

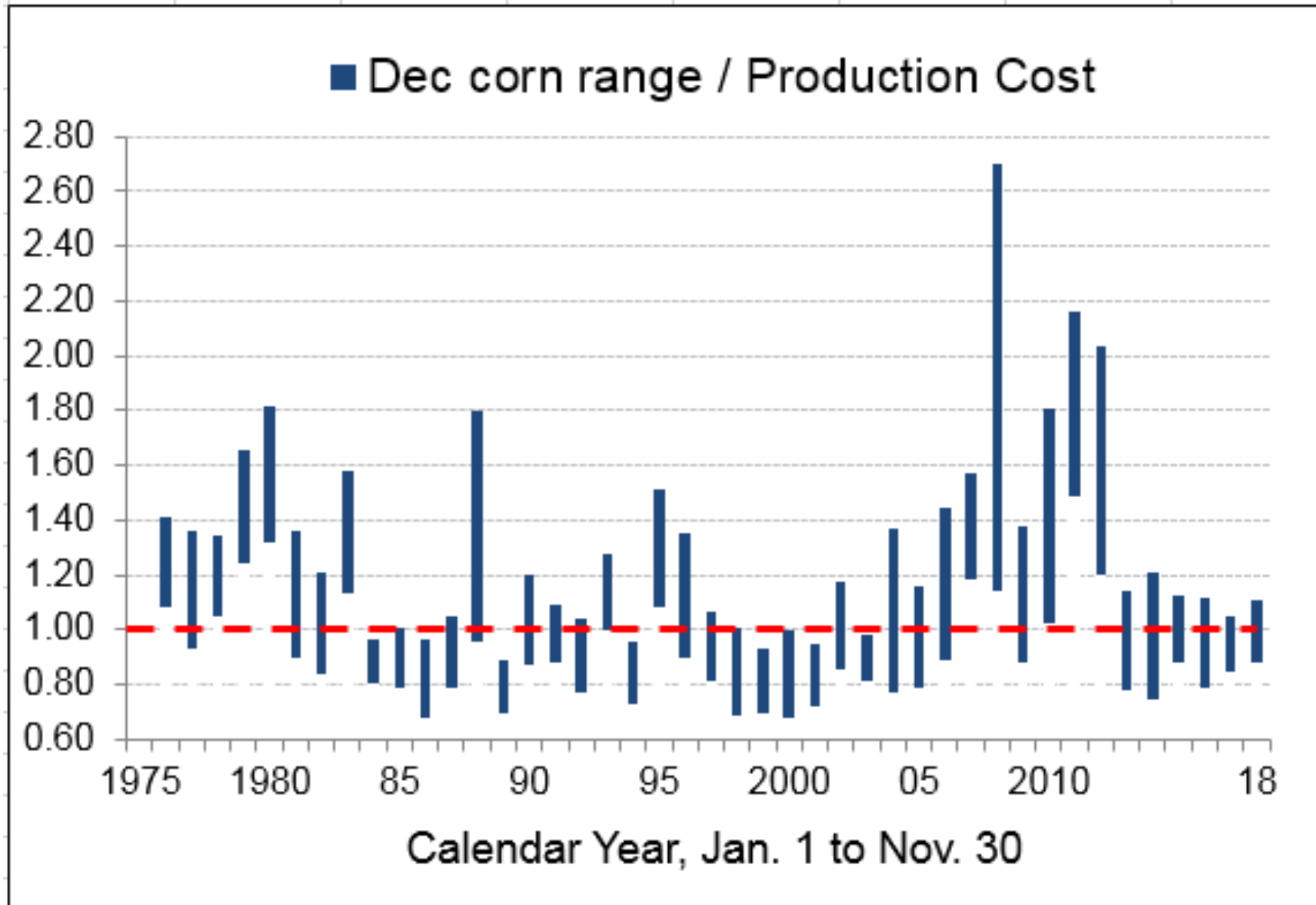


Same Song, 7th Verse?

**Todd Hultman,
DTN Lead Analyst**

**American Farm Bureau Federation
January 13, 2019**

Let's Face It: The Odds Are Tough



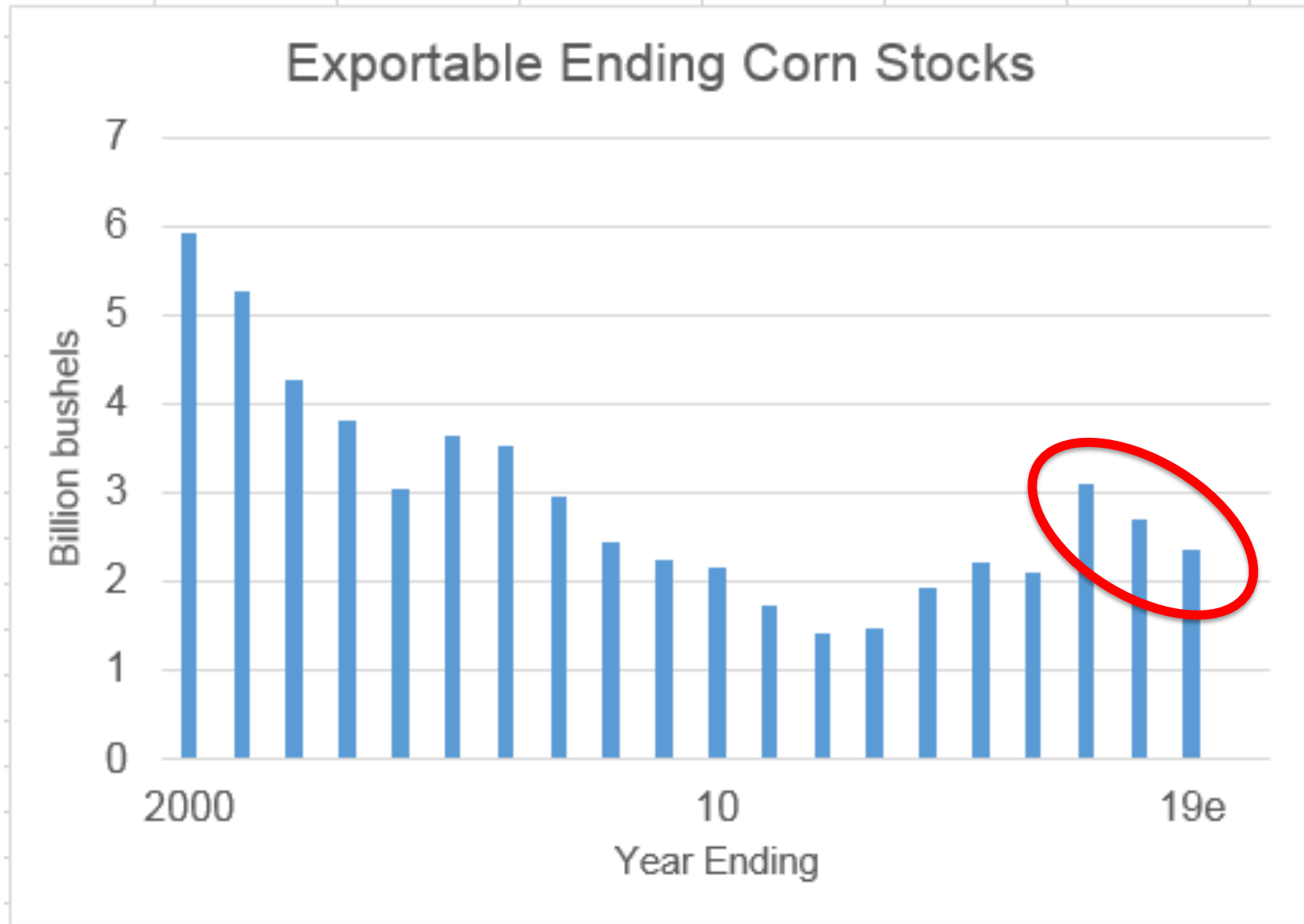
Prices dipped below full production cost in 31 of the past 43 years.

