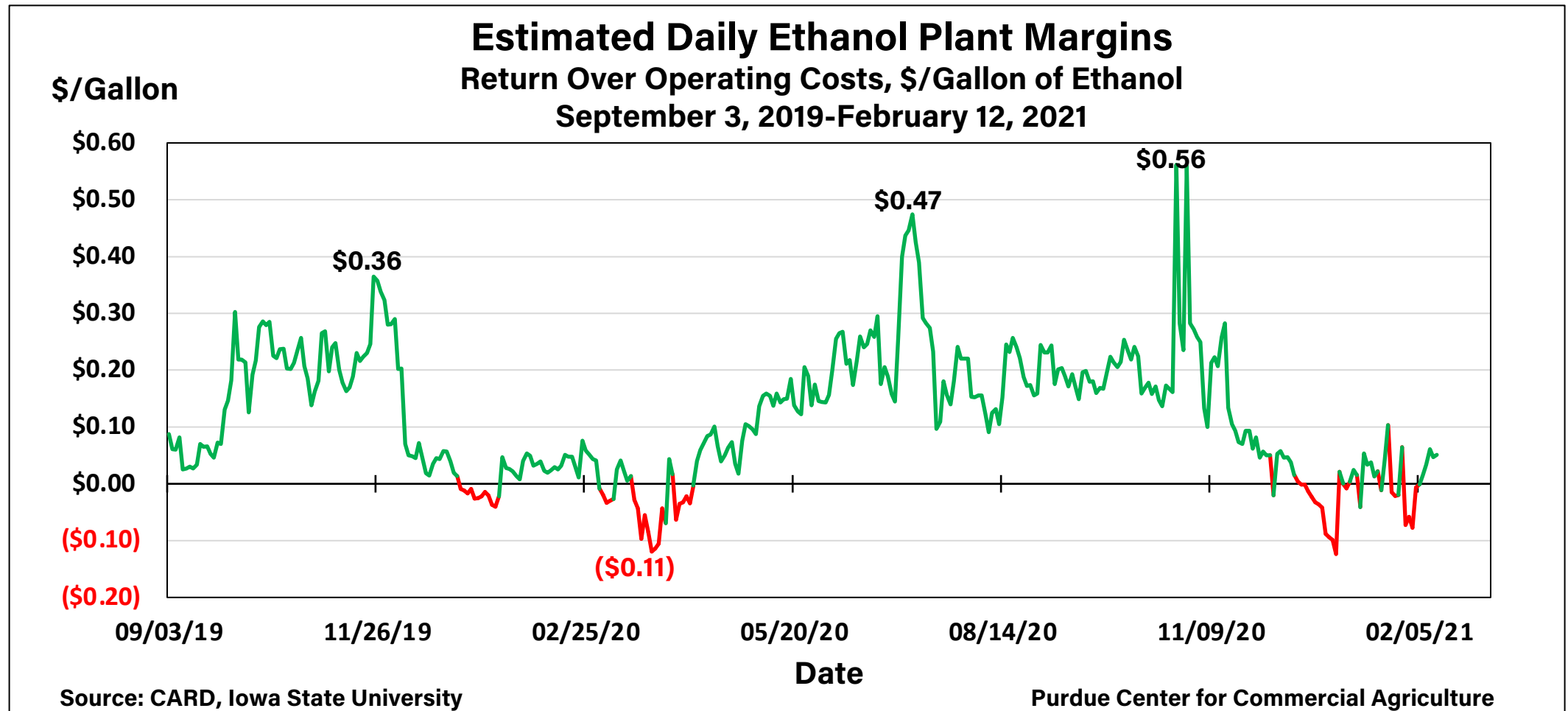
So Far, Total Corn Export Shipments As % of WASDE Forecast Are On Track with 5-Year Average



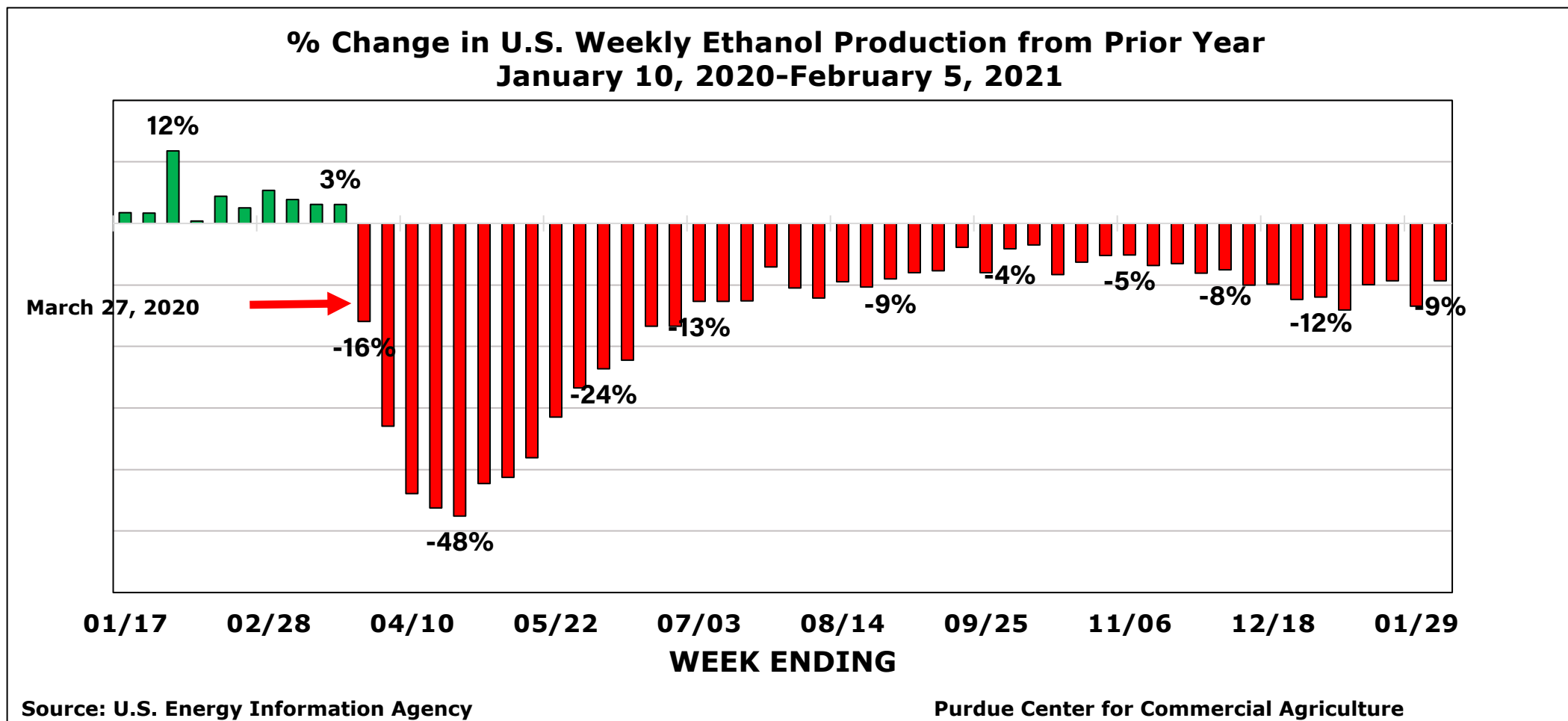
No Change in USDA's Forecast for Ethanol Usage Compared to their January Estimate



