

Allen County Ag Outlook 2024

Ag Market Outlook

January WASDE report shocked the market

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What's wrong with the January WASDE report?

CFAES

MCH 24 Corn futures (ZCH24)

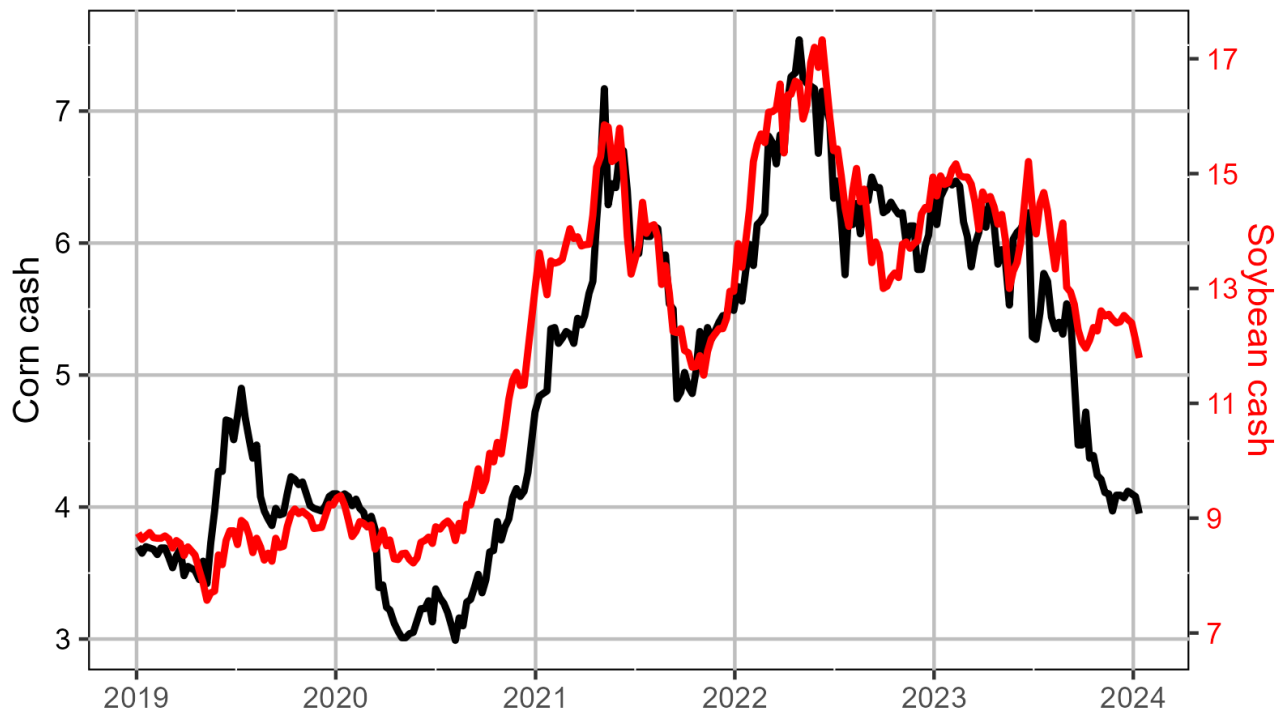


What's wrong with the January WASDE report?

CFAES

Today's Topics

Cash Prices in Toledo, OH



Source: USDA AMS, fig generated by presenter

- January WASDE report
- WASDE report shocked the market last week
- Grain Stocks Quick Update
- Exports Update
- Brazil Production Update

U.S. Corn Supply and Use – WASDE (Jan 12, 2024)

CFAES

Marketing Year (2023/24 = 9/1/23 to 8/31/24)		2022/23	2023/24 F	ΔDEC	Δ2022/23
Area Planted	(mil. acres)	88.2	94.6	-0.2	6.5
Area Harvested	(mil. acres)	78.7	86.5	-0.6	7.8
Yield	(bu./acre)	173.4	177.3	2.4	3.9
Beg. Stocks	(mil. bu.)	1,377	1,360	-1	-17
Production	(mil. bu.)	13,651	15,342	107	1,691
Total Supply	(mil. bu.)	15,066	16,727	106	1,661
Feed & Residual	(mil. bu.)	5,486	5,675	25	189
Ethanol	(mil. bu.)	5,176	5,375	50	199
Food, Seed, & Other	(mil. bu.)	1,383	1,415	0	32
Exports	(mil. bu.)	1,661	2,100	0	439
Total Use	(mil. bu.)	13,706	14,565	75	859
Ending Stocks	(mil. bu.)	1,360	2,162	31	802
Season-Average Price	(\$/bu.)	6.54	4.80	-0.05	-1.74
-- means no change					

- Record-level total production

Harvested/Planted ratio:

- 22/23: 89.2%
- 23/24F: 91.4%

Stocks to use ratio:

- 22/23: 9.9%
- 23/24F: 14.8% (+0.1)

Per acre revenue:

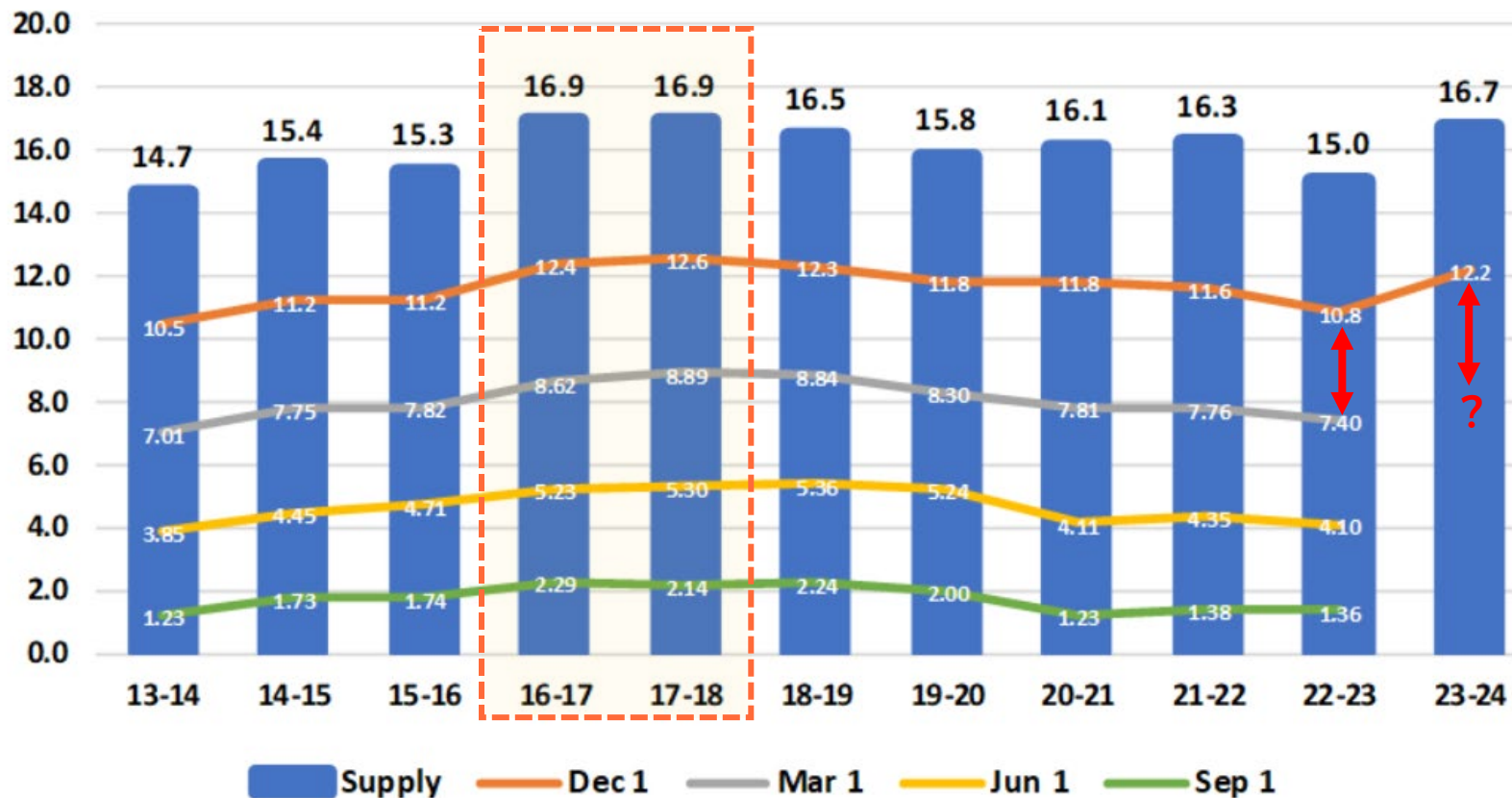
- 22/23: \$1,134/a
- 23/24F: \$851/a

- How much ethanol and exports use will get close to the forecast is the big question