10 years never made it above cost.

A Look At 2019

U.S. Corn

Corn Demand Impresses



Top 4 exporters = 88% of exports.

< 2.37 bb est.

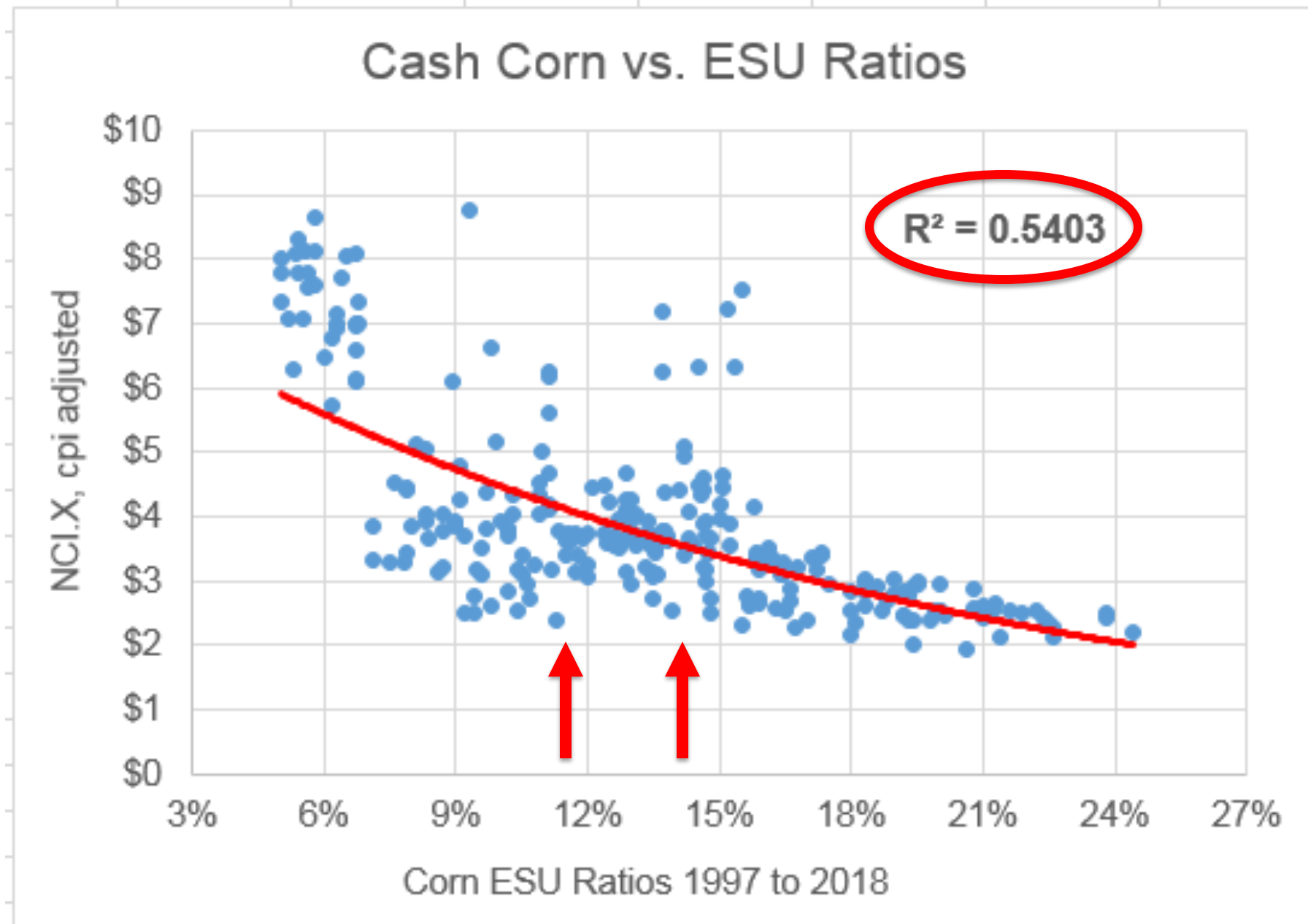
1.78 bb from U.S.

