

Crop Marketing STRATEGIES

Setting New Crop Corn & Soybean Futures Price Targets

USDA delivered bullish reports on January 12, 2021, for both the National Ag Statistics Service (NASS) Final Production Report and the World Agricultural Supply & Demand Estimates (WASDE) balance sheet projections. For the 2020-21 crop marketing year, corn carryover was projected at 1.552 billion bu. That was 150 million bushels lower than the December report and 47 million bu. below the average pre-report estimate. The national average cash price was increased to \$4.20 per bu., an increase of 20¢.

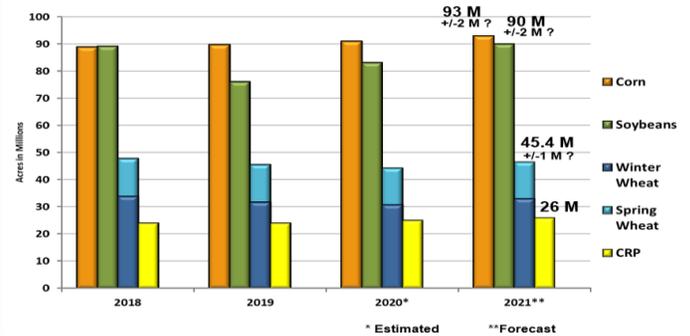
These same reports were not quite as bullish for soybeans. The U.S. soybean carryover for the 2020-21 marketing year was reduced to 140 million bu. That's down 35 million bu. from December, but a slim 1 million bu. more than traders expected. National average cash price was increased by 60¢ from last month to \$11.15 per bushel.

The U.S. corn stocks to use ratio is now projected to be 10.6% and the soybean ratio at 3.1%. These are the lowest ratio levels in 7 years when the 2013-14 stocks to use ratios were 9.2% for corn and 2.6% for soybeans, respectively.

Expect More U.S. Planted Acres in 2021

Following the reports, USDA old crop futures prices traded at levels not seen since Spring 2014. *ProFarmer*, an ag market advisory firm, expects U.S. farmers to plant more corn and soybeans acres in 2021. The forecast of 93 million acres of corn would be an increase of roughly 3 million acres. Soybean acreage would increase by 7.5 million acres to 90 million acres.

2021 U.S. Planted Acreage Forecast

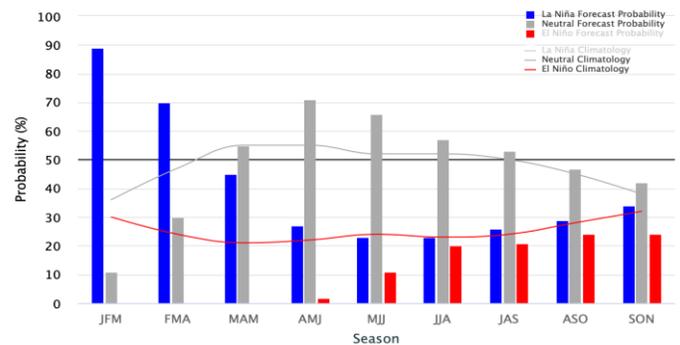


Source: USDA NASS & *ProFarmer*, Jan. 25, 2021

Return to ENSO Neutral in 2021

The International Research Institute (IRI) at Columbia University forecasts the strong La Niña global weather event will peak in January with an 89% probability. The mid-January model shows a fairly significant shift to more neutral conditions by spring. The probability of El Niño Southern Oscillation (ENSO) Neutral by the April-May-June season is at 71%. It should remain as the dominant global weather impact through most of the '21 crop growing season and bodes well for production prospects.

Mid-January 2021 IRI/CPC Model-Based Probabilistic ENSO Forecasts
ENSO state based on NINO.3.4 SST Anomaly
Neutral ENSO: -0.5 °C to 0.5 °C



Source: IRI, Columbia University, Jan. 14, 2021

Setting New Crop Futures Price Targets

In mid-January, nearby March corn and soybeans futures prices rallied to their highest levels in over 6 years. These high prices will be required to allocate very tight supplies until large global production can be assured. With the South America dry weather concerns, expect old crop futures prices to retain a risk premium into the spring months.

However, new crop futures prices might be pressured lower due to the larger U.S. planted acres and potential for more normal weather conditions. With new crop futures already at profitable price levels, consider establishing futures price targets and implementing pre-harvest marketing strategies this winter on a portion of your new crop bushels.

Let's assume the mid-January new crop futures prices are the contract highs. What might be some reasonable futures price targets? Fibonacci retracement levels of contract highs and lows could reflect 78.6%, 61.8%, 50%, and 38.2% of these moves. The Dec. '21 corn futures price high was \$4.65½ on January 13. Two days later, November '21 soybean futures reached their contract high of \$12.03. The lows could be measured from Nov. 2 when Dec. '21 corn futures prices dropped to \$3.83¾ and Nov. '21 bottomed at \$9.66.

December '21 Corn Chart



Source: CME Group, Jan. 13, 2021

Expect reasonable chart support levels for Dec. '21 corn futures at \$4.48, \$4.34, \$4.25 and \$4.15 per bu. Chart support levels for Nov. '21 soybean futures would be at \$11.52, \$11.13, \$10.85 and \$10.56 per bu.

The upper-end of these support levels could be tested this winter, with the lower levels this spring with improving weather conditions.

November '21 Soybean Chart



Source: CME Group, Jan. 13, 2021

5-Step Marketing Plan to Manage Price Risk

Consider these five steps in developing a written crop marketing plan. Sell a portion of your new crop bushels at a good overall average price.

1. Break the total amount of grain that needs to be sold into "chunks" of say 5,000, 10,000, 15,000 or 20,000 bushels and sell incrementally.
2. Set reasonable futures and cash price targets. Expect that by harvest and larger crop production, basis should return to more normal levels.
3. Set deadlines for making these pre-harvest sales and ensure you're a proactive crop marketer.
4. Utilize Revenue Protection (RP) crop insurance that insures farm level APH yields and the higher of spring projected or harvest futures prices.
5. Share your written plan with someone that will hold you accountable. Don't procrastinate!