Source: USDA-
WAOB

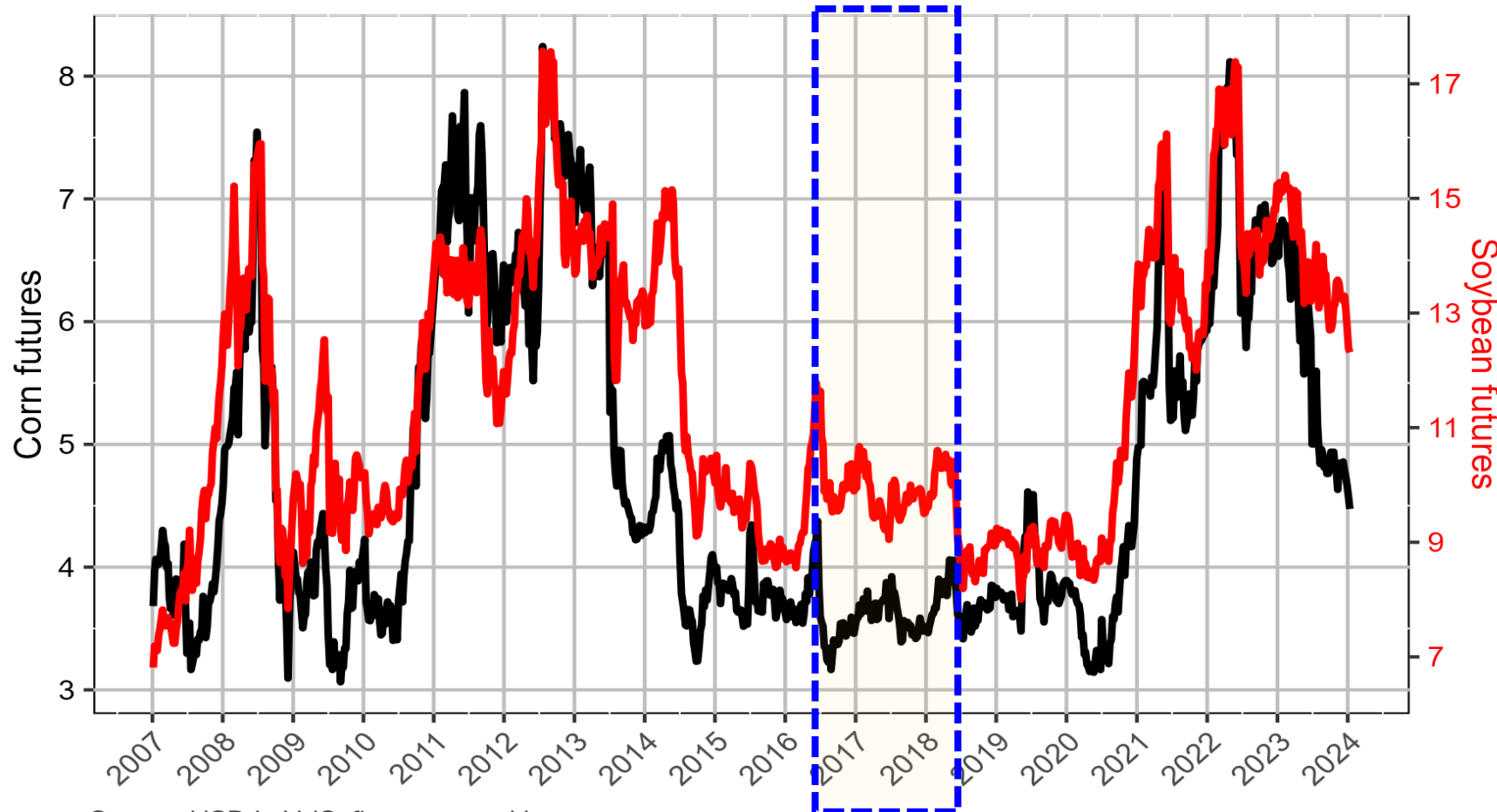
Domestic Corn Stocks

Billion Bushels



- Corn stock in Dec 23/24 is 13% higher than a year ago
- March corn stock will be a good indicator for the 24/25 corn fundamentals
- Recall what's happened in 16/17 and 17/18, where large corn was supplied

Futures Market Dynamics



- This futures price graph adjusted the level of corn and soybean prices at the same level in terms of period-average (i.e., their relative heights suggest which crop was strong)
- Look at the 16/17 and 17/18 markets

U.S. Soybean Supply and Use – WASDE (Jan 12, 2024)

CFAES

Marketing Year (2023/24 = 9/1/23 to 8/31/24)		2022/23	2023/24F	ΩDEC	Ω2022/23
					3
Area Planted	(mil. acres)	87.5	83.6	0	-3.9
Area Harvested	(mil. acres)	86.2	82.4	-0.4	-3.8
Yield	(bu./acre)	49.6	50.6	0.7	1
Beg. Stocks	(mil. bu.)	274	264	-4	-10
Production	(mil. bu.)	4,270	4,165	35	-106
Total Supply	(mil. bu.)	4,569	4,459	31	-110
Crush	(mil. bu.)	2,212	2,300	0	88
Exports	(mil. bu.)	1,992	1,755	0	-237
Seed & Residual	(mil. bu.)	101	124	-3	22
Total Use	(mil. bu.)	4,305	4,179	-3	-126
Ending Stocks	(mil. bu.)	264	280	35	16
Season-Avg Price	(\$/bu.)	14.2	12.75	-0.15	-1.45
-- means no change					

Source: USDA
WAOB

Harvested/Planted ratio:

- 22/23: 98.5%
- 23/24F: 98.6%

Stocks to use ratio:

- 22/23: 6.1%
- 23/24F: 6.7% (+0.8)

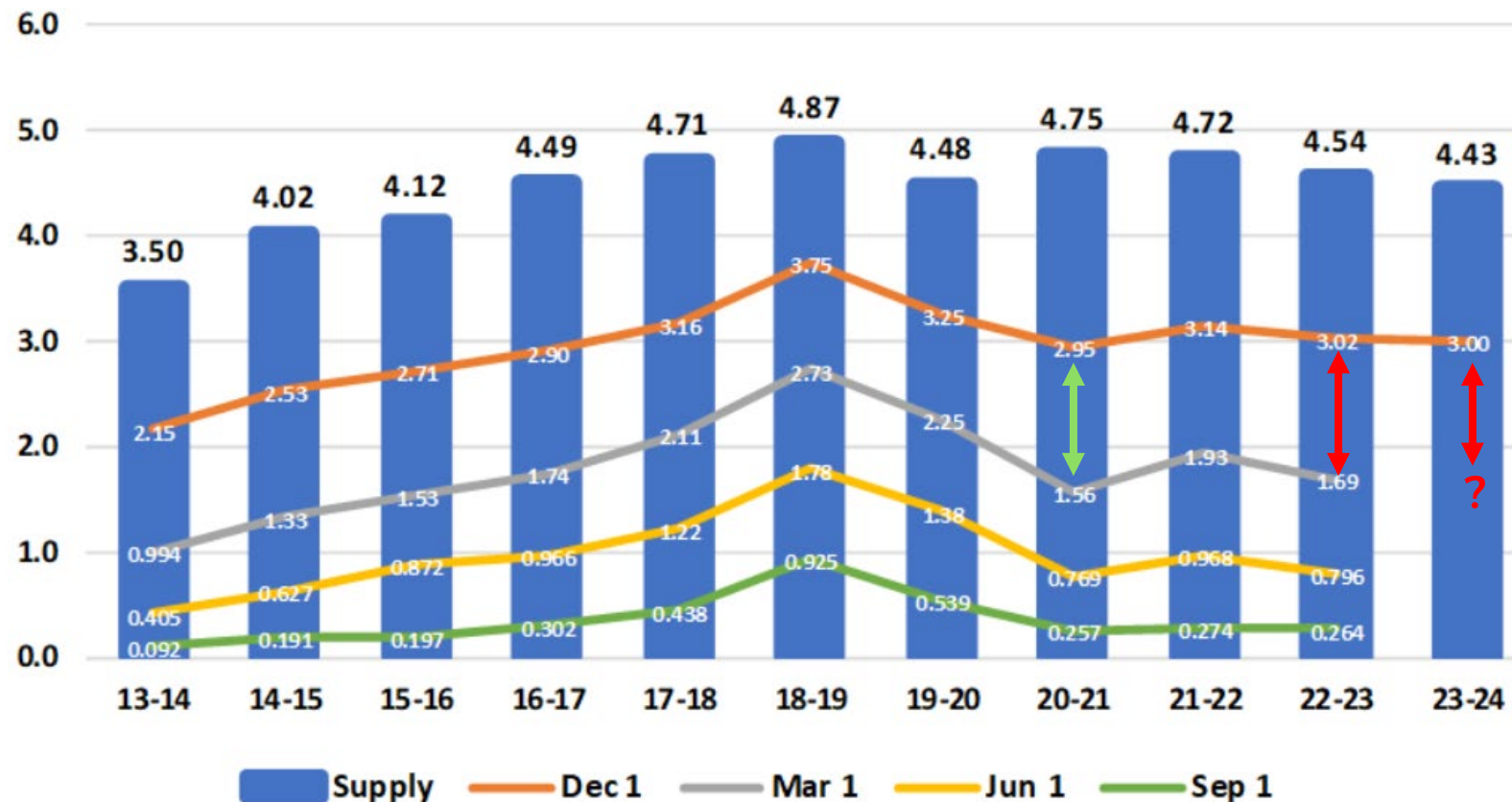
Per acre revenue:

