



Weekly Outlook: WASDE Report Set to Frame Corn Expectations

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Corn prices came off recent lows last week on glimmers of hope that the worst of the coronavirus impacts on corn use may have passed. Uncertainty around the pace of economic recovery prompts a significant disparity between corn price outcomes as we move deeper into 2020. The upcoming WASDE report sets the baseline for corn price expectations under the new economic reality.

Recent export sales and a jump in gasoline demand carry the promise of a positive tone for corn prices over the near term. The projection for corn exports sits at 1.725 billion bushels this marketing year. Recent sales and export totals indicate meeting this projection is feasible. Outstanding sales as of April 30 came in at 528 million bushels, up near 120 million bushels over sales from last year. Since the previous export sales report, corn sales to China saw another 27 million bushels sold with 14.6 million bushels for this marketing year. The prospect of China buying corn provides additional support to an already decent export market. As of May 7, cumulative marketing year exports sit near 1.04 billion bushels. Exports during the final 16 weeks of the year must average 41 million bushels per week to reach the USDA projection. Export inspections over the previous four weeks averaged 43.9 million bushels per week.

Gasoline demand may see a more rapid recovery than many expected when the lockdowns went into place. After a near 50 percent fall in demand from mid-March levels in early April, gasoline demand increased to 6.6 million barrels per day last week. The increase came in up over thirty percent since the start of April. As many areas begin to open, an expectation of higher gasoline demand should be in place, but it will still be below pre-pandemic levels near 9.5 million barrels per day. Ethanol looks to recover a bit slower. Last week's ethanol production total saw the first increase in nine weeks at 598 thousand barrels a day. While promising, production at that level sits well below the million-plus barrel a day totals saw before the lockdown. Idled plants and reduced production look to place corn use recovery well below pre-pandemic levels for the remainder of this year. The USDA may lower corn use for ethanol this marketing year even further than the 375 million bushels in the April WASDE.

Feed use for corn looked to benefit from reduced ethanol co-products. Supply chain disruptions leading to backups may blunt major increases for feed use this marketing year and into the next. The level of feed and residual use remains unknown until the release of the stocks report on June 30. Ending stocks for this marketing year look to move higher with an expectation of stocks in the 2.225 – 2.325 billion

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bushel range. A lower total is possible if corn production from last year gets a sizable reduction due to late harvest. The possibility of significant production revisions for 2019 appears limited. The size of the 2020 corn crop and possible consumption levels during the next marketing year move to the forefront for setting price expectations.

USDA's initial forecast of the 2020-21 marketing year supply and use tables comes out this week. Production projections should reflect the yield forecast made in February and the acreage expectations from the March Prospective Plantings report. The USDA projected 2020 corn yield at 178.5 bushels per acre. At 96.99 million acres, a 2020 crop projection at near 15.9 billion bushels looks in the offing, up by 2.2 billion bushels from 2019. The good start to the planting season takes any significant yield reduction out of the picture at present. Substantial speculation on corn acreage switching over to soybeans continues to percolate. The acreage switch may be on. If history holds any information on current planting decisions, the corn acreage reduction may be limited. Over the last twenty years, final planted corn acreage decreased over three million acres only once from March intentions, which occurred last year under extraordinary circumstances.

Keen interest focuses on USDA's consumption projections for 2020-21. Any prediction remains complicated by the uncertainty associated with economic conditions. If the USDA uses the February outlook forecasts for use, 2020-21 marketing year use comes in at 14.74 billion bushels. Implicit in the choice to use this forecast is a return to full economic activity. Feed and residual use may come in near 5.8 billion bushels despite issues with slaughtering rates. A continuation of high levels of unemployment into next year could hurt domestic meat consumption prospects, but strong meat export levels seem probable. Corn export levels near 2.1 billion bushels appear feasible given low prices and dryness issues with Brazil's second crop. Corn use for ethanol looks to generate the most discussion. An expectation of the USDA moving back to use levels near pre-coronavirus levels of near 5.45 billion bushels seems extreme at this point. A scenario near full recovery for ethanol production implies a steady level of economic recovery with no setbacks.

The production and consumption projections point to stocks at the end of the 2020-21 marketing year near 3.4 billion bushels. If acreage fell by three million, ending stocks near 2.9 billion bushels appears feasible. The marketing year average price is projected at \$3.20 per bushel. Uncertainty remains about supply projections for the next marketing year with an expectation of slightly fewer corn acres. Consumption growth remains dependent on the pace of economic recovery over the next year. The negative information connected to the pandemic appears priced into the market. A steady recovery, which remains uncertain, points toward a moderate strengthening of prices.