

Crop Marketing STRATEGIES

Expect Range Bound Crop Futures, Despite Dry Weather Concerns

The USDA World Agricultural Supply and Demand Estimate (WASDE) report was released on July 10, 2020. It projected a 15.0 billion-bushel U.S. corn crop and a 4.135 billion-bushel U.S. soybean crop. The assumptions for acres and yields in that report include:

- 92.0 million acres of corn planted, and 84 million acres harvested; 178.5 bu/A yield per harvest acres.
- 83.8 million acres of soybean planted; 83 million acres harvested; 49.8 bu/A yield per harvested acre.

Note that these corn and soybean national yields are from the 30-year trendlines. The USDA has made only minor changes to these yields for the past 8 months. The assumption is normal weather and trend yields until estimates can be made by farmers and the objective infield yield estimates by USDA enumerators.

Don't expect to see significant changes in these national yields until the Sept. 11 Crop Production Report. This USDA National Ag Statistics Service (NASS) report will provide the first in-field yield estimates collected from nearly 3,000 randomly selected corn and soybean fields across the Corn Belt.

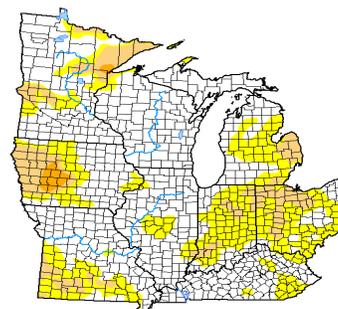
If the 15.0 billion bushels of corn production is realized, it would be the second largest corn crop in U.S. history, and comparable to the 2016 crop. If the 4.135-billion-bushel soybean crop is realized, this would be fourth largest soybean crop in U.S. history and slightly smaller than the 2016, 2017, and 2018 crops.

Dry Weather

Lack of rainfall is starting to impact Corn Belt crops. The latest U.S. Drought Monitor reflects that D2 – Severe Drought has started to creep into West Central Iowa. The D0 - Abnormally Dry and D1 – Moderate Drought appears in parts of both the Western and Eastern Corn Belts.

U.S. Drought Monitor
Midwest

July 21, 2020
(Released Thursday, Jul. 23, 2020)
Valid 8 a.m. EDT



Intensity:
None
D0 Abnormally Dry
D1 Moderate Drought
D2 Severe Drought
D3 Extreme Drought
D4 Exceptional Drought

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. For more information on the Drought Monitor go to <https://droughtmonitor.unl.edu/About.aspx>

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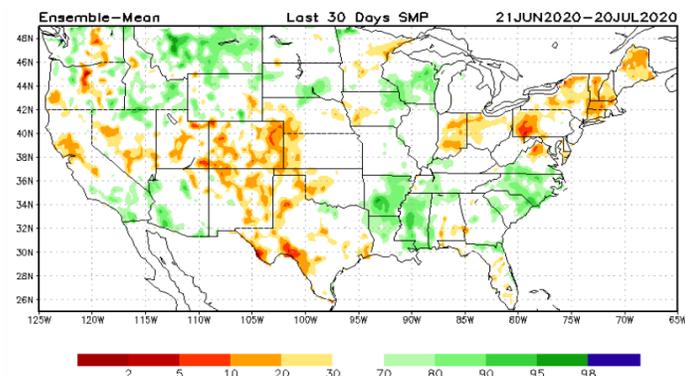
USDA NCEI/NOAA droughtmonitor.unl.edu

The USDA's weekly crop progress ratings for July 19 still estimated the U.S. corn crop at 69% Good to Excellent. Iowa's corn ratings were at 80% Good to Excellent. The U.S. soybean ratings were also at 69% Good to Excellent while Iowa was rated at 79%. Besides Iowa, above average weekly crop ratings were found across South Dakota, Minnesota, and Wisconsin.

Root Zone Moisture

Most of the cropland across the Corn Belt generally has sufficient soil moisture within 1 meter of the surface. However, pockets of dryness align with the latest U.S. Drought Monitor align with the map below from Climate

Prediction Center. It measures the percentile soil moisture changes in the last 30 days.



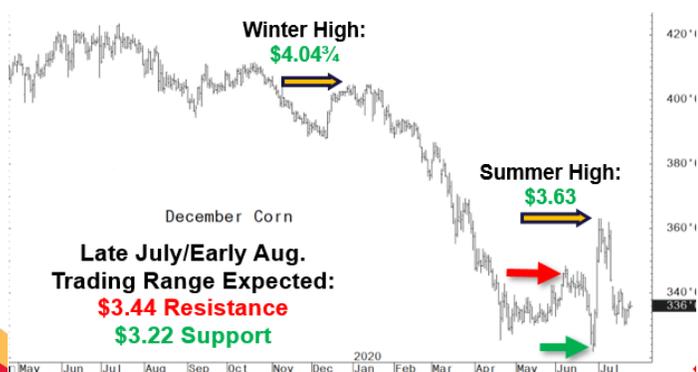
Source: NOAA Climate Prediction Center, July 20, 2020

Most of the field crops in the drought areas still have deeper roots in the soil profile. This explains the above-average crop ratings, despite the implications from both the drought and soil moisture maps. Early planting of crops and dry conditions in early June likely allowed roots to move much deeper in the soil profile.

New Crop Futures Price Expectations

Weather models forecasting extreme heat across the Corn Belt early the week of July 6 provided the summer highs for new crop futures. Those models proved too extreme for much of the Corn Belt in July. Longer-term models are reflecting cooler than average temperatures for the first half of August.

December '20 Corn Futures



Source: CME Group, July 23, 2020

Expect that December corn and November soybean futures will move in a sideways trading range of roughly \$.20 per bushel through mid-August. That's because early crop yield expectations are above average, which left the commodity funds comfortable being net short futures positions. The July 6 summer highs will likely hold for both corn and soybean futures. It would take a significant weather event beyond the existing drought areas in the Corn Belt or a supply shock to move above those levels.

November '20 Soybean Futures



Source: CME Group, July 23, 2020

Conclusion

After mid-August, the new crop futures price movement will focus more on demand for the 2020 crop. Ethanol and export demand will garner much of the attention. Watch Chinese purchases of both corn and soybeans as an indicator that USDA's increase in the 2020-'21 marketing year crop export demand is justified.

Later in August, a significant number of private yield estimates will be released and influence futures price direction. Expect heightened awareness with the virtual *ProFarmer* Crop Tour the week of Aug. 17 with evening discussions.

Come Sept. 11, USDA will adjust national yield projections for both corn and soybeans. This will be the release of their first in-field yield estimates of nearly 3,000 randomly selected corn and soybeans fields across the Corn Belt.