- 22/23: \$704/a
- 23/24F: \$645/a

Tight ending stock supports the soybean fundamentals

Domestic Soybean Stocks

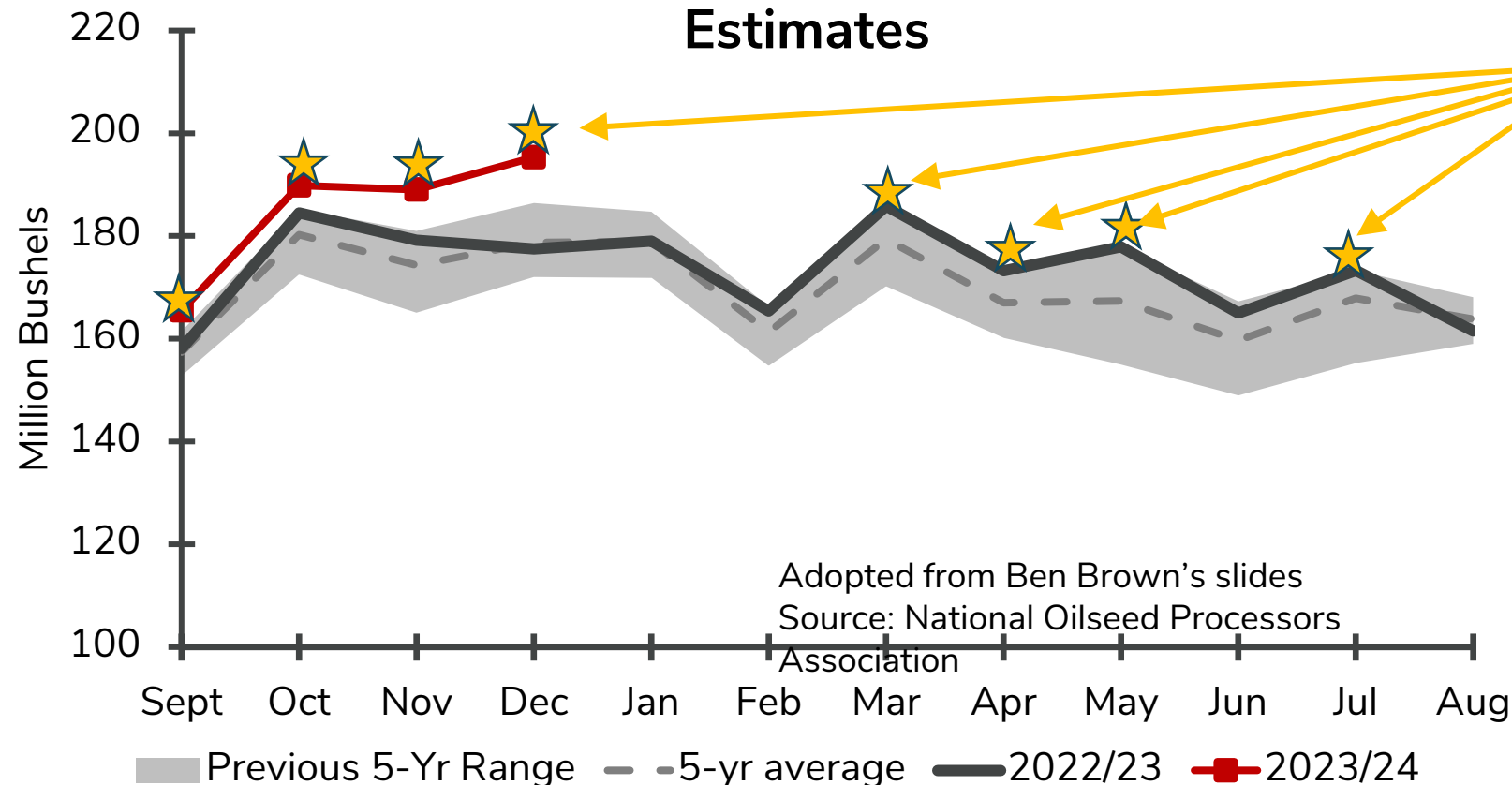
Billion Bushels



- Soybean stock level remains almost equal to last year
- March stock will be dependent on South American harvest prospects, which will decide soybean fundamentals for the rest of MY

Soybean Demand: Growth in Crush

NOPA Soybean Monthly Crush - December
Estimates



8 of the last 10 months have set new monthly soybean crush records.

- The expectation is 2023/24 will be a big soybean crush year.
- **The demand for soybean oil has been extremely high this year as more and more gets used for renewable fuels.**

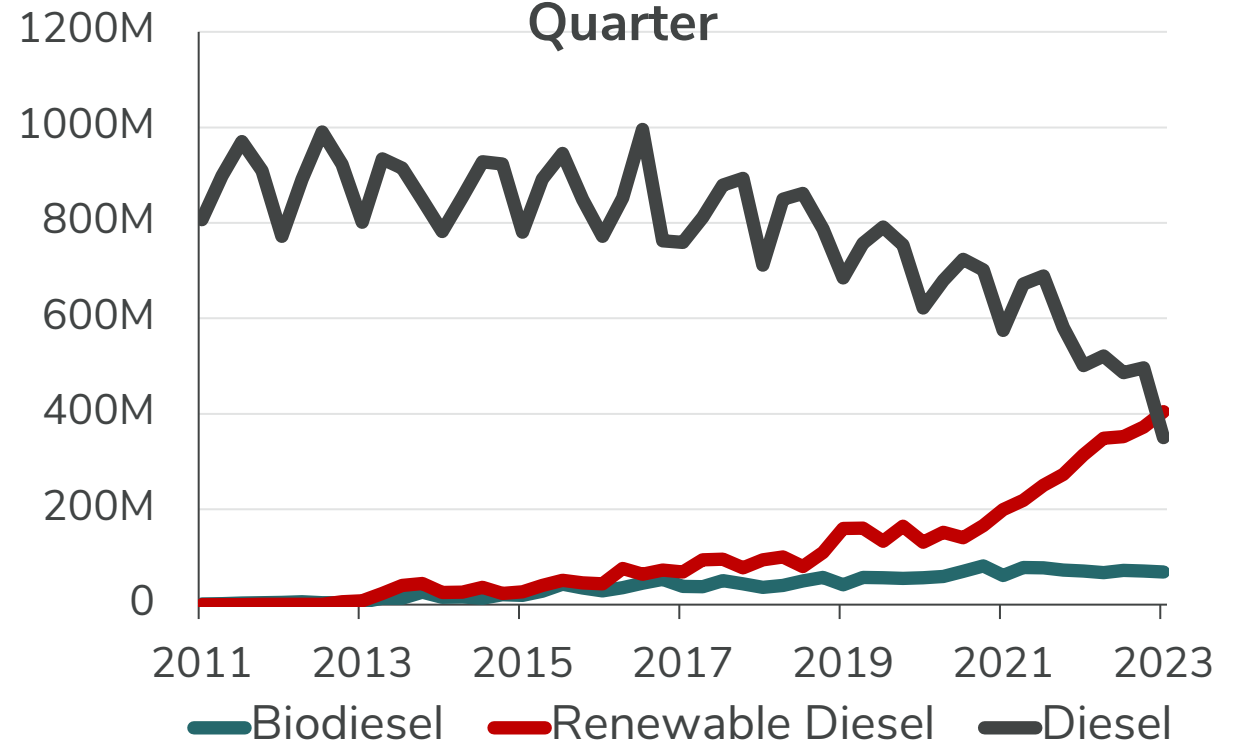
Soybean Demand: Renewable Diesel Progress

In California, one of the largest fuel markets- Renewable diesel sales exceed petroleum-based diesel in first quarter of 2023.

- Not all renewable diesel will be made from soybean oil- in fact, other sources are actually (like used cooking oil) preferred



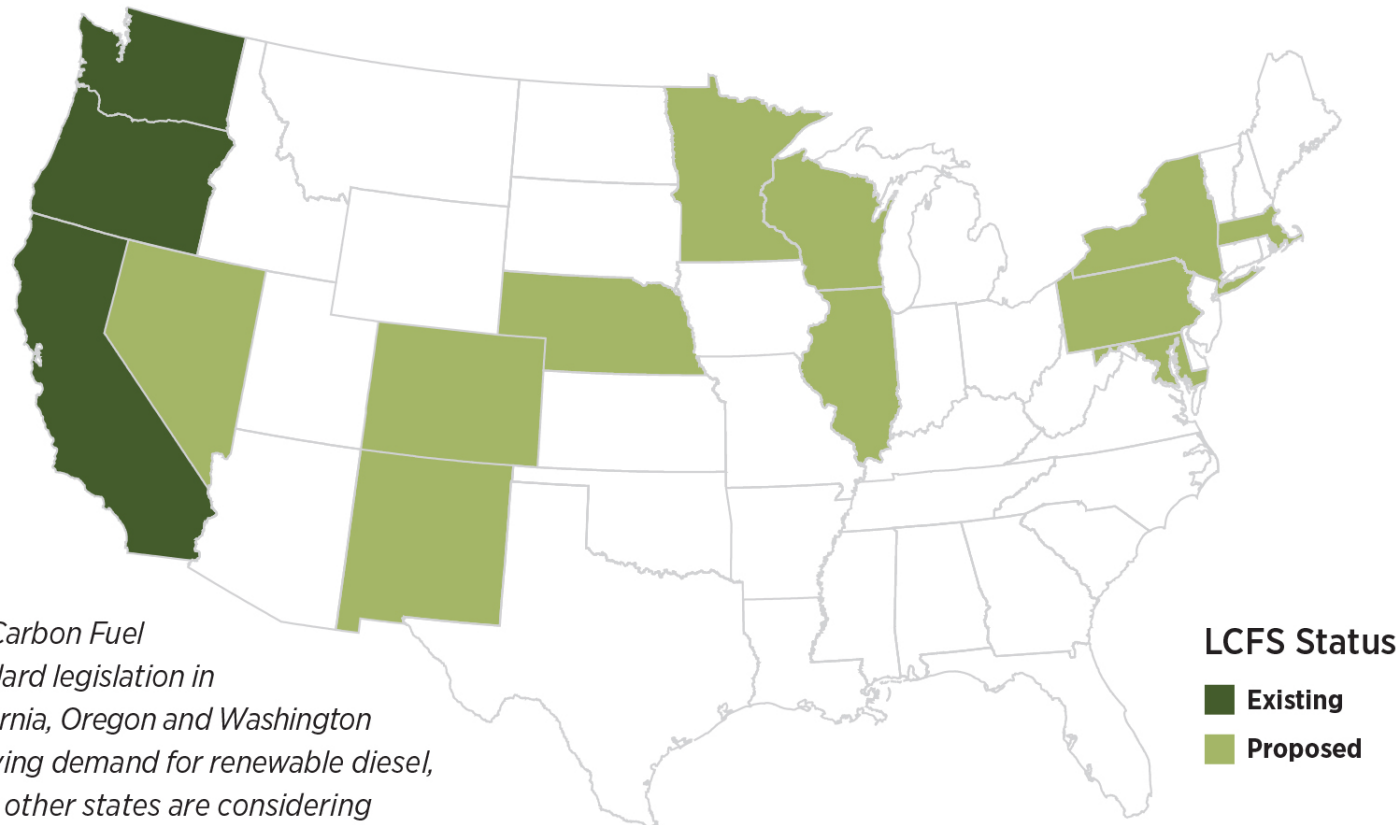
California Diesel Sales, Gallons per Quarter



