

This morning USDA provided market participants with its initial thoughts about crop production potential and pipeline supplies in the next marketing year (2021-22). The initial reaction from grain market analysts is that the USDA numbers are bullish for the grain market and that current high prices may persist at least until we get a better idea of the production potential this summer. The demand side of the equation has been a key driver and, at this time, it is unlikely we will see any downward shifts in demand. Rather, some think that the grain demand may have even more upside. Below are some key highlights:

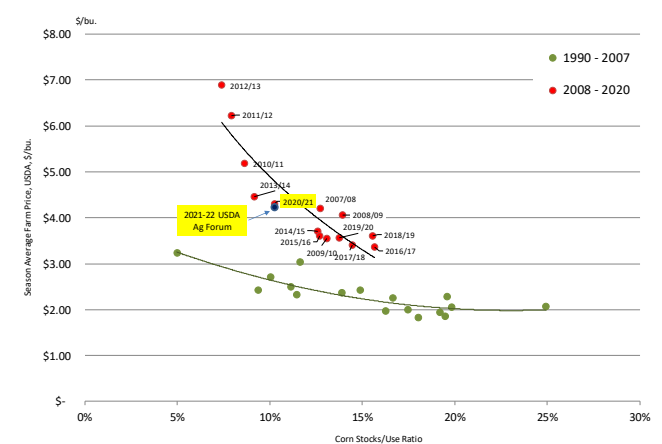
USDA thinks that farmers will plant 92 million acres with corn this spring, up 1.2 million acres from the previous year and the highest corn plantings since 2016-17 marketing year. The trend yield used in the balance sheet at 179.5 bu./acre is a bit under what many were expecting but in line with the below trend yields of the last two years. This is always a key input but this year even more so due to tighter pipeline supplies. Drought conditions in the Western Corn belt and the 'no margin for error' situation may continue to be viewed as supportive. December 2021 corn futures are currently 21% higher than in November. The above assumptions lead USDA to project **corn production at 15.150 billion bushels, almost 1 billion bushels higher than the previous year.** But carryover stocks are expected to be lower and USDA is already projecting feed demand to rebound. Livestock and poultry production was disrupted in 2020. As situation in the livestock and poultry processing sector has normalized, USDA is forecasting feed and residual to be 5.850 billion bushels vs. 5.903 billion bushels in 2019-20. Corn exports jumped in 2020/21 and **USDA has increased corn demand by another 50 million bushels. Is that enough?** Those that hold a bullish view of the market do not think so, looking at lower production potential in the Black Sea region and especially the supply hole that appears to have developed in China. Interesting to note that the UN Food and Agriculture Organization now pegs Chinese corn stocks at 139 million tonnes, lowering them by 54 million. USDA clearly has a very different opinion, pegging China ending stocks for 2020/21 at 196 million. With such wide perceptions of the supply situation in China, market participants will likely continue to focus on a) new sales to that country and b) the progress on shipments of product that has already been booked. We thought you might find the attached chart of interest, showing the relationship of corn stocks to price. At this time USDA expects 2021-22 stocks to be about the same as in 2020-21 but with supply risks skewed to the downside and expectations for better demand, it is understandable why futures are currently opting to hold a premium out front.

Soybean plantings are expected to rebound as farmers now see a far more profitable outlook for the next 18 months. USDA is pegging soybean plantings for 2021-22 at 90 million acres, up 6.9 million acres. **Wheat plantings are pegged at 45 million. The combined planted acreage for the top three crops is projected at 227 million acres, up 8.8 million acres from the previous year and the highest since 2016.**

December 2021 Corn Futures

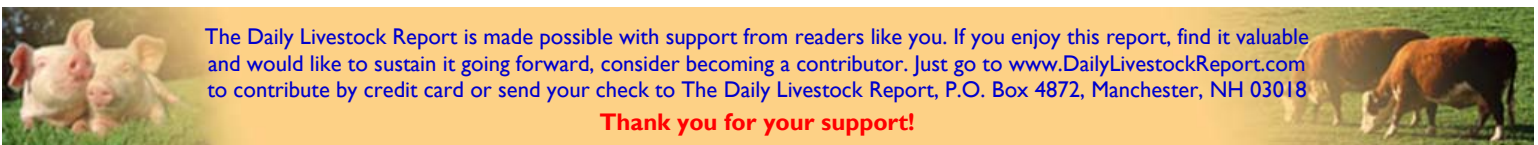
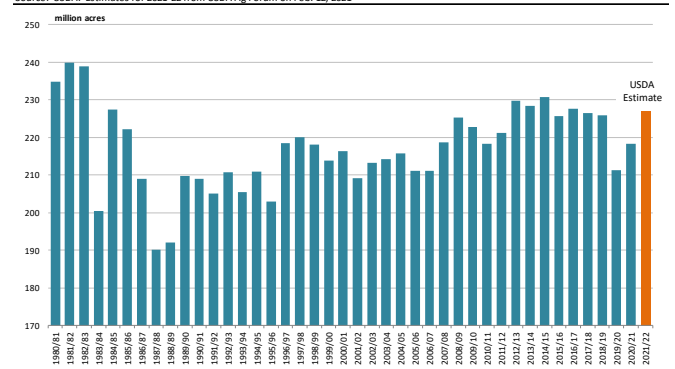


RELATIONSHIP OF CORN ENDING STOCKS AND CORN PRICES



Corn, Soybean and Wheat Planted Acres

Source: USDA. Estimates for 2021-22 from USDA Ag Forum on Feb. 12, 2021



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