An Early Look At 2019-20

CORN	2018-19	2019-20 est.
Area Planted	89.1	92.0 mill acres planted
Area Harvested	81.8	
Yield per Harvested Acre	178.9	185 bu yield (+9)
Beginning Stocks	2,140	15.6 bill bu crop
Production	14,626	
Imports	45	
Supply, Total	16,811	
Feed and Residual	5,500	
Food, Seed & Industrial 2/ Ethanol & by-products 3/ Domestic, Total	7,080 5,600 12,580	15.2 bill bu total demand
Exports	2,450	
Use, Total	15,030	
Ending Stocks	1,781	2.18 bill bu ending stocks 14% of use.
Avg. Farm Price (\$/bu) 4/	3.25 - 3.95	

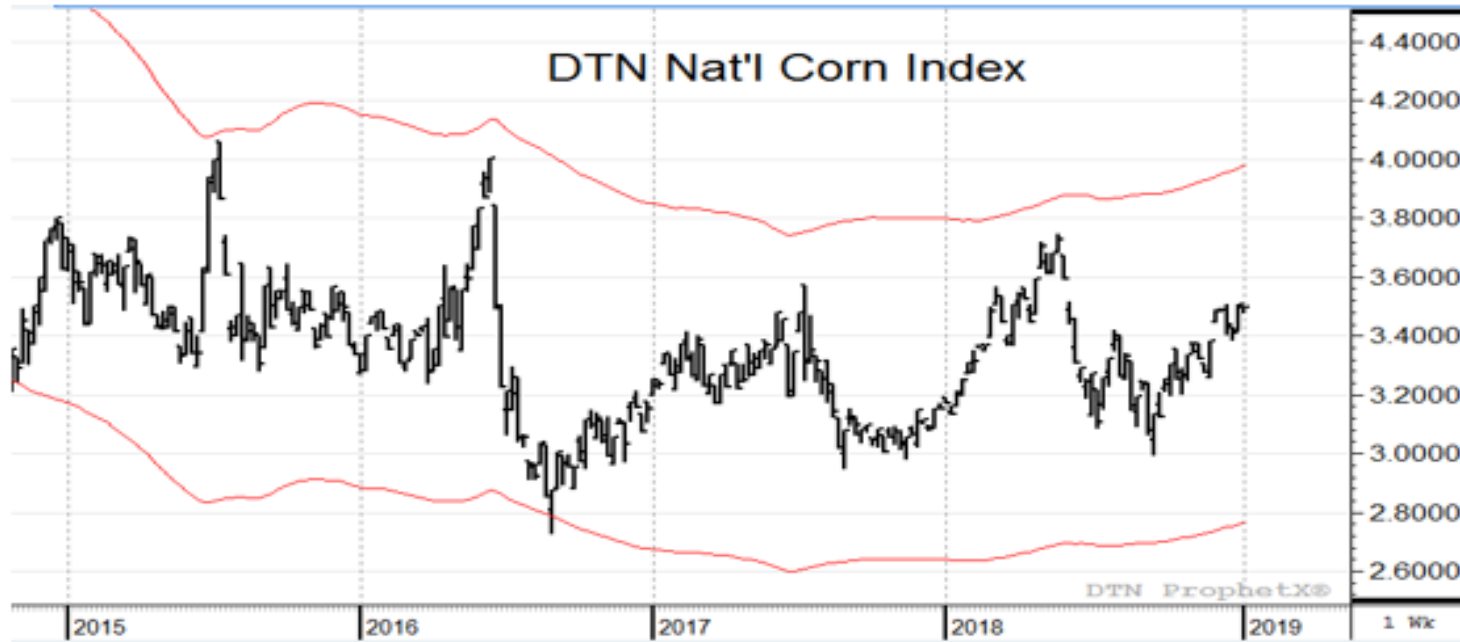


22 Years of Ending Stocks/Use Ratios



2018-19:
1.78 bb est.
11.8% esu

What Drives The Other 46%?



< ESUs 12% to 16%
2015-18.