Adopted from Ben Brown's slides

Soybean Demand: Renewable Diesel

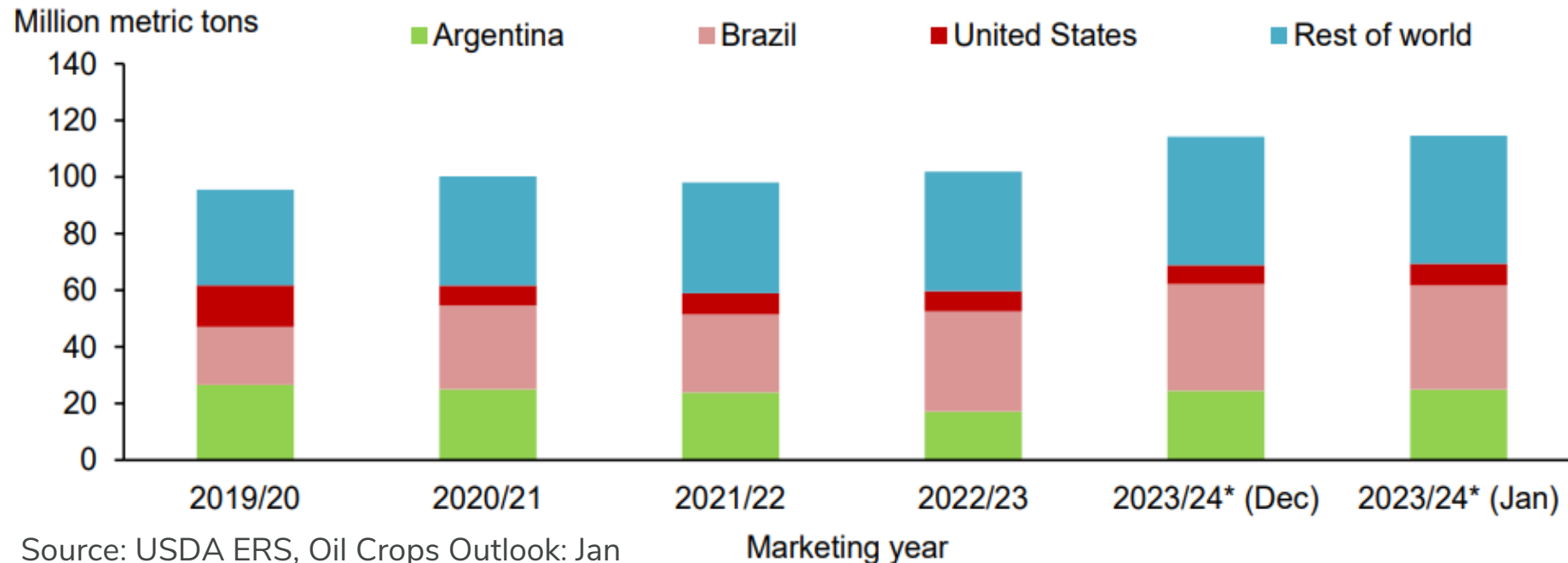
Low Carbon Fuel Standards in the U.S.



Low Carbon Fuel Standard legislation in California, Oregon and Washington is driving demand for renewable diesel, while other states are considering joining the movement.

- In 2022, the U.S. renewable diesel market was 1.5-1.6 billion gallons
- Forecasts say that by 2026, there will be an additional 1.1 billion gallons of renewable diesel demand generated from LCFS legislation enacted in those three states alone (CA, OR, WA)

Global Soybean Stocks



- Higher production in Argentina, the United States, Paraguay, Russia, China, and Bolivia more than offset lower production in Brazil

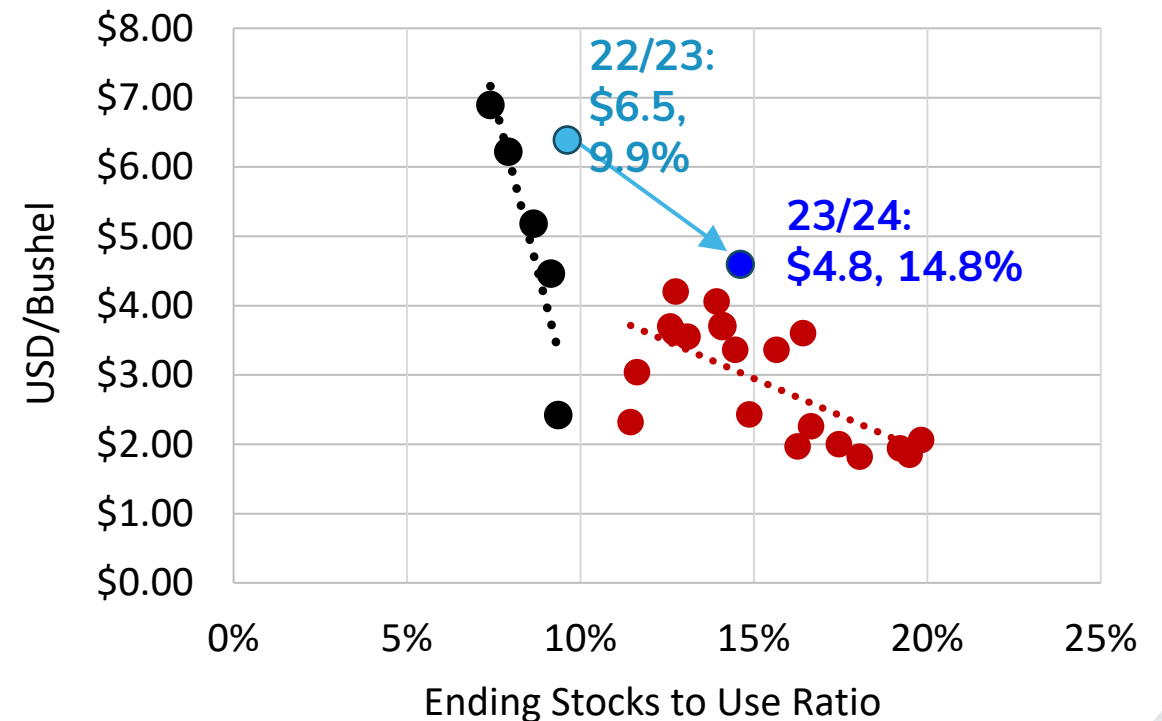
- Global soybean ending stocks are forecast at **114.6 million metric tons**, up 0.4 million metric tons from last month's forecast and 12.7 million metric tons above last year's level

Grain Stocks Quick Update

Reading fundamentals by information

- **Corn Stocks Up 13 Percent from Dec 2022**
 - 12.2 bil. bu. (on-farm: 7.85 bil. bu)
 - Stocks to Use Ratio: **14.8%**
- Soybean Stocks Down 1 Percent
 - 3.00 bil. bu. (on-farm: 1.45 bil. bu)
 - Stocks to Use Ratio: **6.7%**
- All Wheat Stocks Up 8 Percent
 - 1.41 bil. bu. (on-farm: 395 mil. bu)
 - Stocks to Use Ratio: **34.8%**