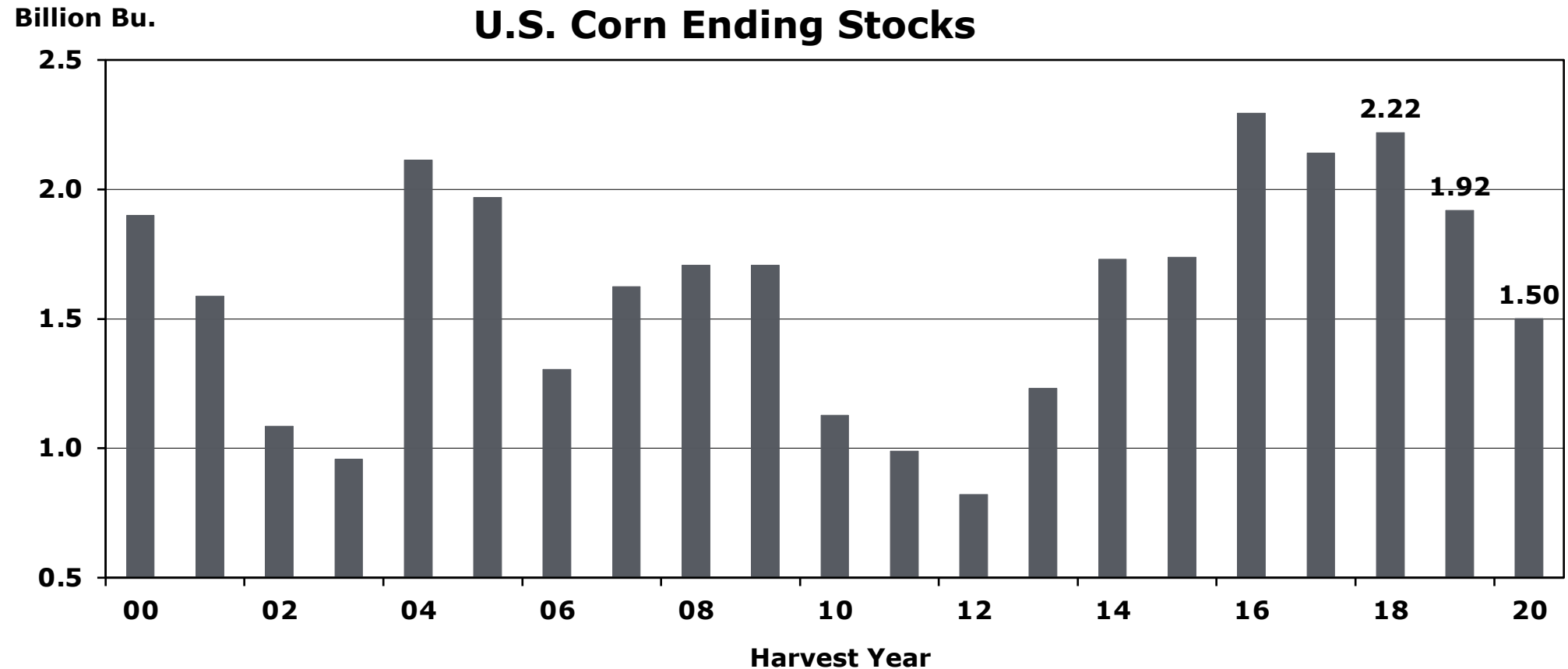
But Ethanol Margins Remain Very Weak



Ethanol Production Remains Below A Year Ago... Will USDA's Ethanol Forecast Prove to Be Too Optimistic?

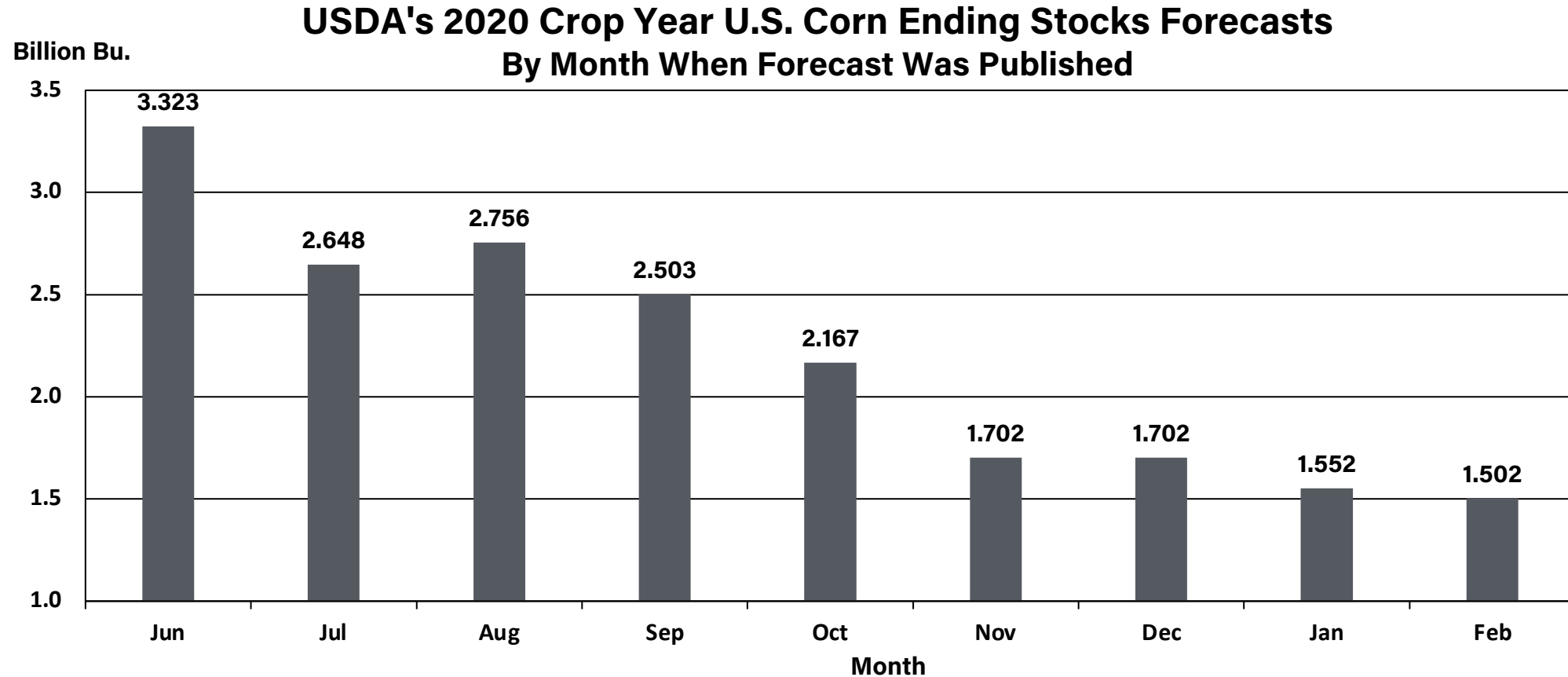


*USDA's Export Increase Pushed Projected Ending Stocks Down 50 Million Bushels Compared to January Forecast
But USDA's Stocks Estimate Was at the High End of Industry Expectations Prior to Report's Release*



Source: USDA WASDE

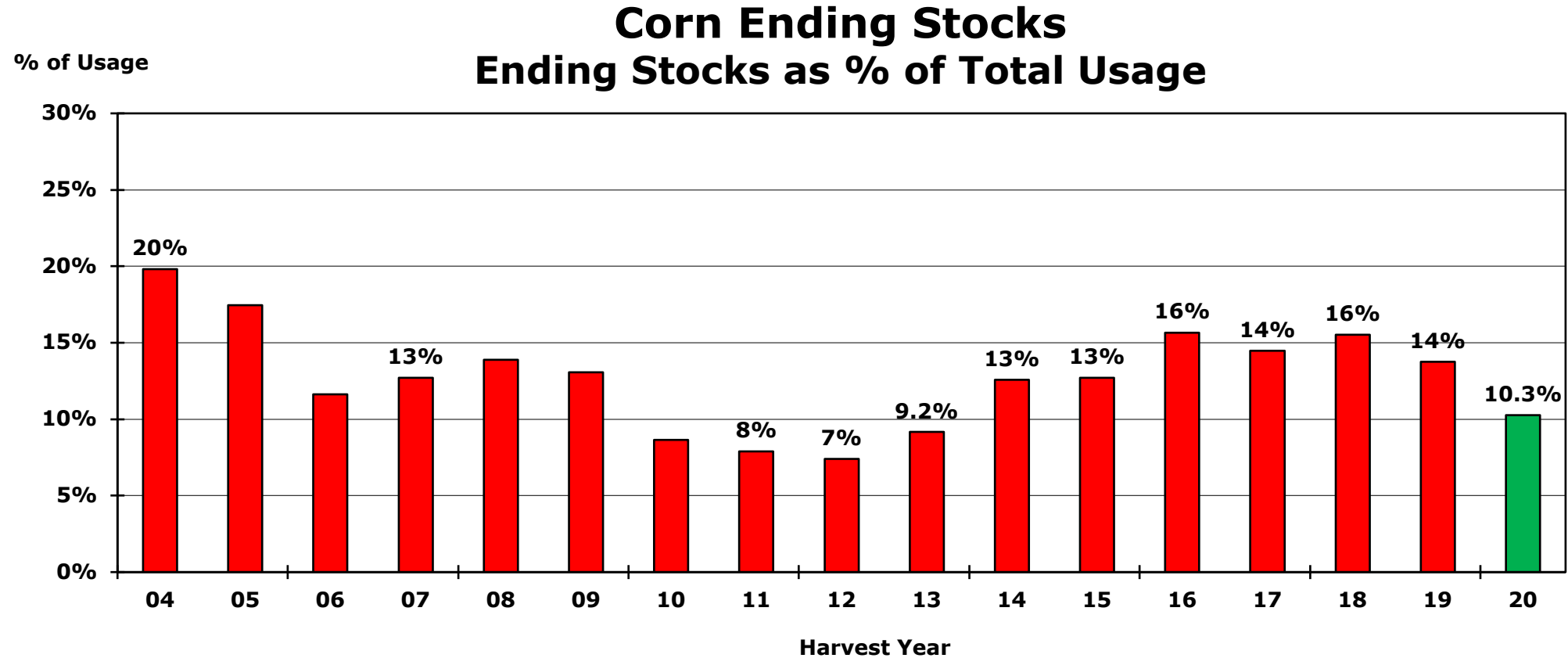
USDA's February Projection of 2020 Ending Stocks Are Down More Than 55% vs. Their June Estimate
However, Average Industry Estimate Before the Report's Release was About 100 Million Bu. Below USDA's Estimate