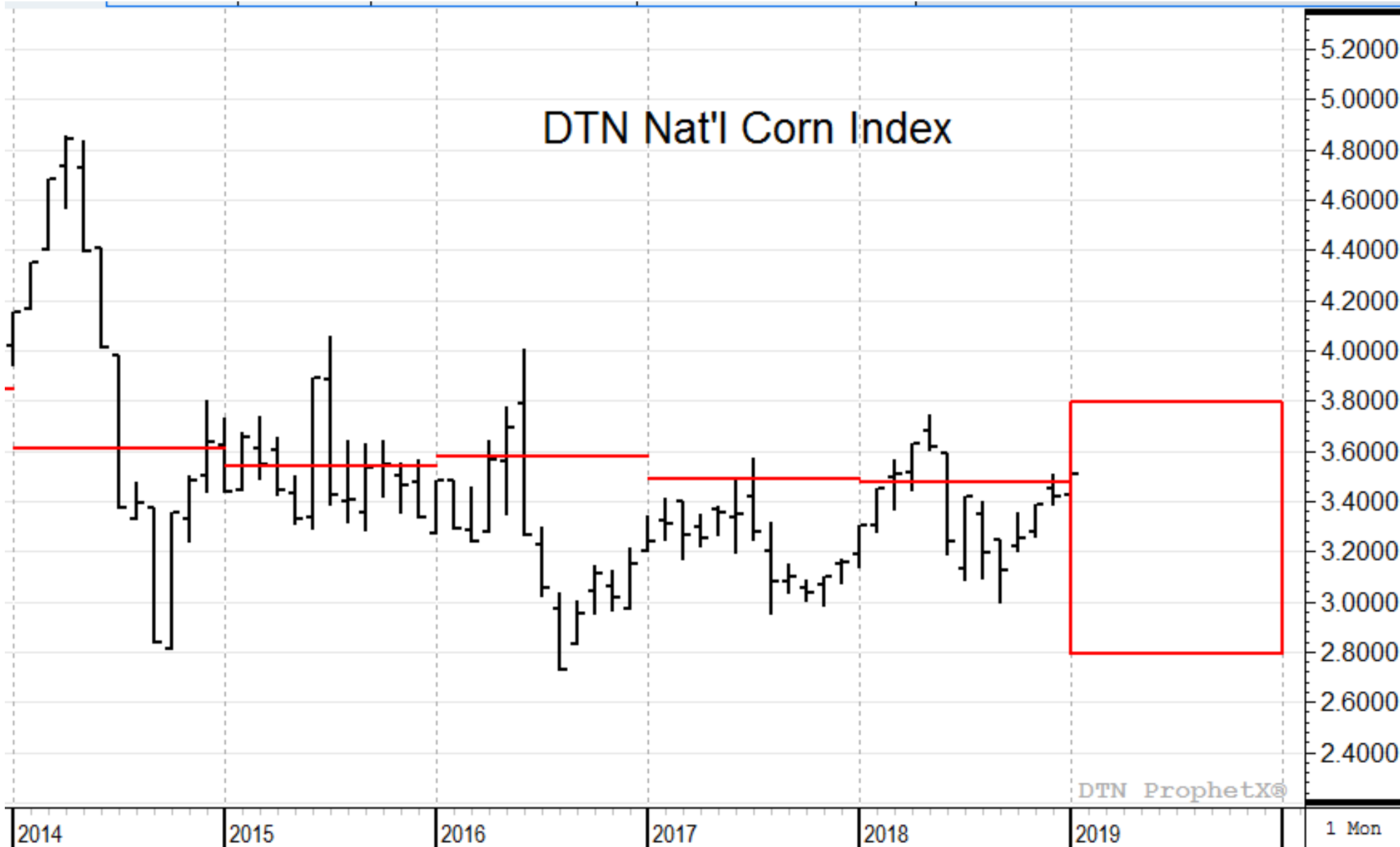


< ESUs 16% to 20%
1998-2002.

What Are We Learning?

- There is a lot of NOISE in the market.
- Price equilibrium is not well enforced.
- People/markets are emotional and make mistakes.
- In times of surplus, mistakes are opportunities.

Definition of Normal: Corn In 2019



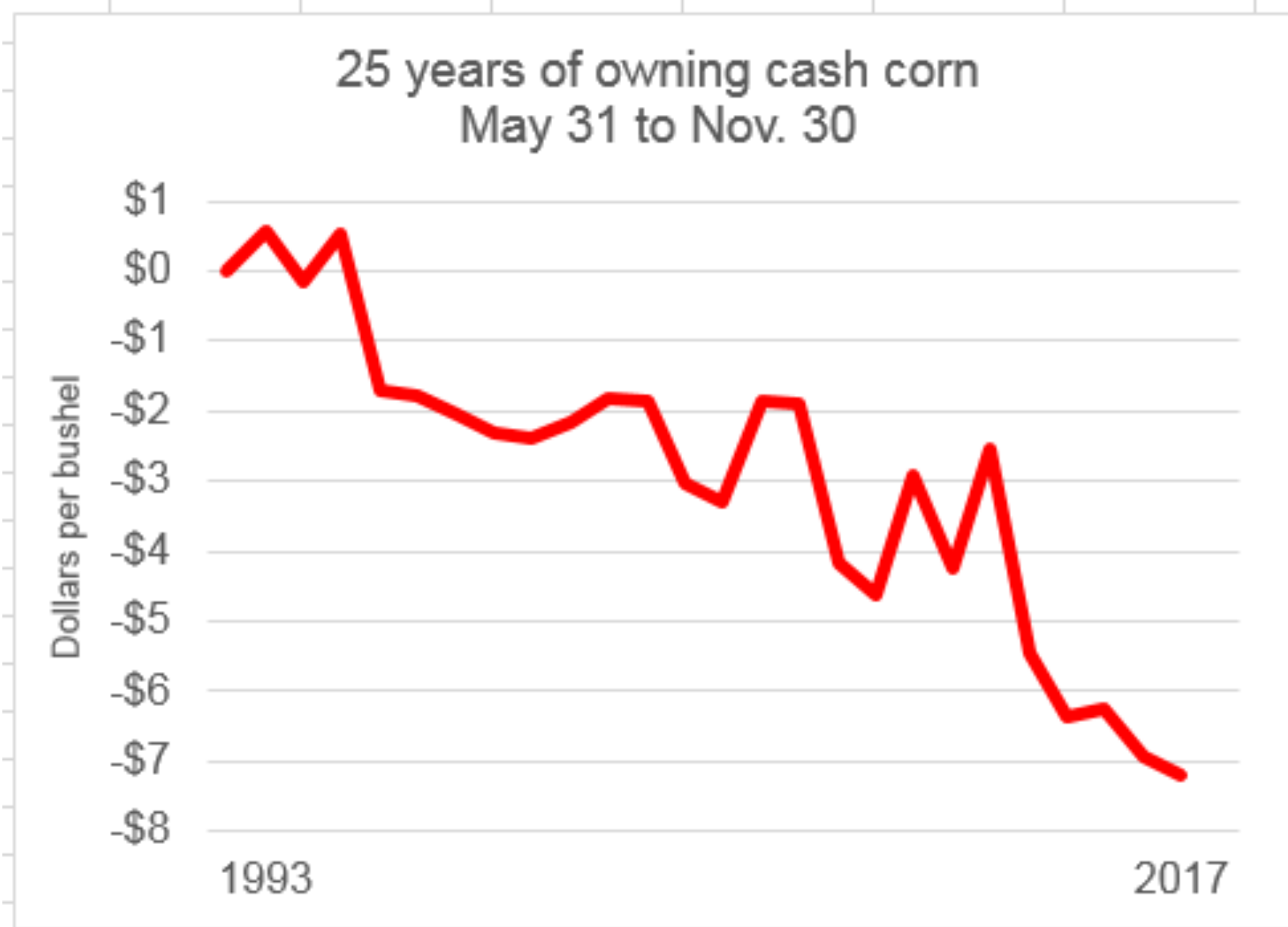
Increased competition from So. America.

Bigger U.S. planting.

Weather?

Unknowns...