Price Reaction to Stocks Over Last 20 Years

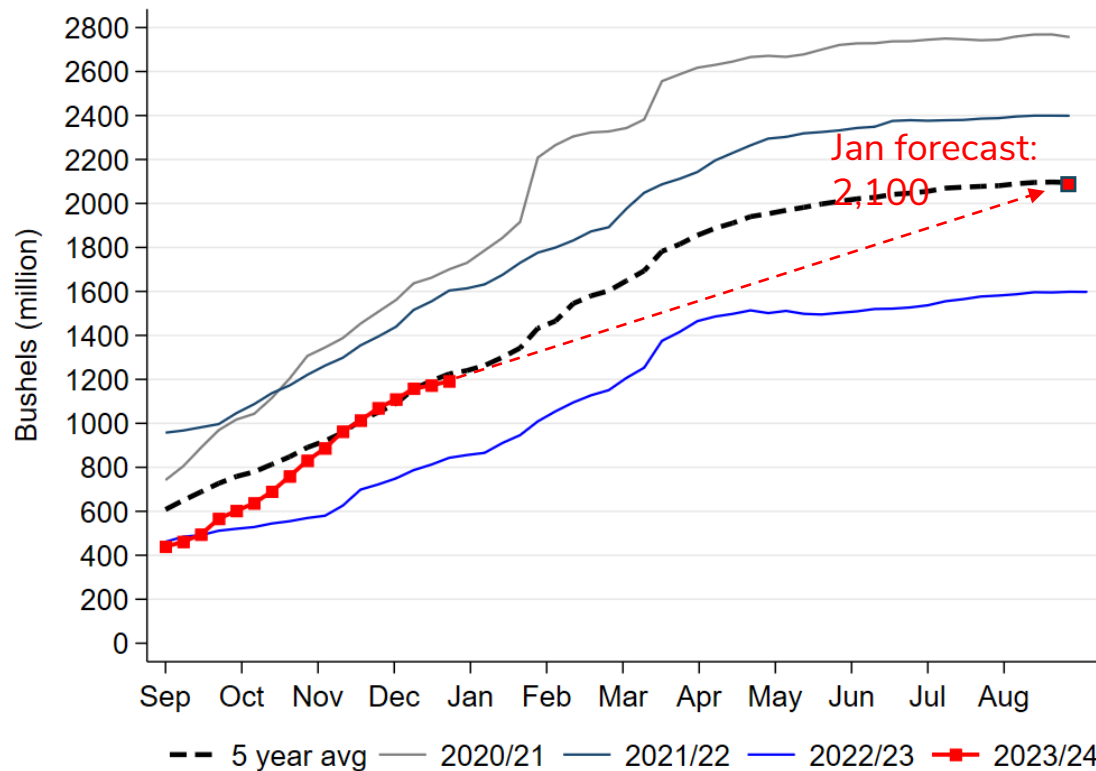


Source: Fig in the slide of Ben

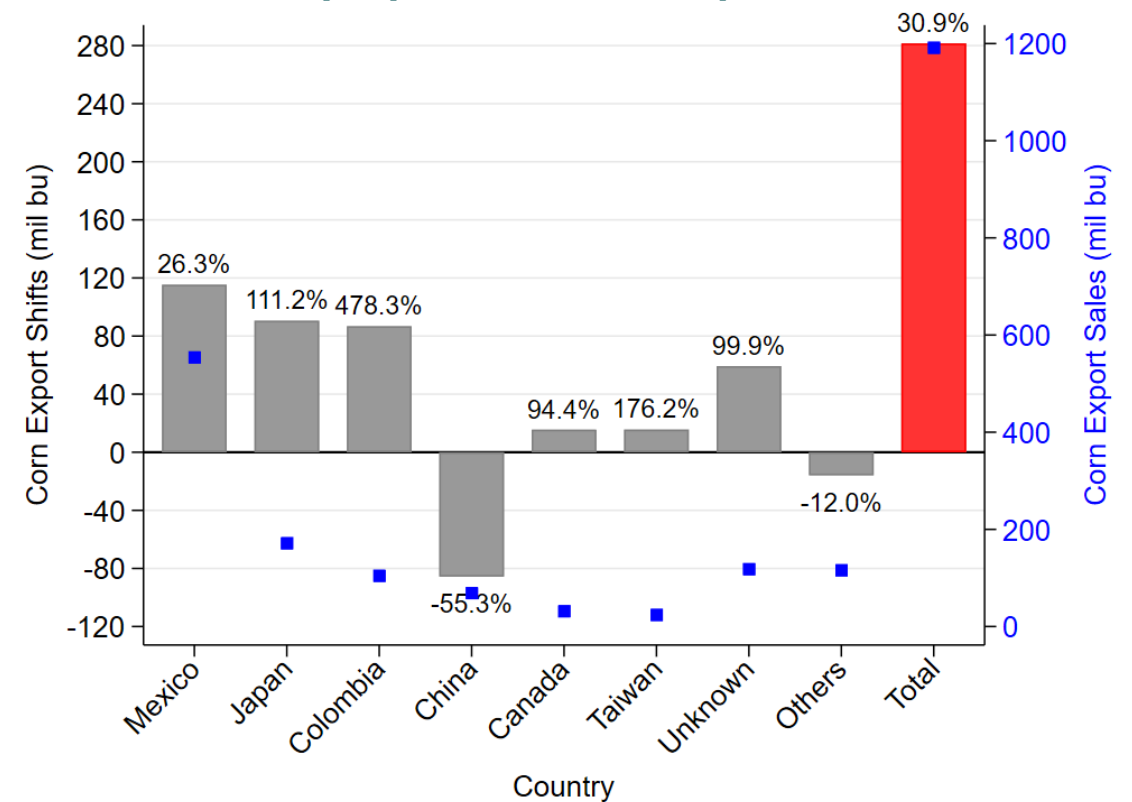
Brown

Corn Export Update

Total Corn Export Progress

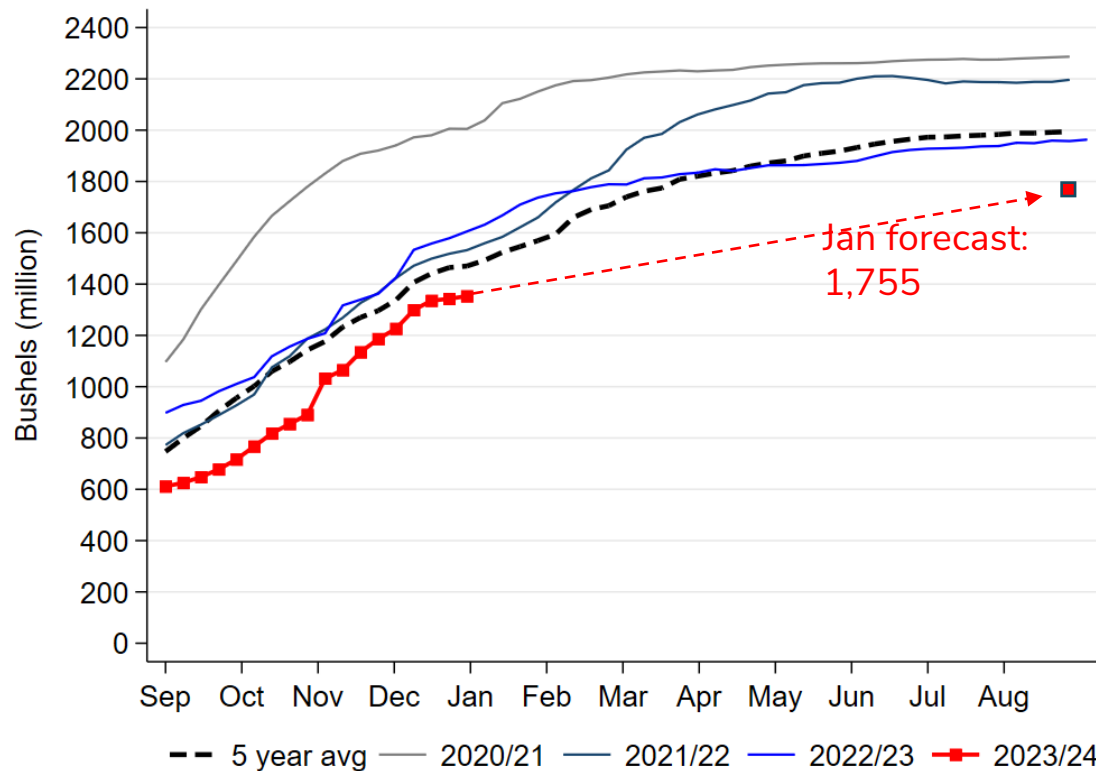


Country-specific Corn Export Shifts

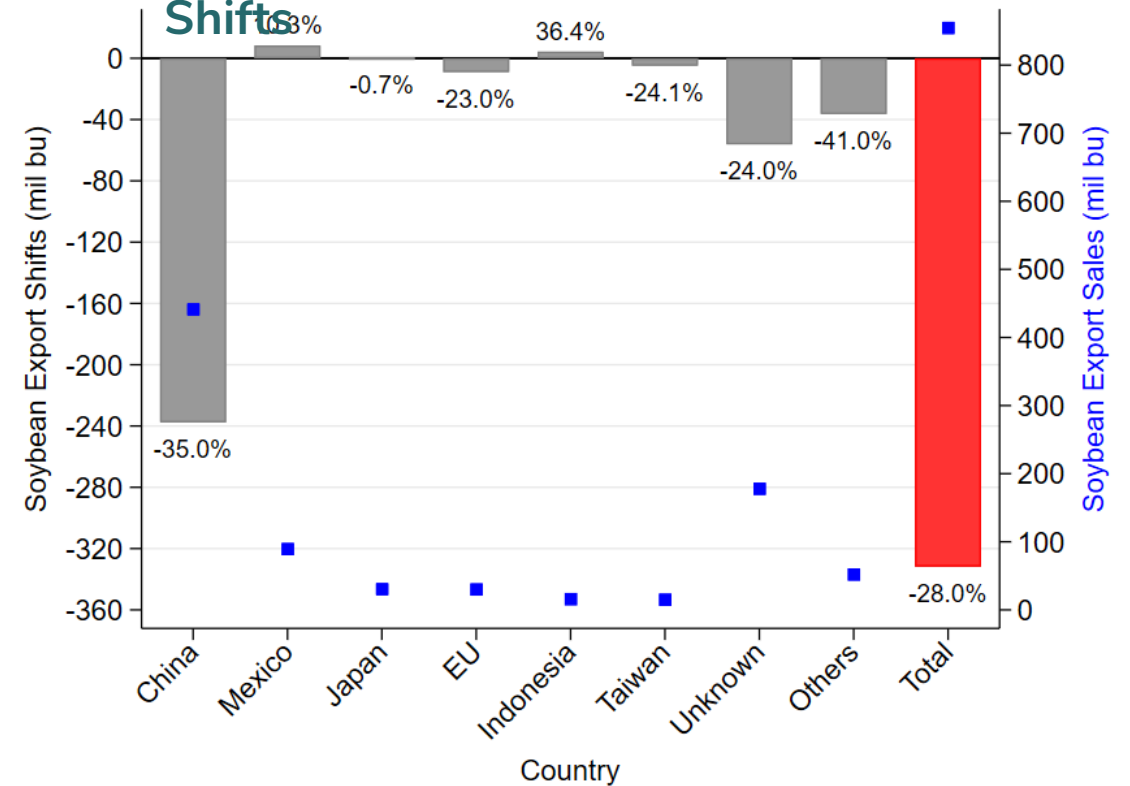


Soybean Export Update

Total Soybean Export Progress



Country-specific Soybean Export Shifts



Logistics Partly Explains China's Low Purchases

WORLD NEWS **AP**

Panama Canal traffic cut by more than a third because of drought

BY ASSOCIATED PRESS
Updated 1:38 AM EST, January 19, 2024



Maersk to use rail for some vessels to bypass Panama Canal amid drought

By Greta Rosen Fondahn

January 11, 2024 2:20 PM EST - Updated 9 days ago



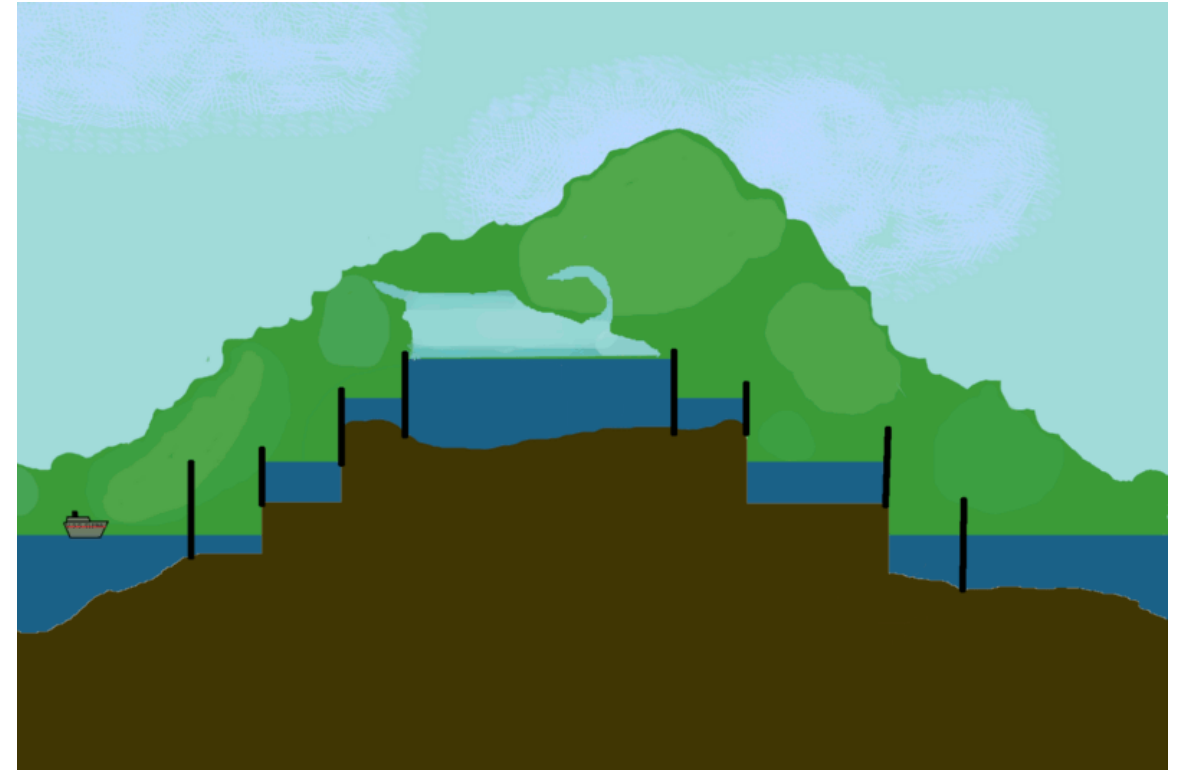
Panama Canal Toll Revenue Shrinking This Fiscal Year Due to Drought

By Reuters | Jan. 17, 2024, at 4:56 p.m.

