

# Crop Marketing STRATEGIES

## Warning: Expect Futures Price Volatility for both Corn & Soybeans

The USDA World Agricultural Supply and Demand Estimate (WASDE) report was released on Sept. 11, 2020. It projected a 14.9 billion-bushel U.S. corn crop and a 4.3 billion-bushel U.S. soybean crop. The assumptions for 2020 acres and yields include:

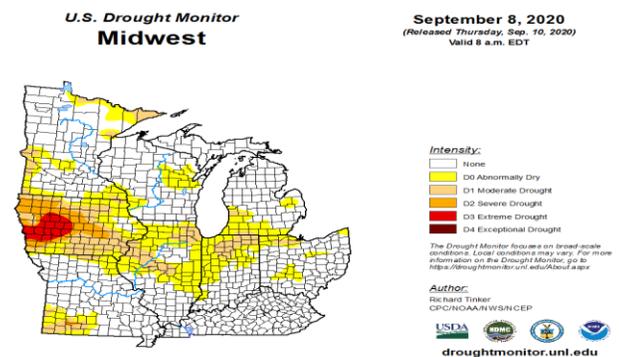
- 83.5 million corn acres harvested and 178.5 bu/A per acre yield. That's a decline of 500,000 acres and 3.3 bu/A yield decline from the August report.
- 83 million soybean acres harvested and 51.9 bu/A yield. That would be no change in harvested acres and a 1.4 bu/A drop-in yield from the August report.

The USDA National Ag Statistics Service (NASS) released both state and national yield forecasts used in the WASDE report. These yields were the first of the year to reflect the in-field yield estimates collected by NASS enumerators from nearly 3,000 corn and soybean fields. These yields were forecast as of Sept. 1 and assume normal weather and harvest conditions. The September corn yield forecast of 178.5 bu/A has a 3.1% margin of error. The soybean yield forecast of 51.9 bu/A has a 5.2% margin of error.

The USDA will update its crop yield production forecasts on Oct. 9 and Nov. 10, with the final estimate of yield and production, released the second full week of January 2021. Expect futures price volatility this late summer as crop size and export demand become more certain. As combines roll and good harvest weather exists, yield prospects should stabilize.

### Summer Weather Problems

Drought conditions expanded across much of the Midwest during August. The D-3 or Extreme Drought was concentrated in West Central Iowa. The D-2 or Moderate Drought was common across much of Iowa. At the same time, Northern Illinois and parts of Indiana were mostly D-1 or Abnormally Dry.



On Aug. 10, a Derecho windstorm swept across the Midwest. Some of the most significant crop impacts occurred in a west-to-east band across West Central to East Central Iowa. Wind gusts of 60 to 100 mph were common and flattened many cornfields. It was estimated that 3.5 million acres of corn and 2.5 million acres of soybeans were impacted in Iowa.

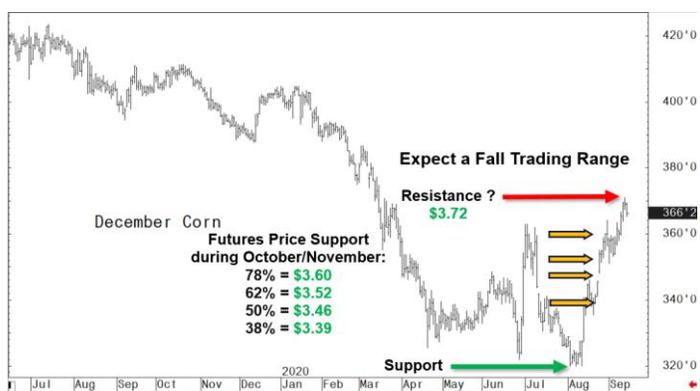
### September Weather Forecast

The U.S. National Weather Service (NWS) released their September weather forecast in late August. Below-average temperatures, as well as precipitation were forecast for much of the Midwest. If realized, this would bode well for U.S. harvest conditions and crop yield prospects.

## New Crop Futures Price Expectations

Since early August, December '20 corn futures rallied more than \$.50 per bushel, while November '20 soybean futures increased by more than \$1.40 per bushel. As crop yield prospects suddenly declined, commodity funds were caught net short futures contracts and forced to "short cover" their futures positions.

### December '20 Corn Futures



Let's assume the \$3.72 per bushel December '20 corn futures peak was the summer and fall high. With good harvest weather and hedge pressure limiting the upside, this price level could be near the top for this summer and fall.

### November '20 Soybean Futures



Let's also assume that the \$10.13¼ per bushel level for the November '20 soybean futures were

near the peak. Commodity funds that moved to net long futures in early September could seek profit-taking and "short" their futures positions.

## Fibonacci Retracement Levels

Once futures price highs are reached, farmers will struggle to make additional sales. Consider using Fibonacci retracements featured to identify possible futures price support levels. Those retracement levels should appear at the 38%, 50%, 62%, and 78% levels of these 6-week futures price range. Expect futures price support for corn between \$3.39 and \$3.60 per bushel. Futures price support for soybeans should result in futures prices between \$9.22 and \$9.81 per bushel. The upper price level supports of 62% or 78% for both futures contracts are expected.

## Conclusion

Consider selling these contra-seasonal futures price rallies and generating necessary cash flow needs for this fall and winter. Expect early harvest yields to have a massive impact on near term futures price movements. Early planting should bode well for those crop yields.

Very few new crop bushels were pre-harvest marketed. If a reasonable harvest basis exists in your area, consider the delivery of these new crop bushels. Try to avoid paying commercial drying, shrink, and storage costs. If you expect futures prices to rally post-harvest, consider the use of basis or minimum price contracts using the March '21 futures contracts.

Come Oct. 9, USDA will update state and national yield forecasts as of Oct. 1. If these yields do not decline significantly from the Sept. 1 numbers, expect the harvest highs could come early. Also, harvest basis might not be as weak as once thought with the smaller production in some Midwest areas and where good processor and export demand exists.