Source: USDA-WASDE

Purdue Center for Commercial Agriculture

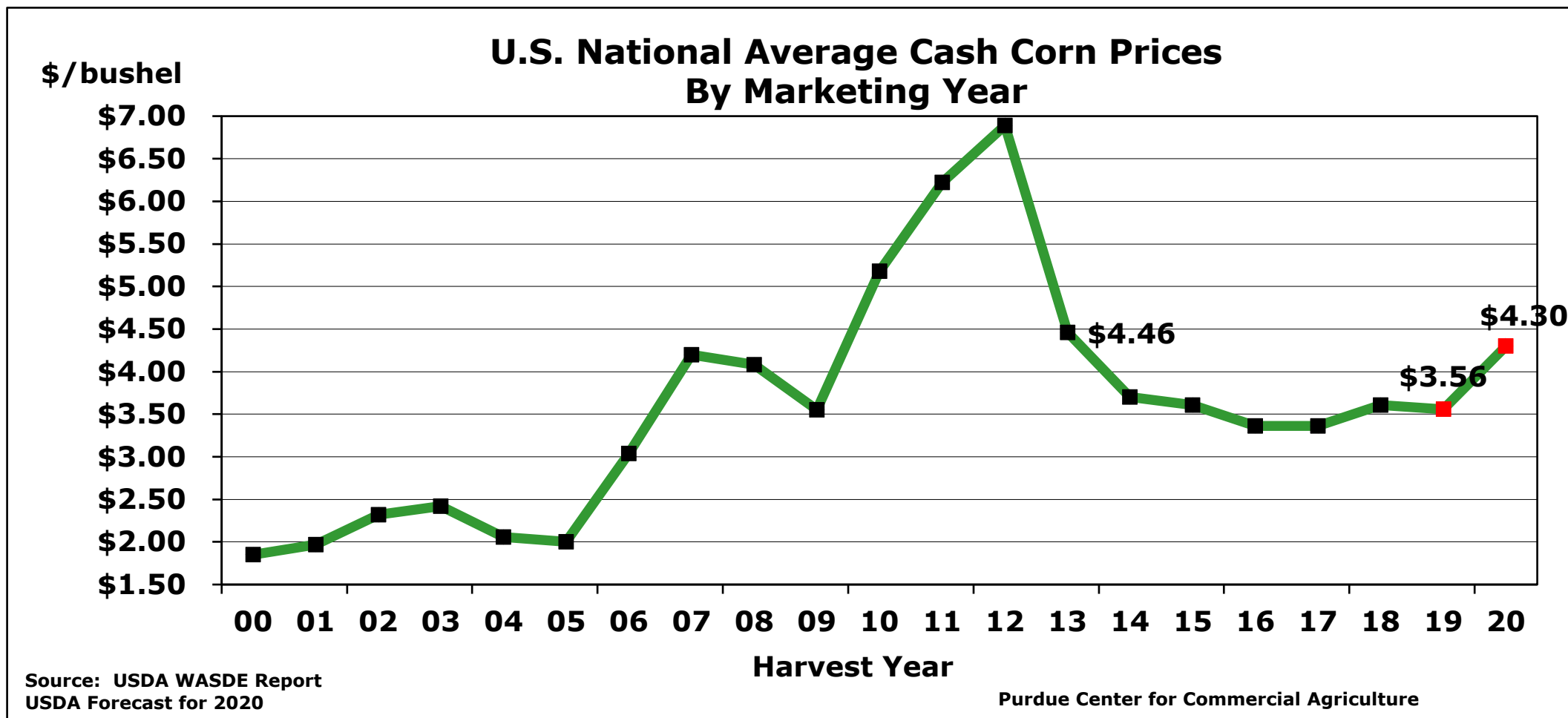
*Ending Stocks Are Getting Close to the 2013 Level
Are Prices High Enough To Prevent Carryover Going Lower?*



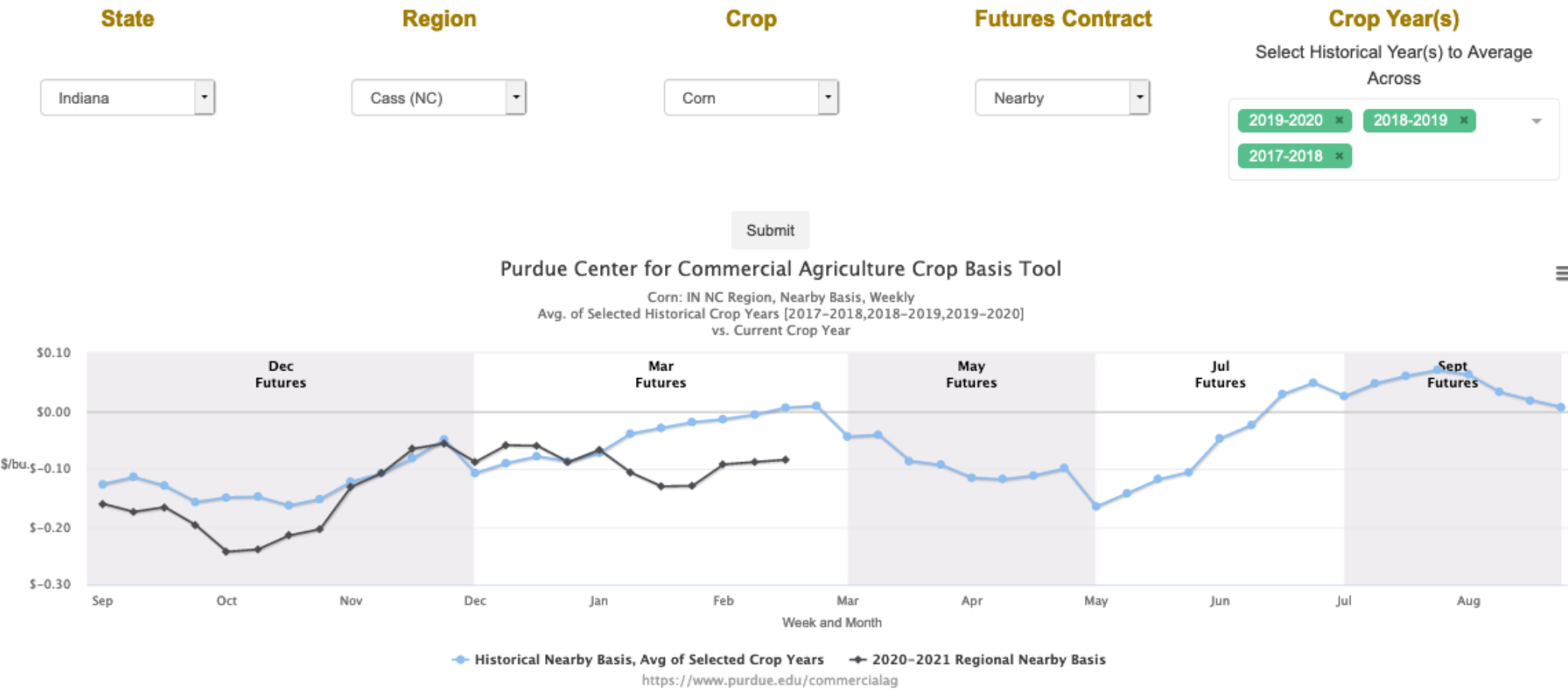
Source: USDA WASDE

Purdue Center for Commercial Agriculture

*USDA Raised MYA Again, This Month by \$0.10/bu.
Price Increase Largely Reflects Price Strength of First 5 Months of Marketing Year*