Logistics Partly Explains China's Low



Shipment Flow Through Panama Canal



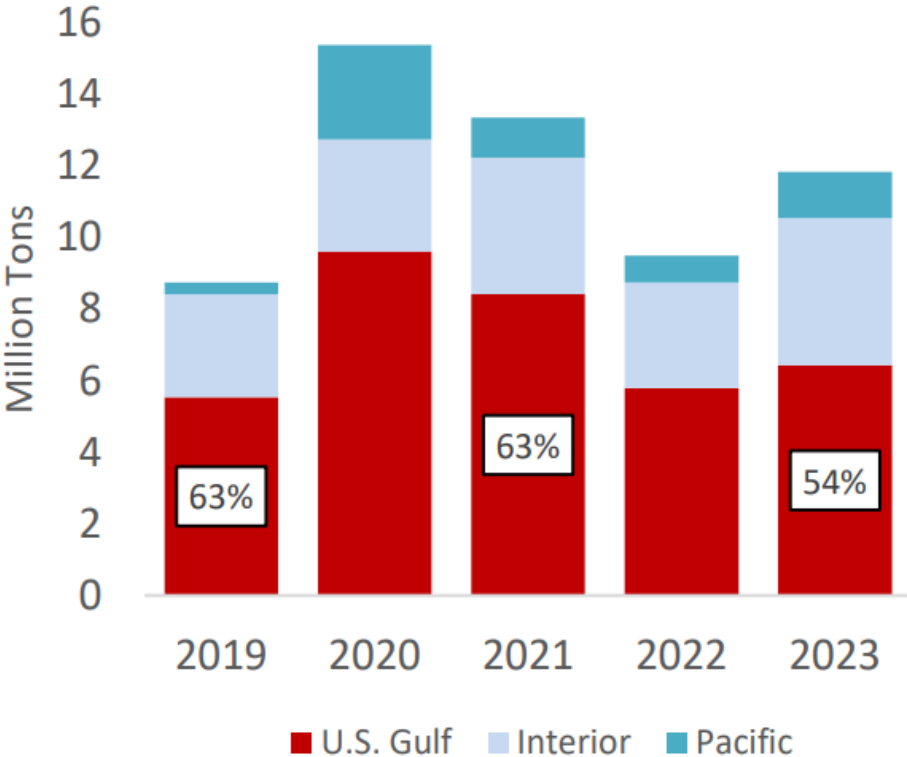
Panama Canal Operation

Image sources: The Texas Tribune and
¹WaitButWhy.com

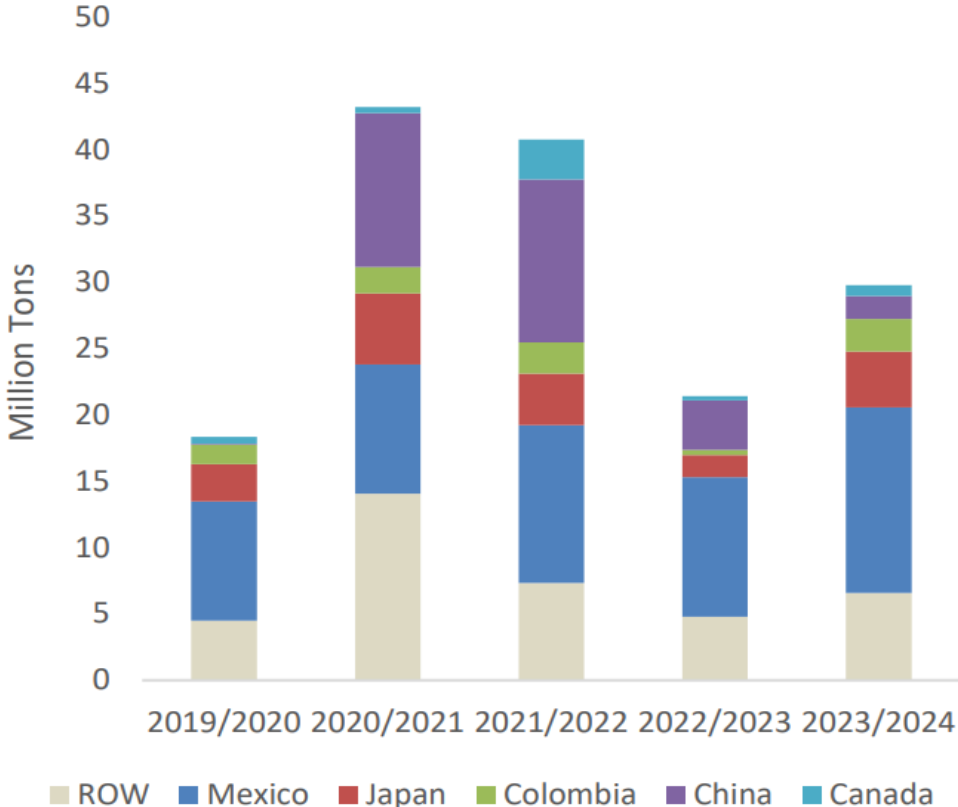
Logistics Partly Explains China's Low

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U.S. Corn Export Inspections, by AMS Region (Sep-Dec)

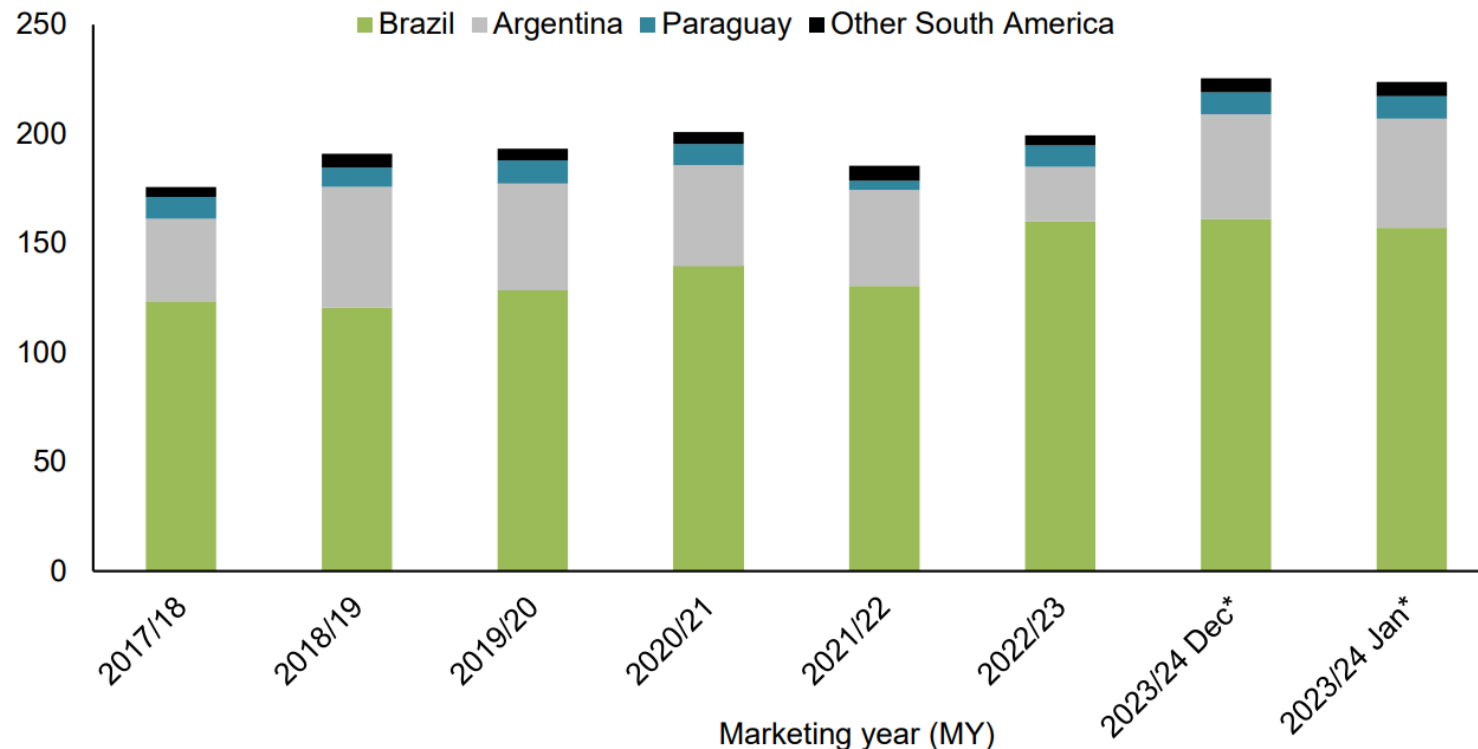


U.S. Corn Outstanding Sales and Shipments, Week 17



Soybean Production in South America

Million metric tons



- South America's Output Declines on Lower Soybean Crop in Brazil
- The soybean yield is forecast at 3.4 tons per hectare, down 2 percent from last's month yield and 5 percent below last year's record-high yield.