What Not To Do

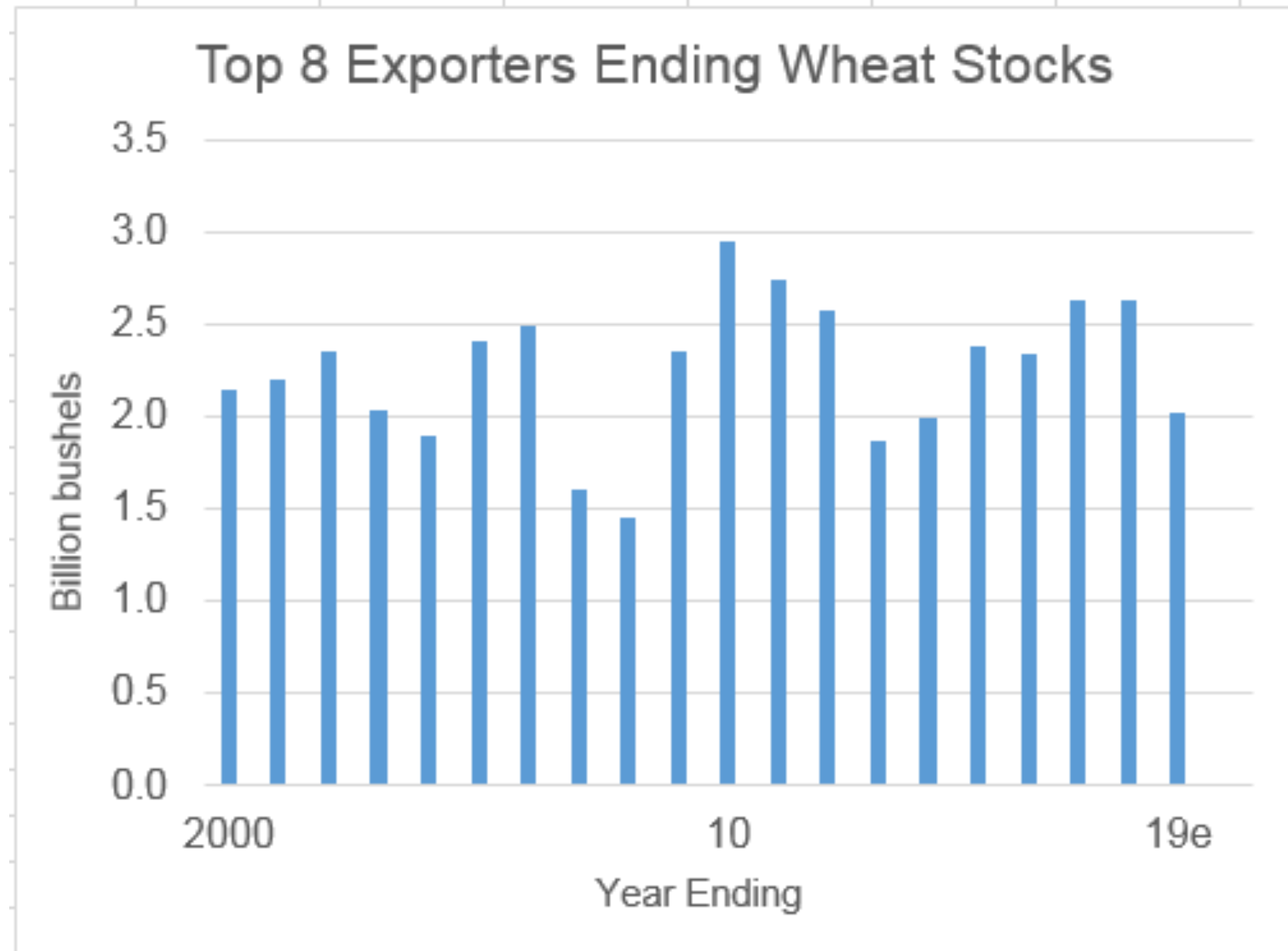


\$7.18 a bushel
loss over 25 years

(29 cts/yr)