Corn basis – North Central Indiana, 3-year average vs. 2020 crop year

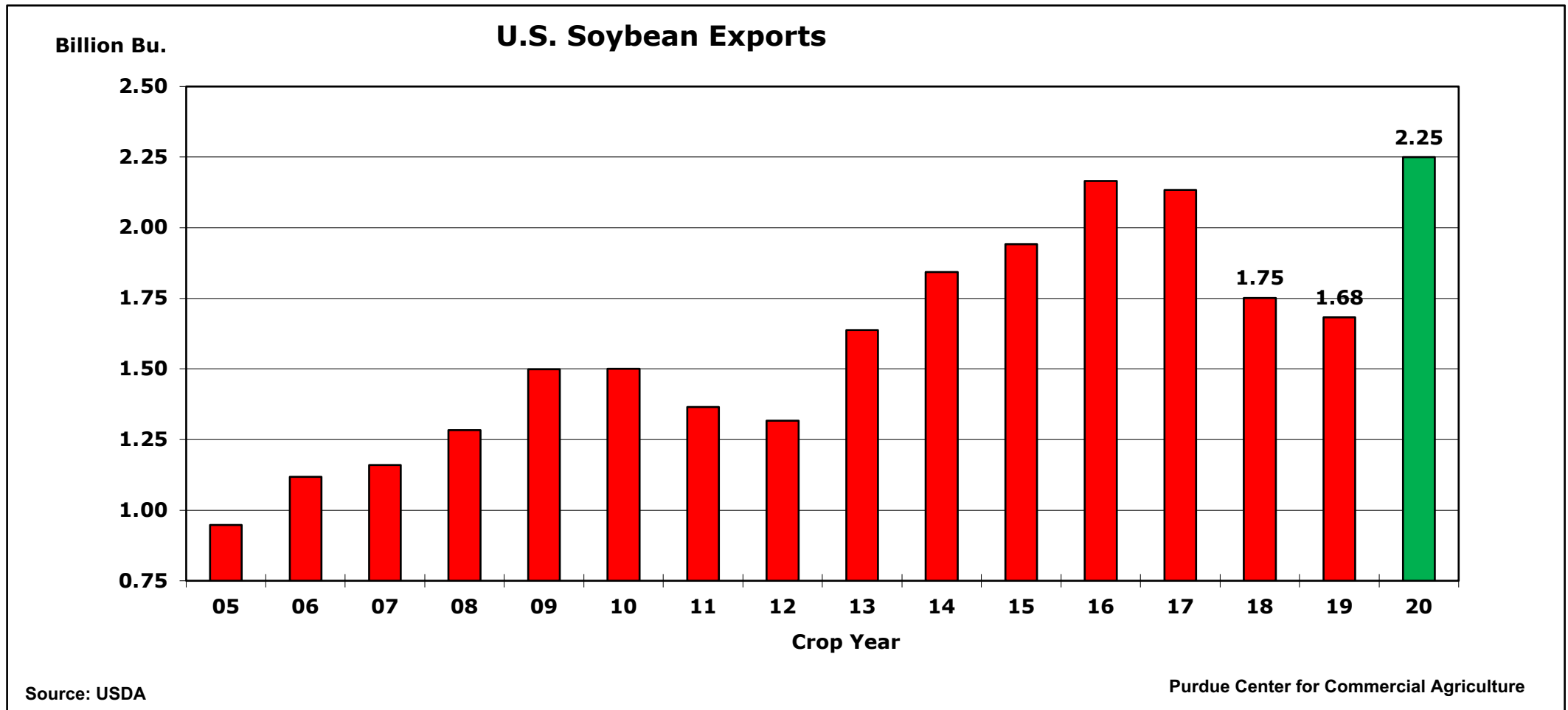


New crop corn opportunities ?

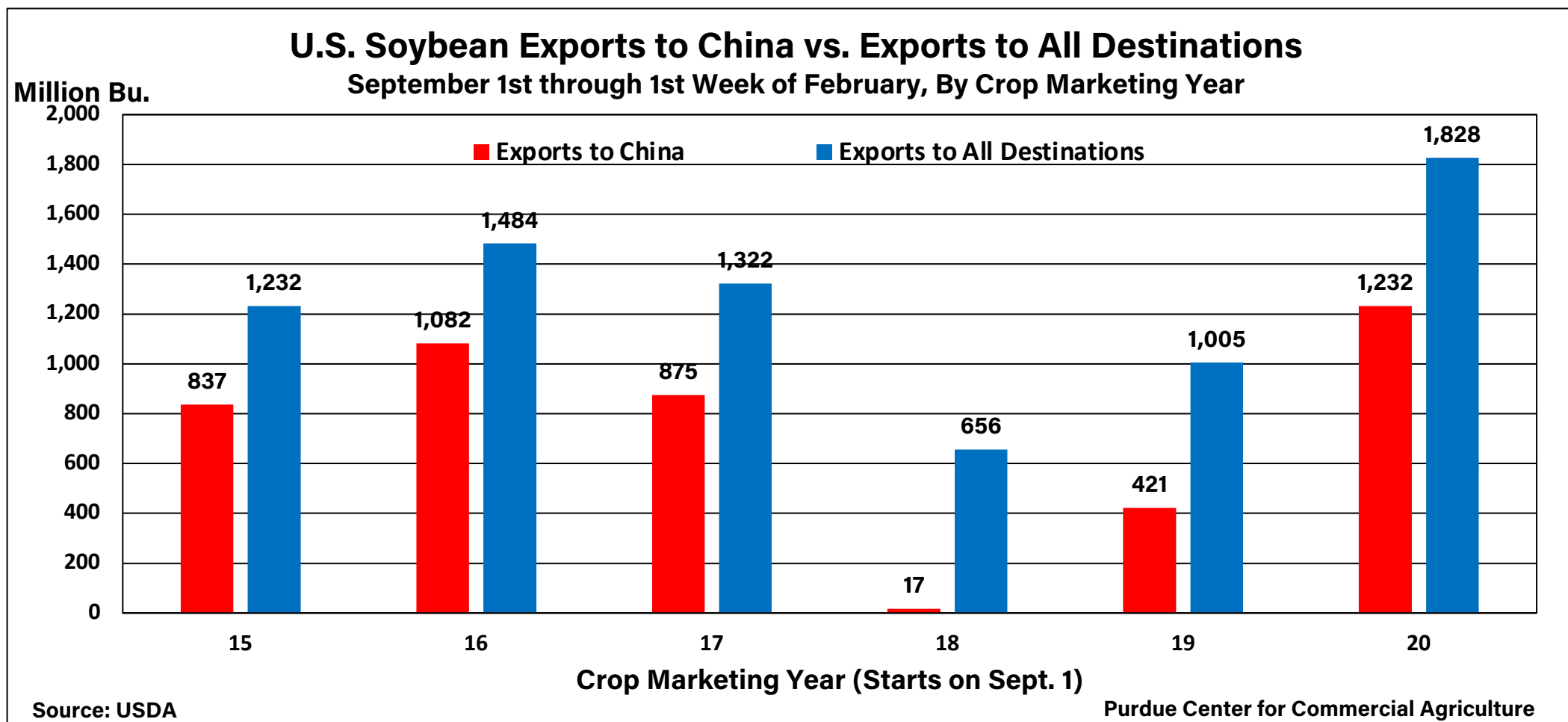
CBOT Dec. '21 Corn futures	\$4.63
<u>Expected corn basis October '21 in N. Central IN</u>	<u>-\$0.25</u>
Expected harvest cash price	\$4.38/bu.

- Think in terms of risk management
- How can you protect favorable price opportunities while leaving open upside potential?