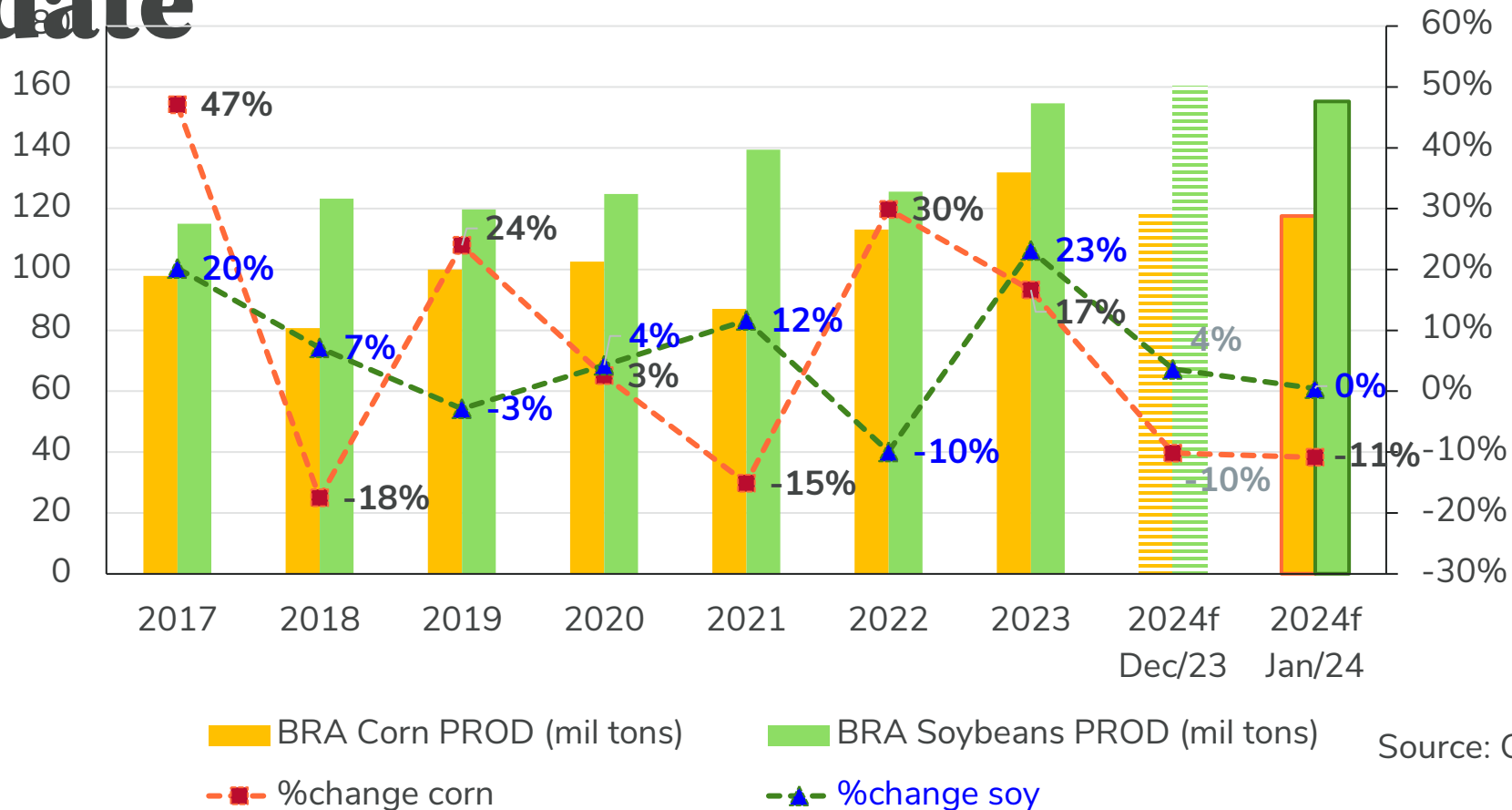
Other South America = Bolivia, Colombia, Ecuador, Peru, Uruguay, and Venezuela.

Note: Asterisk (*) denotes forecast.

Source: USDA, Economic Research Service using data from USDA, Foreign Agricultural Service, *Production, Supply and Distribution* database, January 2024.

Source: USDA ERS, Oil Crops Outlook: Jan

Inside Scoop: Brazil Crop Production Update



Source: Conab;
Fig generated by
presenter

South American Weather

Argentina: Warm, showery weather benefited emerging to vegetative summer grains, oilseeds, and cotton

Brazil: Showers brought additional relief from dryness to immature soybeans



Takeaways for Grain Marketing



Corn

Record-level production
Bearish trend continues

Stocks presents the supply
move effectively

Can take more than a year to
bring corn stocks back to
normal

Abundant supply supports
export performance, but...



Soybeans

Relatively strong fundamentals

Soybean prospect will be
dependent on South American
harvest prospects

Transportation issue does not
help the export progress for
both crops



Looking Ahead for Next Season?

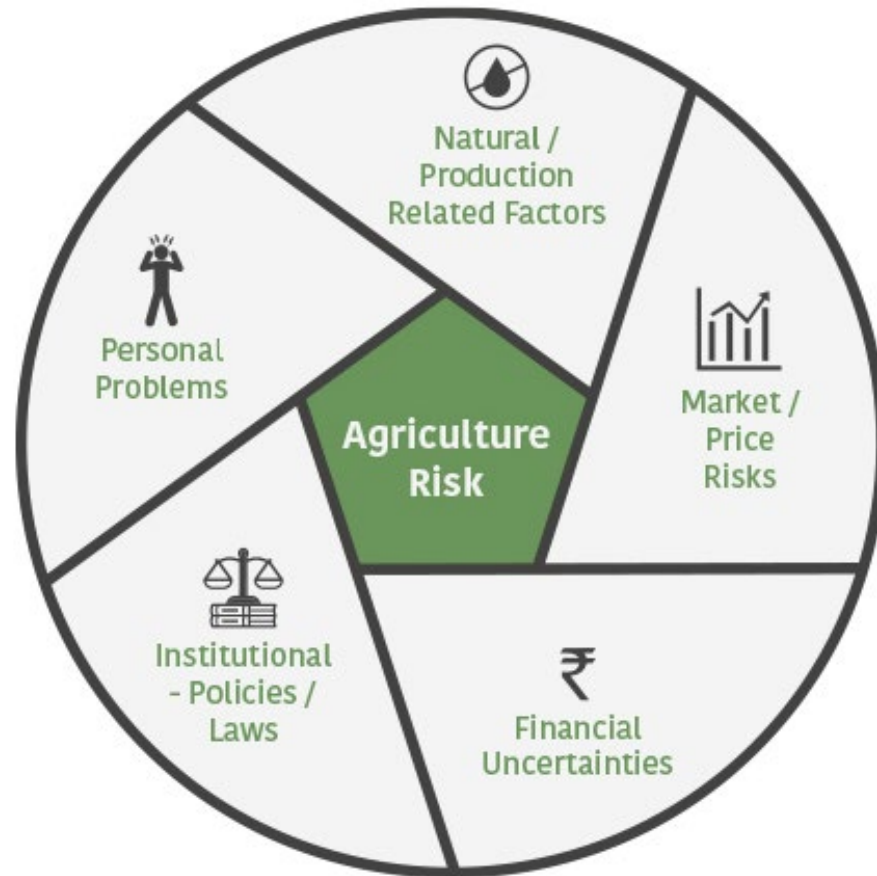


Image source: Taro Pump

- What makes you nervous the most?
- What are your habitual marketing actions? Are you happy with them?
- Do you have a good estimate of the breakeven price?
- Market seems declining, how will you set your new breakeven price for the next season?

Thank You!



Please email me if you have any questions
Lee.10168@osu.edu

Appendix:

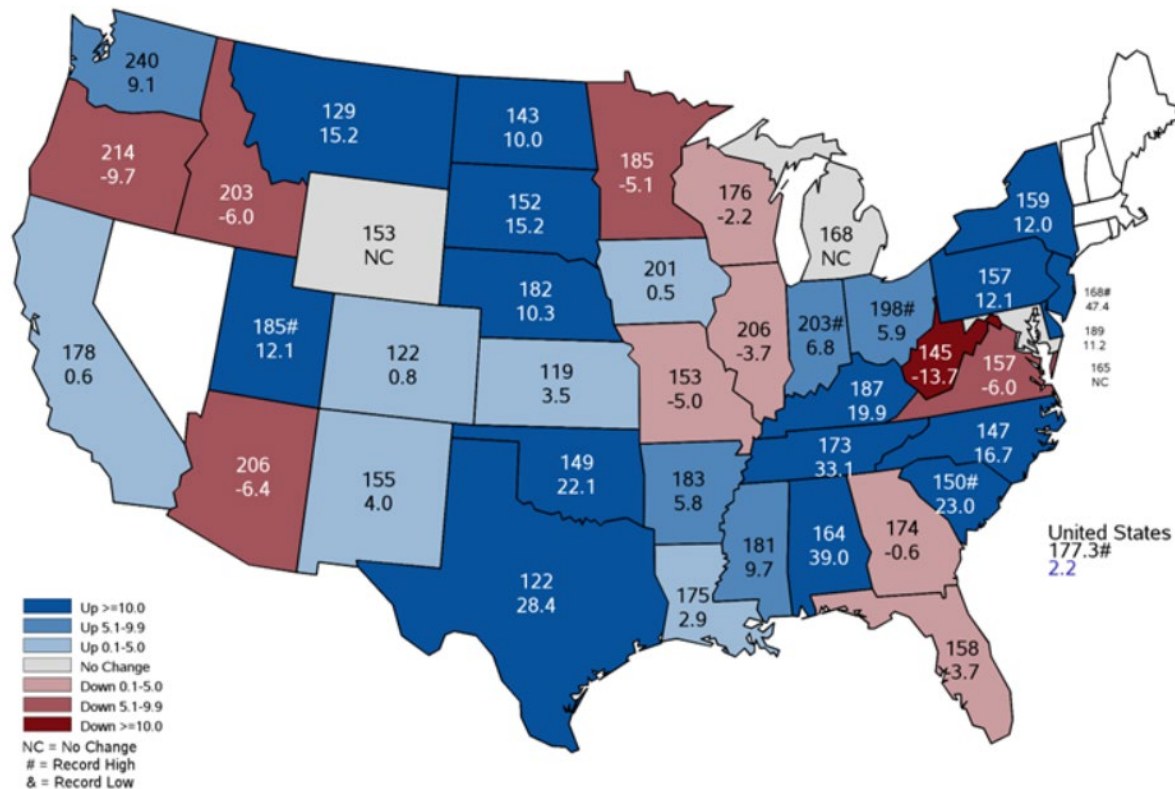
**Corn and Soybean – State-level Yield
Map**