U.S. WHEAT

Wheat Supplies Are Trimmer

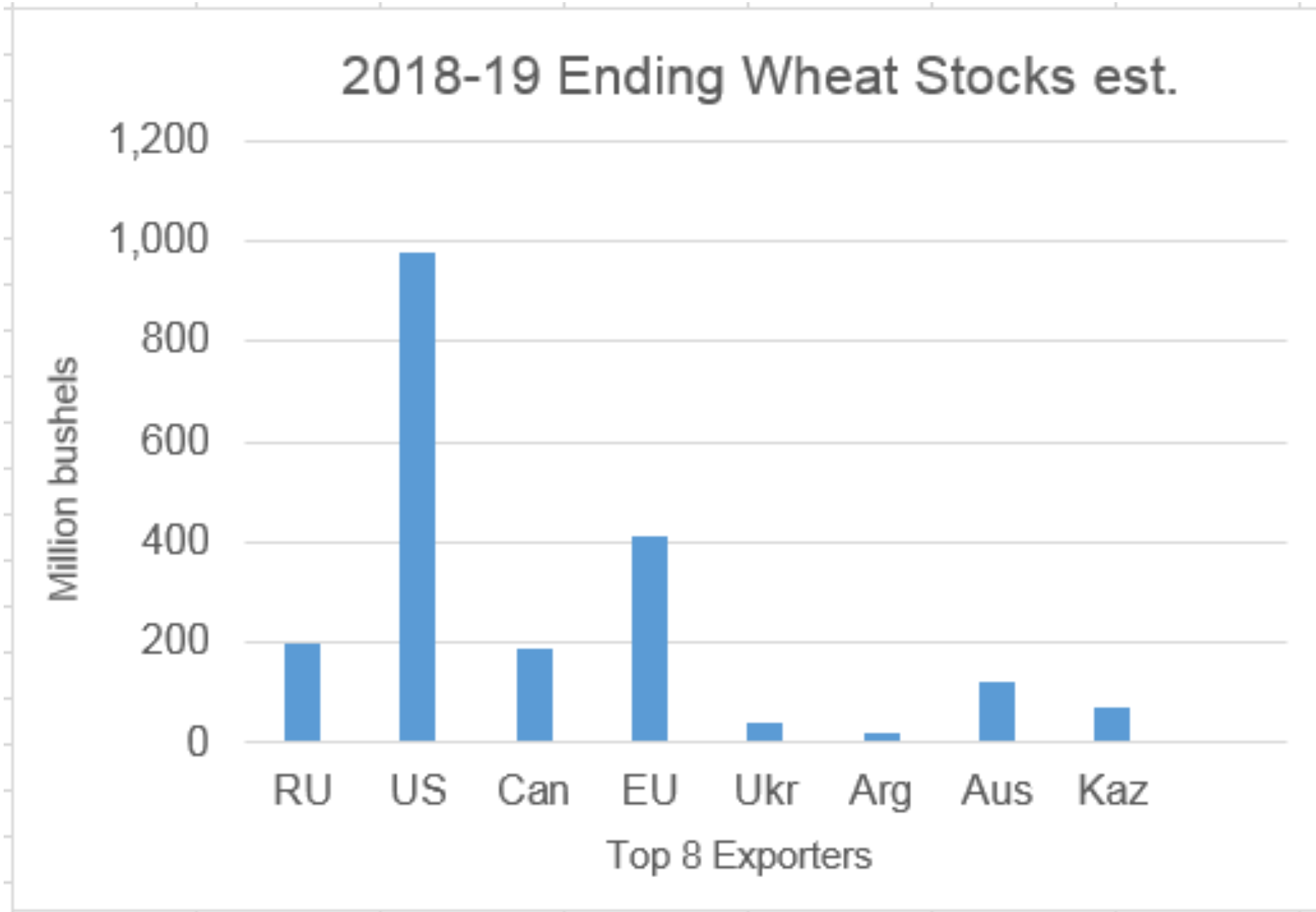


Top 8 exporters = 90% of exports.

< 2.02 bb est.

974 mb from U.S.

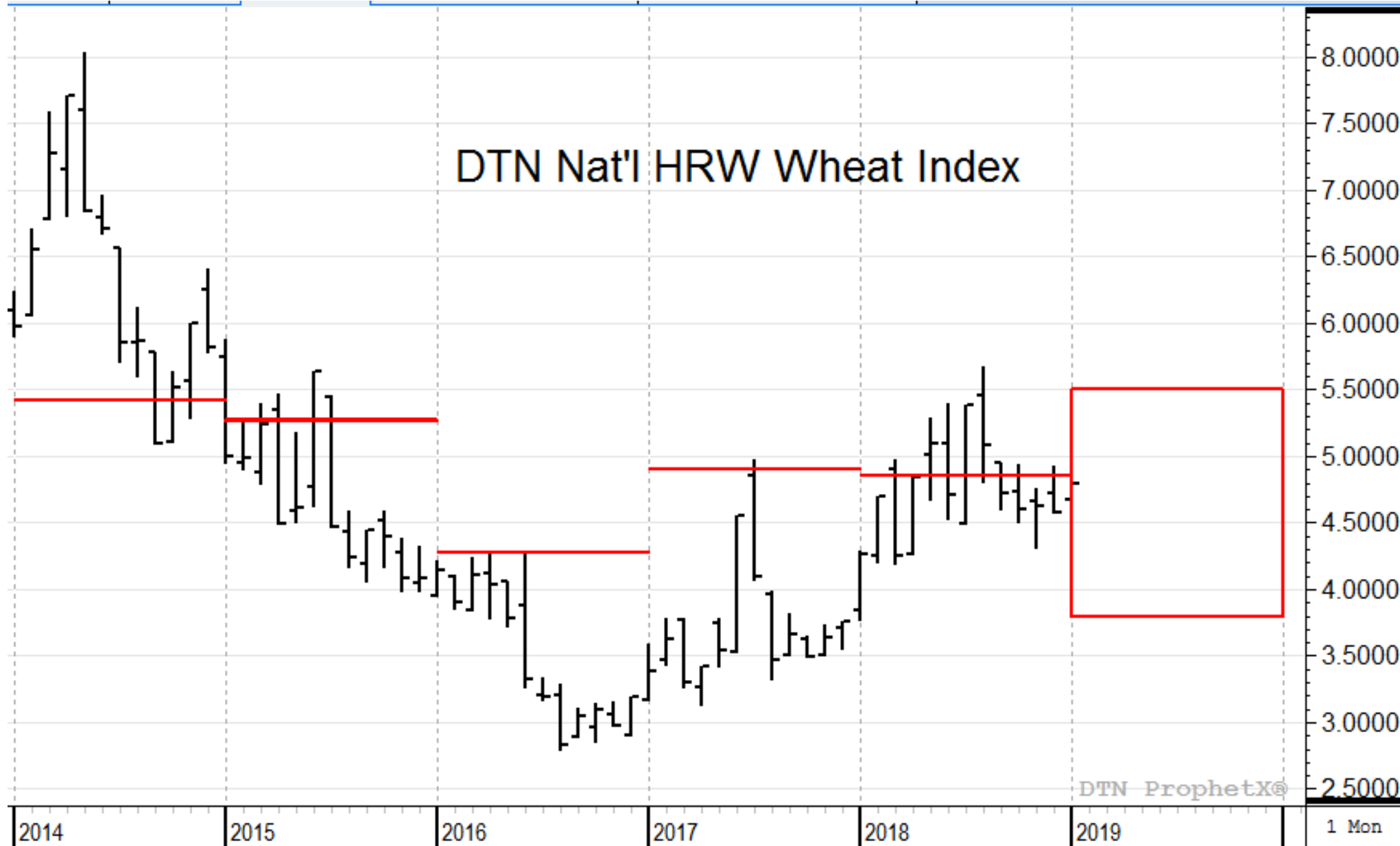
Tighter Outside The U.S.



Total world use =
27.4 bb in 2018-19.

< 1.05 bb est. outside
of U.S.

Best Guess: HRW Wheat In 2019



All about international weather

Unknowns...

U.S. SOYBEANS

An Early Look At 2019

SOYBEANS	2018/19 Proj. Dec
Area Planted	89.1
Area Harvested	88.3
Yield per Harvested Acre	52.1
Beginning Stocks	438
Production	4,600
Imports	25
Supply, Total	5,063
Crushings	2,080
Exports	1,900
Seed	96
Residual	32
Use, Total	4,107
Ending Stocks	955
Avg. Farm Price (\$/bu) 2/	7.85 - 9.35



2019-20 est.

