2024 Wisconsin Ag Outlook Forum
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2024 Grain Market Outlook
Focus on the Year Ahead for the Corn and Soybean Markets

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Corn prices have been on a slippery slope... as supplies have been growing.
Soybean prices have seen more recent selling...

with South American weather and U.S. supplies, but...
...prices are reflecting current market conditions.
Producers are anxious about current market values
Looking into 2024…

What are the big things to watch in the grain markets?

1. The supply picture—growing overall supplies
2. Where is the demand?
3. The macro economic environment—the flow of money
4. The potential South American crop
5. The weather for 2024
1. The Supply Picture

U.S. corn ending stocks surge

U.S. soybean ending stocks relatively tight

**Corn Ending Stocks Forecast**

- Forecast Month: 2023/2024, 2022/2023, 2021/2022
- Source: USDA OCE
- Data: May to September
- Peak: 2.162 BB

**Soybeans Ending Stocks Forecast**

- Forecast Month: 2023/2024, 2022/2023, 2021/2022
- Source: USDA OCE
- Data: May to September
- Peak: 280 mb
1. The Supply Picture
Stocks-to-use ratios reflect that supply picture.
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Stocks-to-use ratios reflect that supply picture.

2022/2023 Corn Stocks-to-Usage Ratio Scenarios
August to December Corn Stocks-to-Usage Ratio vs Price

2022/2023 Soybean Stocks-to-Usage Ratio Scenarios
August to November Soybean Stocks-to-Usage Ratio vs Price

*See Previous Slide
1. The Supply Picture

World Soybean Ending stock and Stocks/Use ratio

The Hightower Report | Source: USDA
Most Recent: As Of 01/12/2024
2. Is There Enough Demand?

Cash market reflecting larger corn supply

Last year

This year
2. Is There Enough Demand?

Soybeans reflecting a larger supply and export demand concerns

Last year

This year
2. Is There Enough Demand?

Percentage of USDA Export Targets

- USDA's export target is 2.100 bb in 2023-24. (1.661 bb last year)
- Current corn export sales at 1.241 bb in 2023-24
  - Up 36% from last year

- USDA's export target is 1.755 bb in 2023-24. (1.992 bb last year)
- Current soybean exports sales at 1.374 bb in 2023-24
  - Down 18% from last year
2. Is There Enough Demand?

The China factor in corn and soybean demand...

- **Corn Accumulated Export Sales (Destination China, Current Marketing Year)**
  - Total: 1.758 MMT

- **Soybeans Accumulated Export Sales (Destination China, Current Marketing Year)**
  - Total: 19.692 MMT
2. Is There Enough Demand?

The Brazil impact in corn and soybean exports…

29% to China
2. Is There Enough Demand?

The Brazil impact in corn and soybean exports...

73% to China
2. Is There Enough Demand?

Ethanol production and soybean crush demand to the rescue?
3. The Macro Economic Environment

The U.S. Dollar and commodities relationship

Are commodities undervalued compared to equities?
3. The Macro Economic Environment

Commodities under pressure with anti-inflation environment
3. The Macro Economic Environment

The flow of money
3. The Macro Economic Environment

The flow of money

- Hedge funds are 490k contracts net SHORT across the agriculture complex
- Matching the MAX bearishness from the Covid-19 macro washout in the summer of 2020.
4. The Weather for 2024

Possible weather changes...El Nino leaving?
4. The Weather for 2024

South American impacts; pattern may be changing...
5. The Weather for 2024

Current U.S. condition

*U.S. Drought Monitor*

January 9, 2024
(Released Thursday, Jan. 11, 2024)
Valid 7 a.m. EST

Drought Impact Types:
- Delineates dominant impacts
  - S = Short-Term, typically less than 6 months (e.g., agriculture, grasslands)
  - L = Long-Term, typically greater than 6 months (e.g., hydrology, ecology)

Intensity:
- None
- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

Author:
Adam Hartman
NOAA/NWS/NCEP/CPC

droughtmonitor.unl.edu
5. The Weather for 2024

CPC summer long-range outlook

Seasonal Temperature Outlook

Valid: Jun-Jul-Aug 2024
Issued: December 21, 2023

Seasonal Precipitation Outlook

Valid: Jun-Jul-Aug 2024
Issued: December 21, 2023
Vegetative Health Index: Week 52 Difference 2023 versus 2022

January 12, 2024
4. The South American Crop
Still potential record corn and soybean production coming...

<table>
<thead>
<tr>
<th>(MMT)</th>
<th>Corn</th>
<th>Soybeans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>127.0</td>
<td>157.0</td>
</tr>
<tr>
<td>Argentina</td>
<td>55.0</td>
<td>50.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>182.0</strong></td>
<td><strong>207.0</strong></td>
</tr>
<tr>
<td><strong>Last year</strong></td>
<td><strong>171.0</strong></td>
<td><strong>185.0</strong></td>
</tr>
<tr>
<td><strong>Difference</strong></td>
<td>+11.0 MMT (430 mb)</td>
<td>+22.0 MMT (808 mb)</td>
</tr>
</tbody>
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Marketing Keys for 2024

• Current situation looks to be difficult for producers with potential growing supplies and a softer demand tone.
• Keep “balance” in your marketing plan.
• Get control of at-risk bushels. Put strategies will be key to protect unpriced bushels.
• Stay disciplined to targets; build the “base” through cash sales and defensive strategies (puts).
• Look at historical value, use call strategies if the market gives opportunity.
• Producers need to measure the risks of “doing nothing” vs the costs of using marketing tools and strategies.
• Don’t forget about 2025! Market typically gives an opportunity; produce and sell.
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