Fertilizer Price Trends

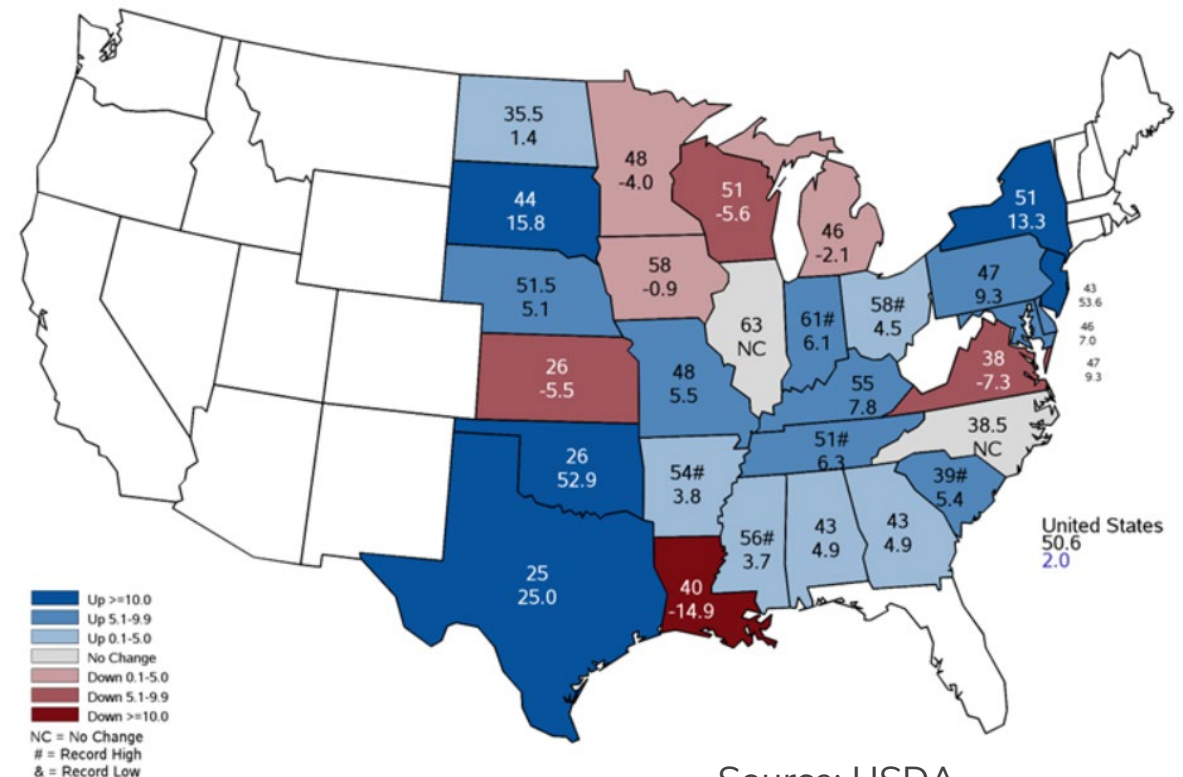
Quick Snapshot on Wheat

State-level Yield Map

Corn

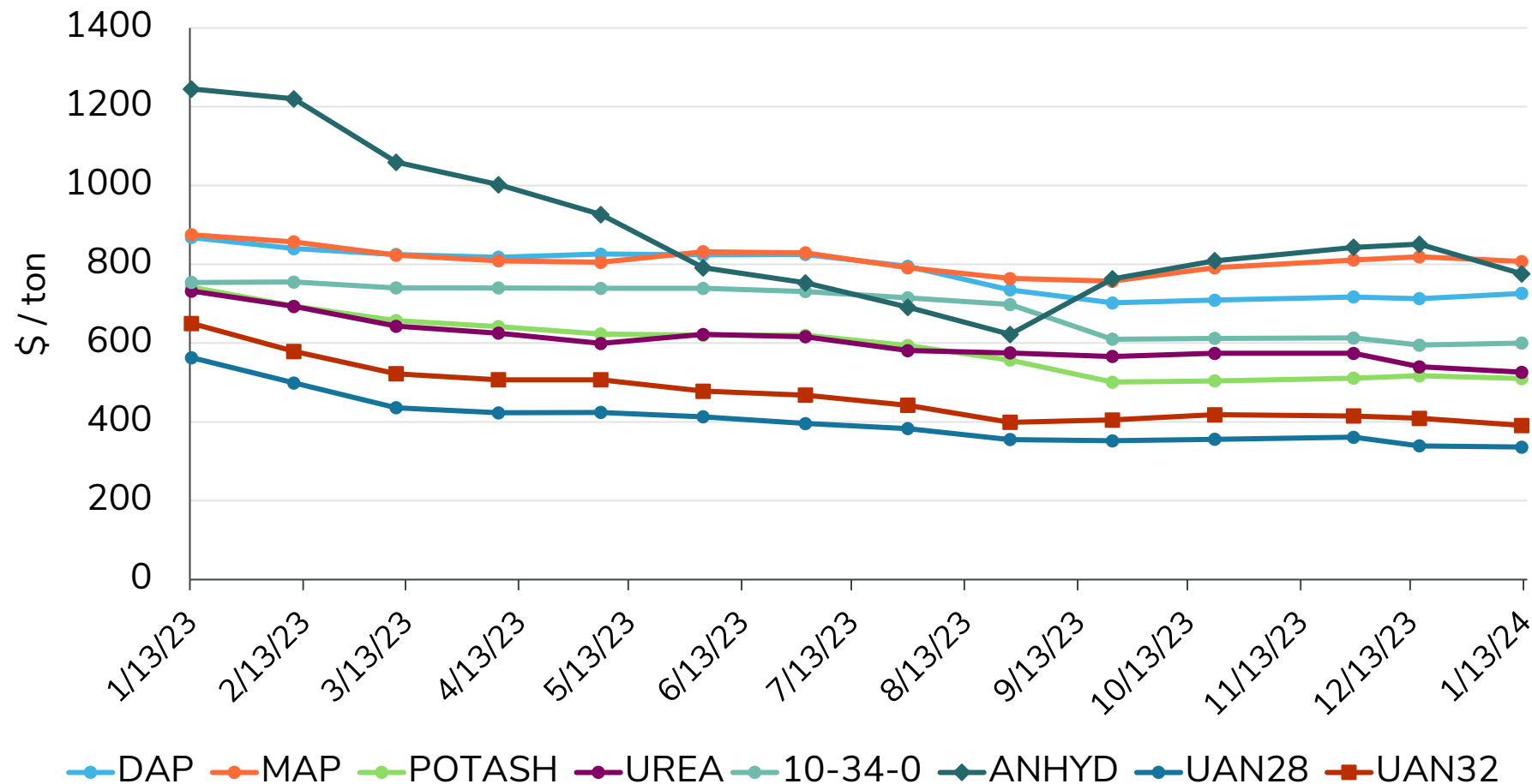


Soybeans



Source: USDA-
WAQB

Fertilizer Price Trends



- Anhydrous and UAN32 lead fertilizer prices lower
- Low corn fundamentals seem to have in/direct relationships

Data source: DTN;
Fig generated by presenter

Appendix: U.S. Wheat Supply and Use – WASDE (Jan 12, 2024)

CFAES

Marketing Year (2023/24 = 7/1/23 to 6/31/24)		2022/23	2023/24 F	ΩDEC	Ω2022/2 3
Area Planted	(mil. acres)	45.8	49.6	0	3.8
Area Harvested	(mil. acres)	35.5	37.3	0	1.8
Yield per Harvested Acre	(bu./acre)	46.5	48.6	0	2.1
Beginning Stocks	(mil. bu.)	674	570	-12	-104
Production	(mil. bu.)	1,650	1,812	0	162
Supply, Total	(mil. bu.)	2,446	2,527	-12	81
Food and Seed	(mil. bu.)	1,041	1,034	-1	-7
Feed and Residual	(mil. bu.)	77	120	0	43
Domestic, Total	(mil. bu.)	1,118	1,154	-1	36
Exports	(mil. bu.)	759	725	0	-34
Use, Total	(mil. bu.)	1,876	1,879	-1	3
Ending Stocks	(mil. bu.)	570	648	-11	78
Avg. Farm Price (\$/bu)	(\$/bu.)	8.83	7.2	-0.1	-1.63
-- means no change					

Harvested/Planted ratio:

- 22/23: 77.5%
- 23/24F: 75.2%

Stocks to use ratio:

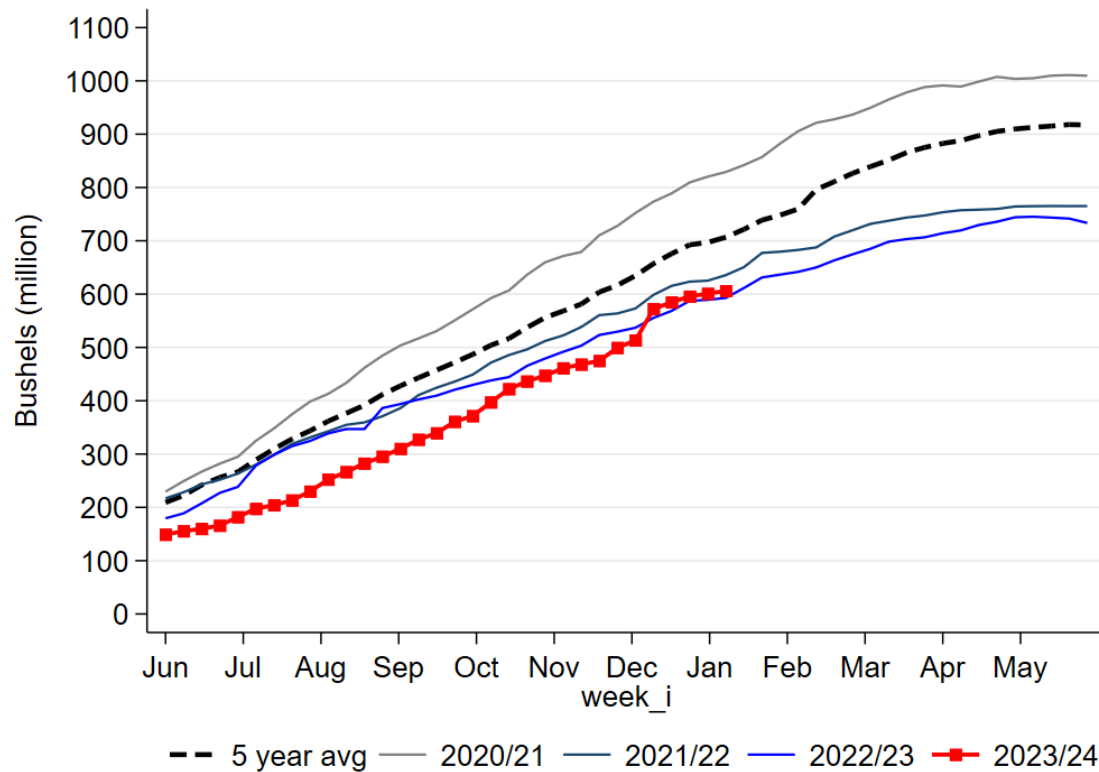
- 22/23: 30.4%
- 23/24F: 34.5% (-0.6)

Per acre revenue:

- 22/23: \$411/a
- 23/24F: \$350/a
- Low stock supports the wheat fundamentals

Wheat Export Update

Total Wheat Export Progress



Country-specific Wheat Export Shifts