*For Soybeans, the Focus Coming Into Report Was On Exports
& USDA Did Bump Up Their Soybean Export Forecast By 20 Million Bushels*

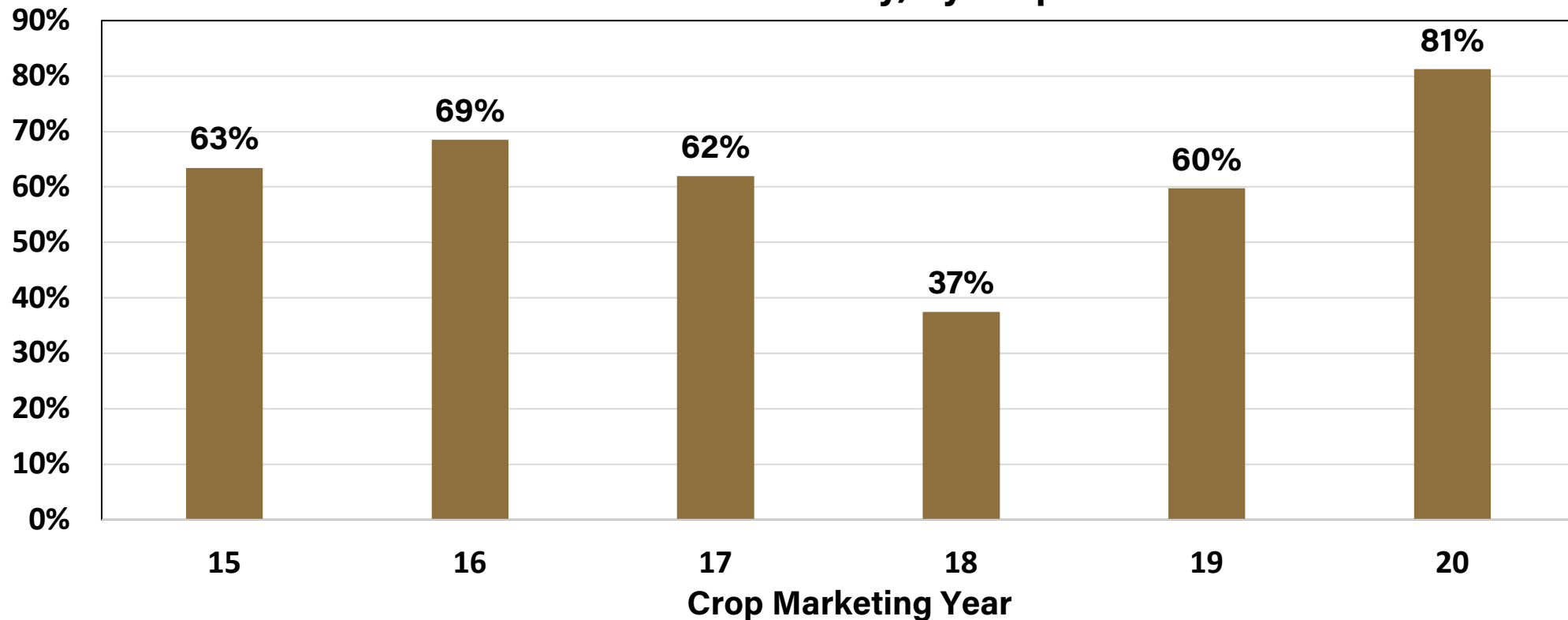


So Far, Total Soybean Exports up 77% This Year, Rise in Exports to China Accounts for All of the Increase



***YTD Weekly Soybean Export Total Equals 81% of USDA's Feb. WASDE Forecast
Will Future Reports Reflect Stronger Export Expectations?***

**Cumulative Weekly U.S. Soybean Exports, As % of Annual (WASDE) Total
Thru 1st Week of February, By Crop Year**



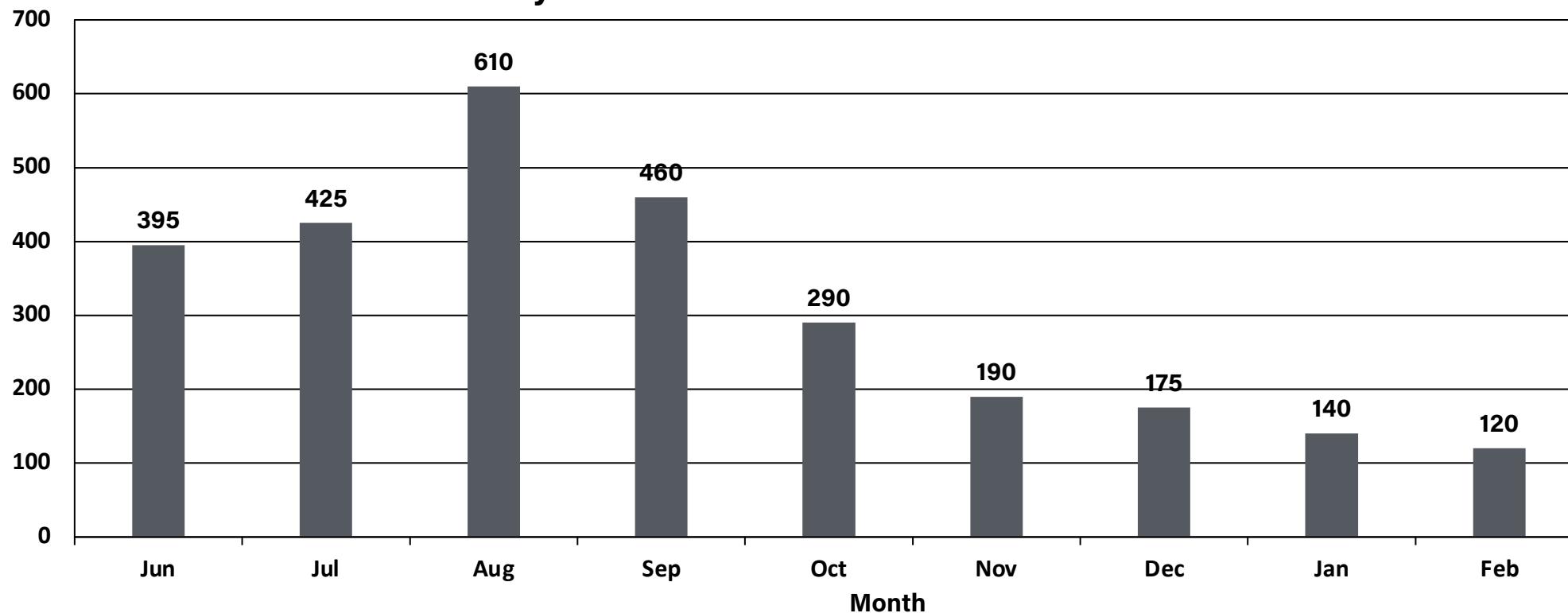
Source: USDA-FAS & USDA-ERS, 2020 based on Feb. 2020 WASDE export forecast

Purdue Center for Commercial Agriculture

Export Bump Was Reflected in a Smaller Ending Stocks Estimate...Down to 120 Million Bushels
USDA's Soybean Ending Stocks Were In Line with Industry Expectations Prior to Report's Release

USDA's 2020 Crop Year U.S. Soybean Ending Stocks Forecasts By Month When Forecast Was Published