86.1 mill acres planted

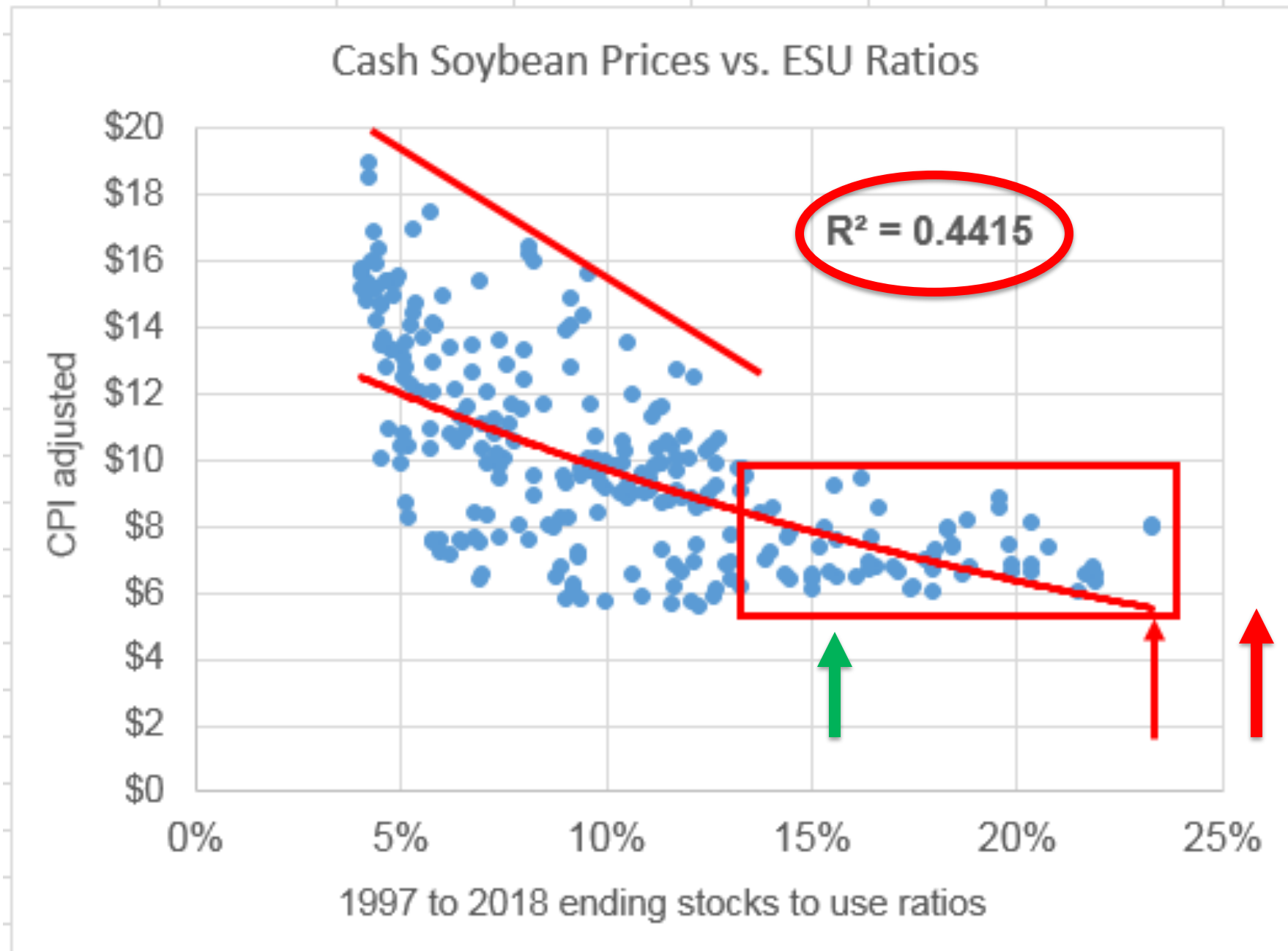
51 bu yield (+1)

4.35 bill bu crop

4.2 bill bu total demand ???

1.15 bill bu ending stocks
27% of use.

