Crop and Livestock Market Outlook

January 2020
Wisconsin Ag Outlook

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Key Points

Situation
• What happened in 2019?
  • Exports and trade policy
  • Weather

Outlook
• What will happen in 2020?
  • Soybeans
  • Corn
  • Cattle
Export and Trade Policies

• USMCA

• US/Japan Accord
  • Decrease tariffs on ag products (beef, pork, wheat, cheese, almonds)
  • Lower beef tariff from 38.5% to 9%

• US/China Phase 1
  • Signed Jan 15
  • $40 billion in ag goods
Commodity Specific Outlook

Soybeans
62% of Soybeans went to China in MY17, 49% in MY18, 28% in MY 19

November usually sees US dominate soybean exports to China
- 0 exports in November 2018 – 4.7 MMT in November 2017 – 3.2 MMT in Nov 2019
Bullish Factors

• Chinese Trade Deal
• Seasonal behavior until late Spring
• Election year is typically bullish for Soybeans

Bearish Factors

• Brazilian Record Production
• African Swine Fever
• No new Chinese commitments
Where will soybeans go in MY21?

- If have 83 Million acres planted (an increase of 6.9 million acres)
- Yield of 52 bu/acre (an increase of 4.6 bu/acre)
  - Production would be 4.3 billion bushels
- Exports of 2.1 BB (an increase of 325 MB)
- S/U would be 20% (up 8%)

- Average Price in MY21 >>> $8.50 (down $0.60)
Commodity Specific Outlook
Corn
Bullish Factors

• Seasonality
• Improved trade with China
  • Spur corn, ethanol and DDG trade

Bearish Factors

• Exports are low with little signs of increase
• USDA likely to “find” some corn in next stocks report
Where will corn go in MY21?

• If have 93 Million acres planted (an increase of 3.3 million acres)
  • Yield of 176 bu/acre (an increase of 8 bu/acre)
    • Production would be 15 billion bushels
  • Exports of 2.1 BB (an increase of 325 MB)
  • S/U would be 20% (up 6%)
• Average Price in MY21 >>> 3.45 (down $0.40)
Commodity Specific Outlook
Cattle
African Swine Fever

- Chinese hog inventories down 40%
- Chinese inventory 441 M head in 2018
  - EU inventory 150 M head - US 73 M head in 2018
- Continue to spread

[Bar chart showing year-on-year change in China's hog inventories and breeding sows]

Source: Ministry of Agriculture and Rural Affairs
Pork Exports higher

- Pork exports are up 3.8% over 2018
- Beef exports are down 4.2% from 2018
Beef and pork production

- **2020 beef production will be up 1% over 2019**
- **2019 beef production up approximately 1% over 2018 – and up 15% over 2015**
- **Pork production will be up 3% in 2019**
- **2019 up approximately 5% over 2018**
WHERE ARE WE HEADED?

• Large production in all 3 major proteins
  • Record protein production of 104.3 B lbs
• Larger trade
  • Beef will benefit from US/Japan deal
  • Chinese ASF will likely impact for another year
  • Beef and pork will likely see increases in exports in 2020
Where are cattle prices headed?

<table>
<thead>
<tr>
<th>Production</th>
<th>Exports of meat product</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fed Cattle</td>
<td>Up</td>
<td>Up</td>
</tr>
<tr>
<td>Beef Calves</td>
<td>Down</td>
<td></td>
</tr>
<tr>
<td>Hogs</td>
<td>Up</td>
<td>Up</td>
</tr>
</tbody>
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FACTORS TO WATCH

• Trade
  • Will China buy $40 B in ag products?

• Economy
  • Recession?
  • Election
  • GeoPolitical Environment
Questions or Comments?