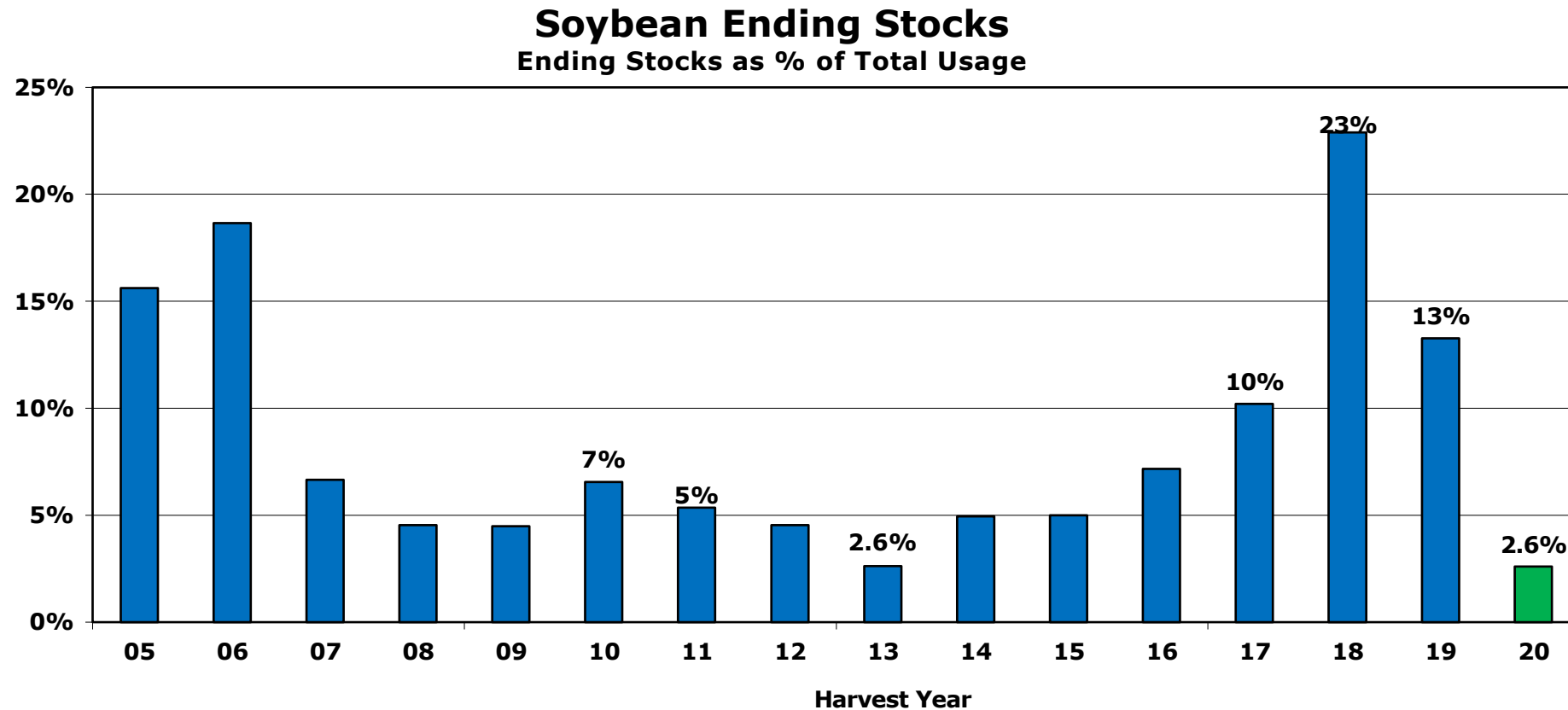
Billion Bu.



Source: USDA-WASDE

Purdue Center for Commercial Agriculture

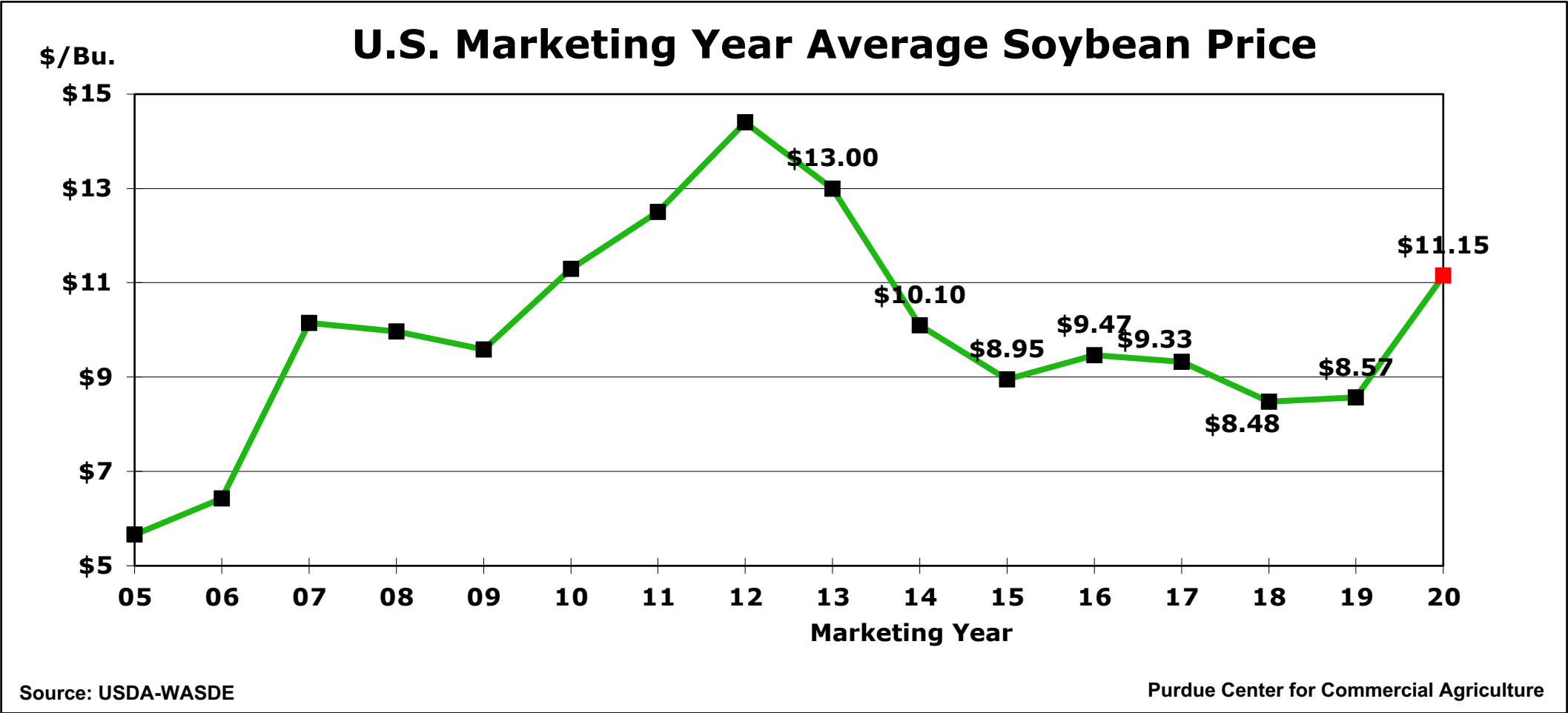
Soybean Ending Stocks Have Tightened Dramatically, Now Projected to Be As Tight As 2013's