U.S. Soybean Supplies Burdensome

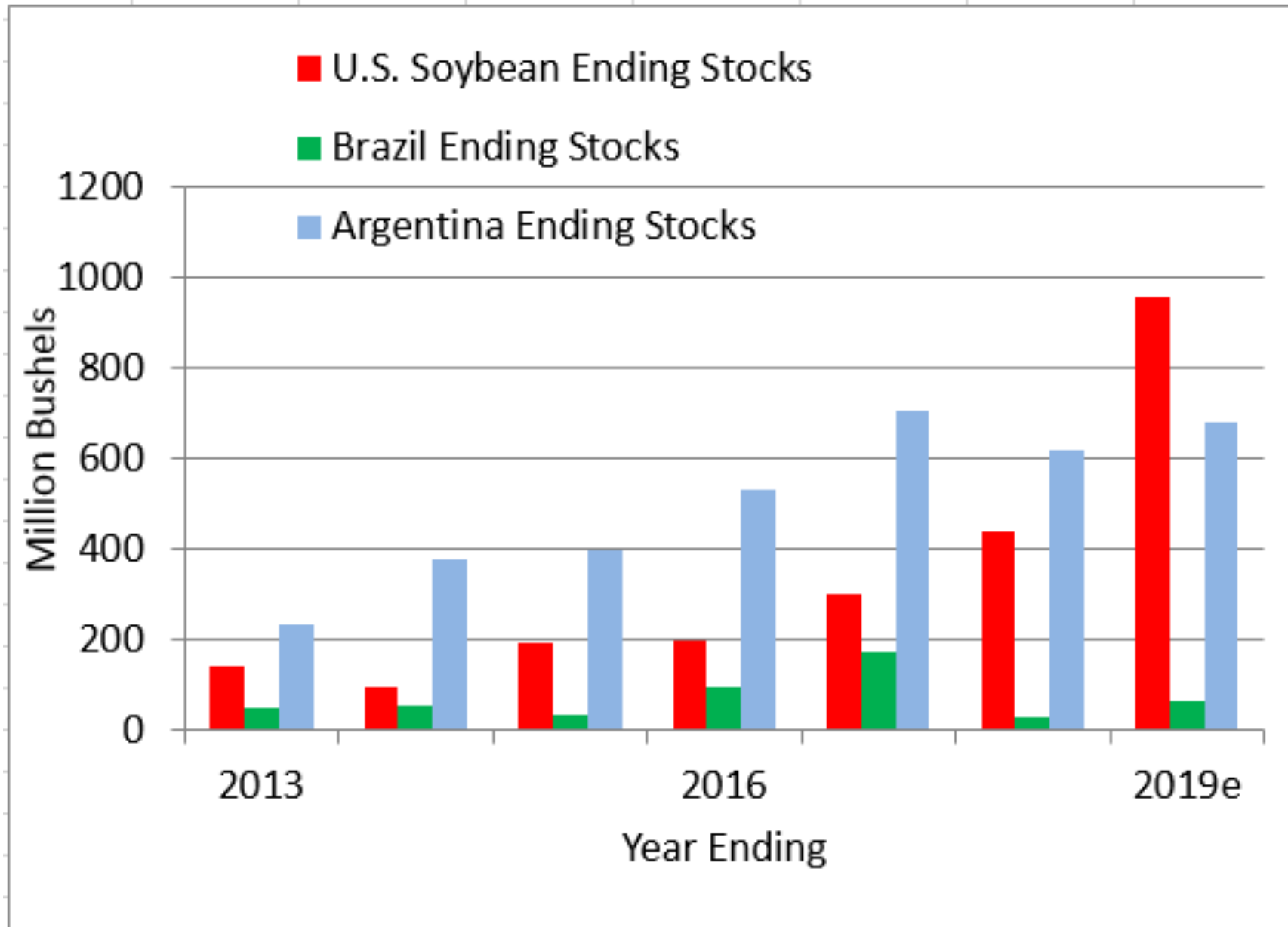


2018-19
< 955 mill. bu. =
23% of use.

U.S. Export Estimate Questionable

- USDA est. = 1.900 bb vs. 2.129 bb a year ago.
- U.S. commitments down 30% = 1.500 bb pace.
- China has bought maybe 5 mmt (200 mb)?
- Brazil on track for another big crop, 118.0 mmt?
- Brazil's prices competitive with U.S.
- Trade negotiations ongoing, **tariff still in play.**

Geography Is Everything

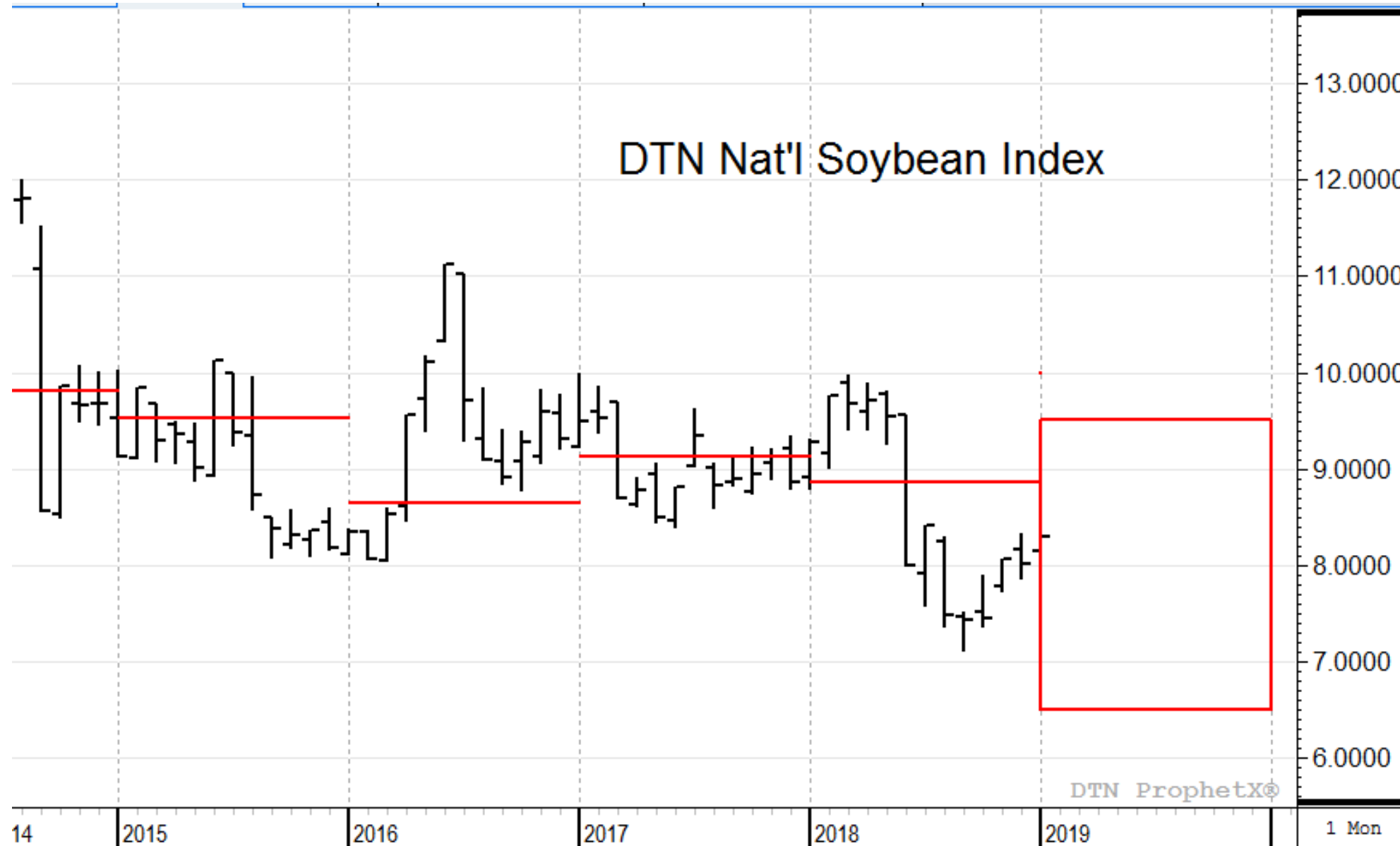


Top 3 exporters = 88% of exports.

< 1.70 bb total est.

955 mb from U.S.
 62 mb from Brazil.
 682 mb from Arg.*

Best Guess: Soybeans In 2019



Trade???

South American competition.

Smaller U.S. planting.

Weather?

Unknowns...

Similar For Soybeans



\$13.55 per bushel
loss over 25 years

(54 cts/yr).

A Parting Tip

Knowing what you don't know is more important than being brilliant.

Charlie Munger



For More Information...

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Thank You!