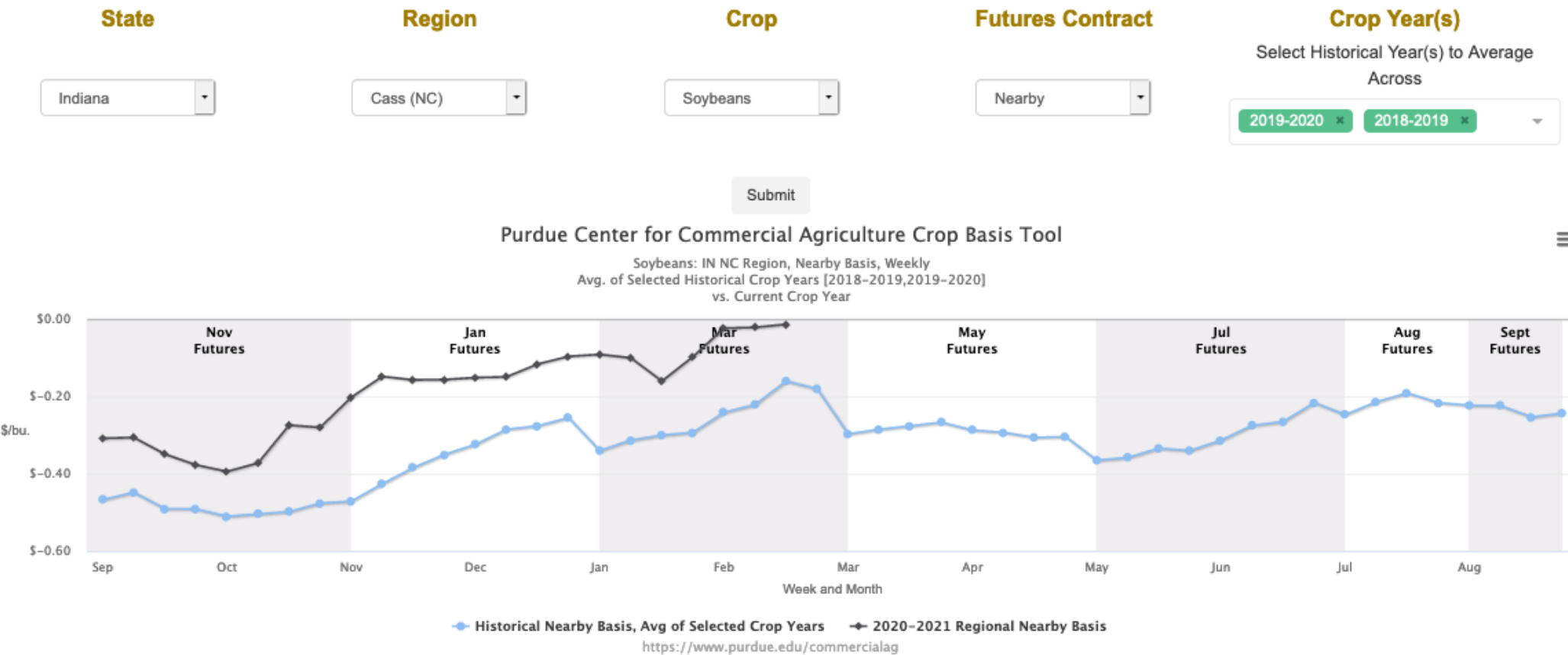
Source: USDA-WASDE

Purdue Center for Commercial Agriculture

Although USDA Projected Tighter Ending Stocks, MYA Price Forecast Was Left Unchanged from Jan. Forecast



Soybean basis –North Central Indiana, 2-year average vs. 2020 crop year



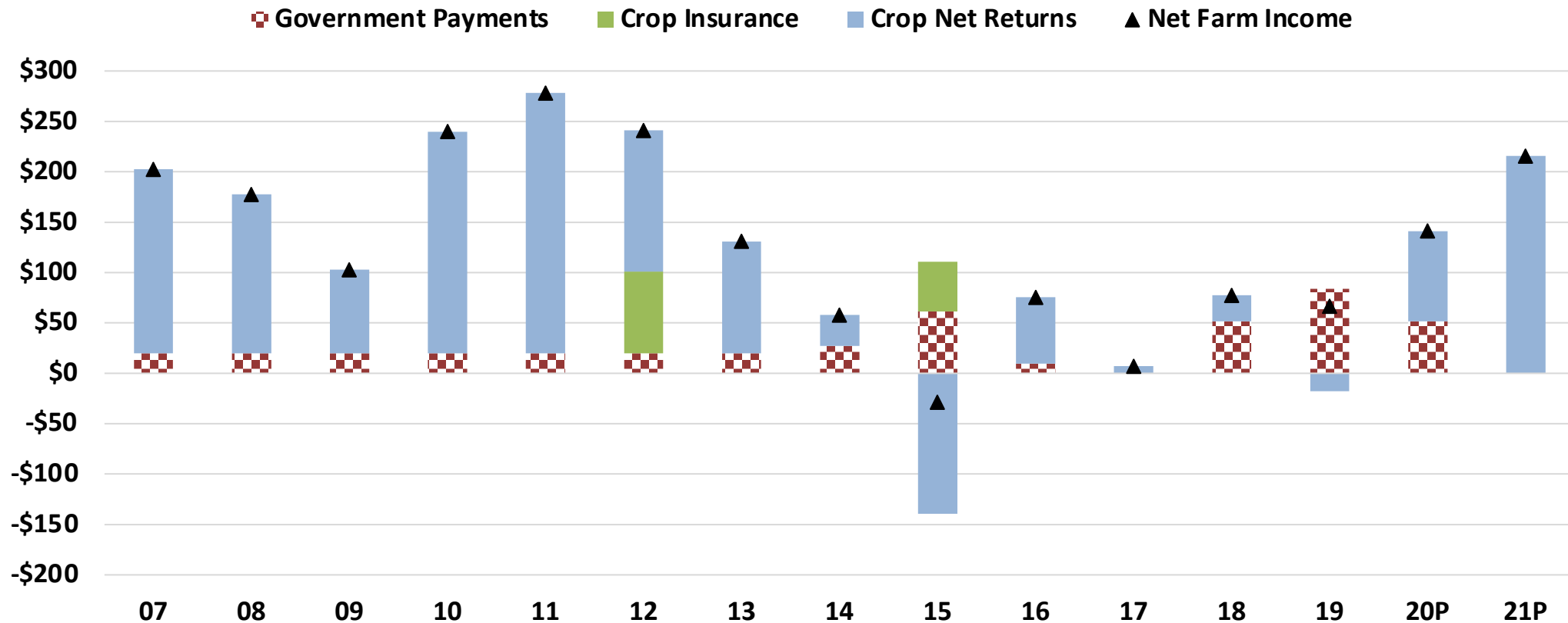
New crop soybean opportunities

CBOT Nov. '21 Soybean futures	\$12.00
<u>Expected soybean basis October '21 in N. Central IN</u>	<u>-\$0.45</u>
Expected harvest cash price	\$11.55/bu.

- Think in terms of risk management
- How can you protect favorable price opportunities while leaving open upside potential?

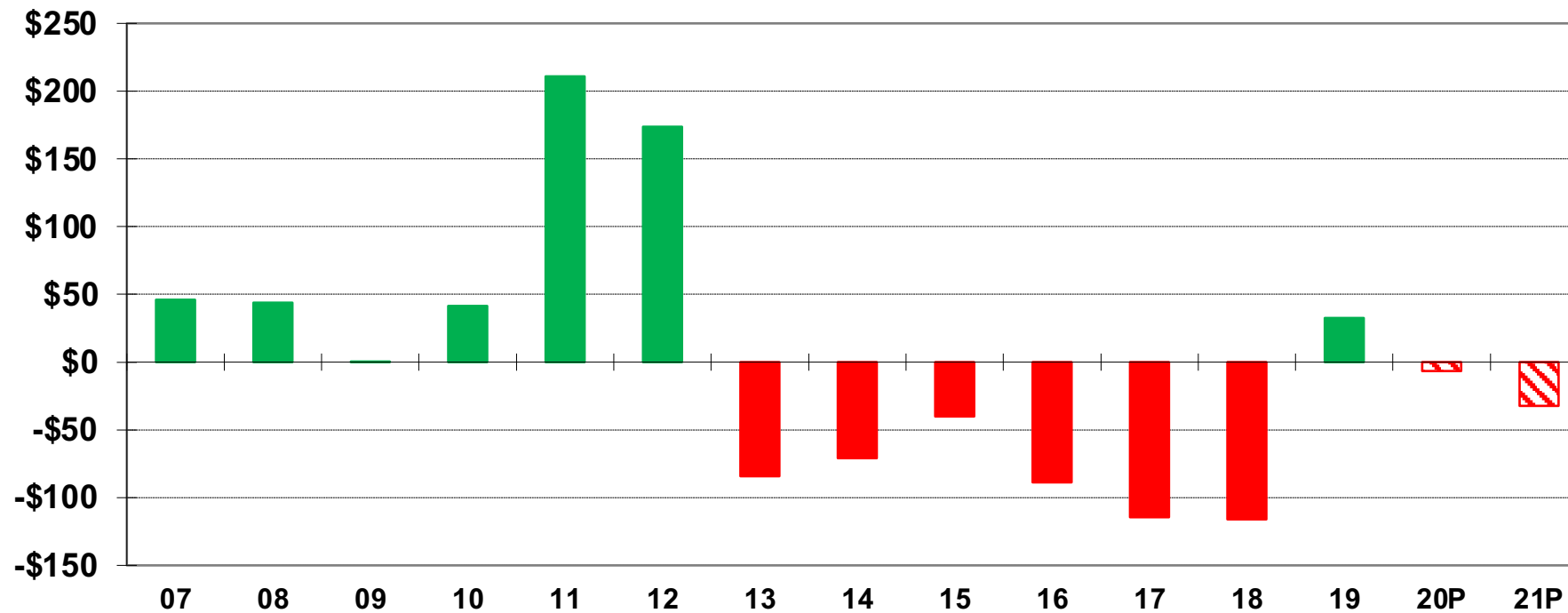
Net Farm Income per Acre in 2021 is Projected to be the Highest Since 2012

Net Farm Income Sources, Corn/Soybean Rotation (\$ per Acre)
West Central Indiana Case Farm



*Net Return Prospects in Eastern Corn Belt Still Favor Rotation Soybeans Over Continuous Corn
But the Gap Is Relatively Narrow*

**Difference in Earnings per Acre
West Central Indiana (Corn Minus Soybeans)**

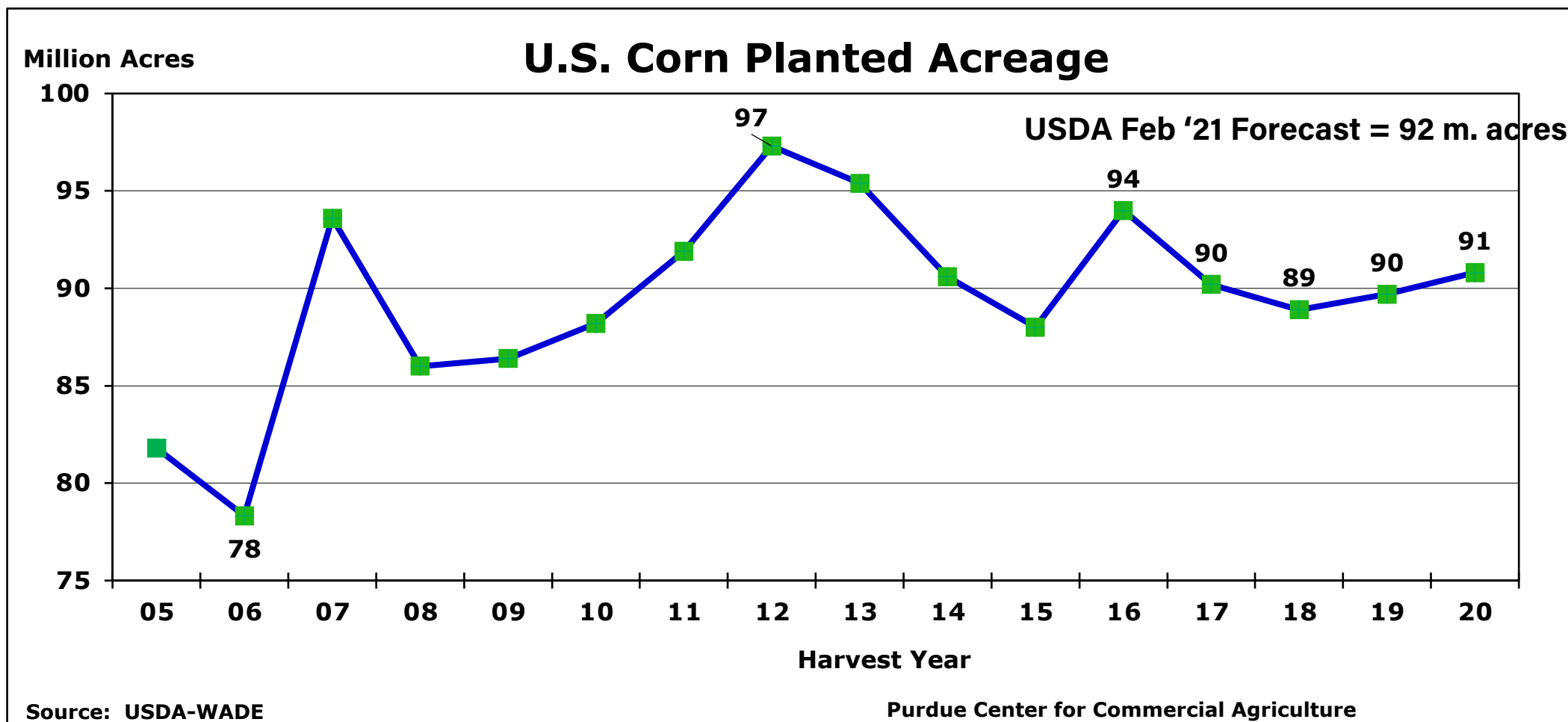


Current Fall Price Projections Still Favor Rotation Soybeans Over Continuous Corn in the Eastern Corn Belt

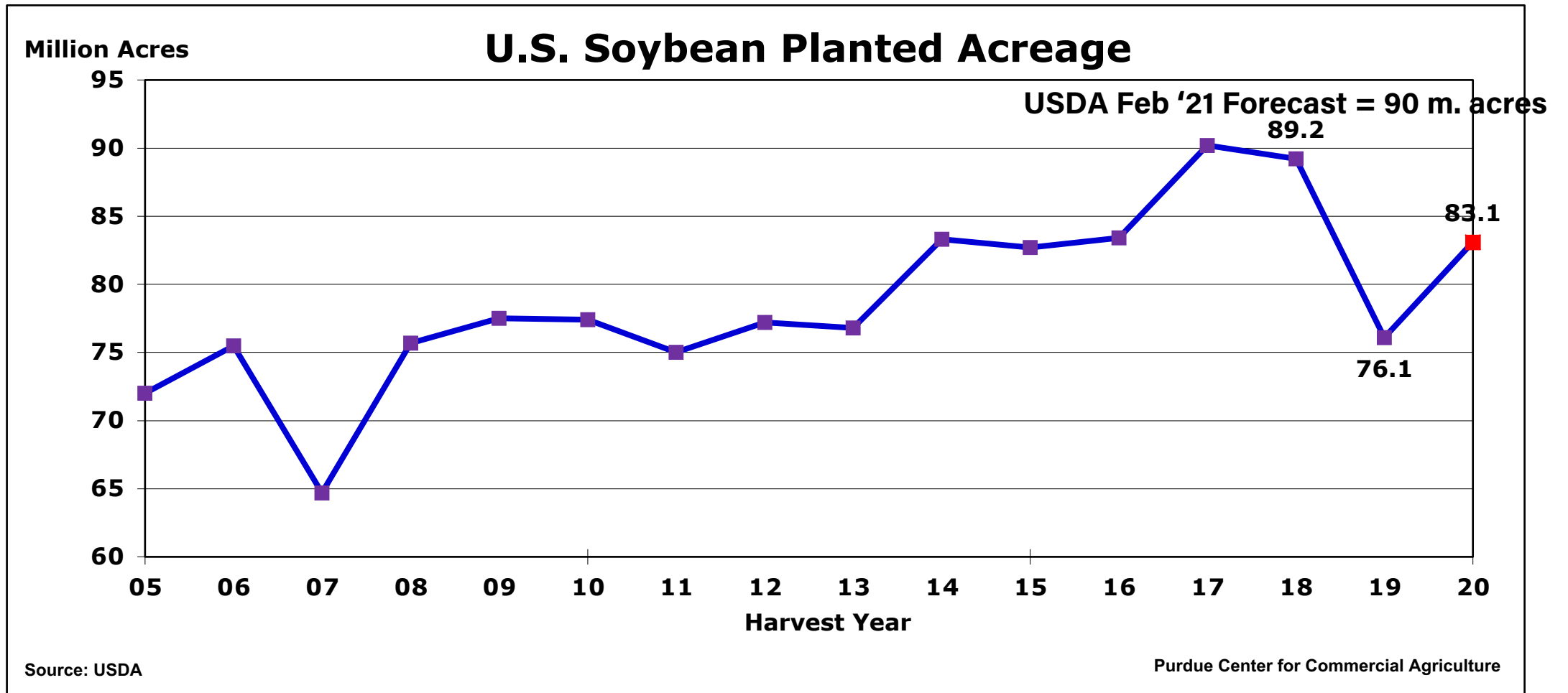
Corn Prices Required to Produce Per Acre Returns Equivalent to Soybeans

Soybean Price	Low Productivity (C=135; SB=44)	Avg. Productivity (C=169; SB=55)	High Productivity (C=203; SB=66)
\$10.00	\$4.52	\$4.43	\$4.29
\$10.50	\$4.68	\$4.59	\$4.45
\$11.00	\$4.84	\$4.75	\$4.62
\$11.50	\$5.01	\$4.91	\$4.78
\$12.00	\$5.17	\$5.08	\$4.94
\$12.50	\$5.33	\$5.24	\$5.10

2021 Acreage Decisions...



Acreage Battle Shaping Up...How Large Will Soybean Acreage Be?



Next Webinar: 2021 Crop Insurance Decisions

Monday, March 1, 2021

Details Available at
Purdue.edu/commercialag