



Reed's Review



Reed Burres

Quick Preview:

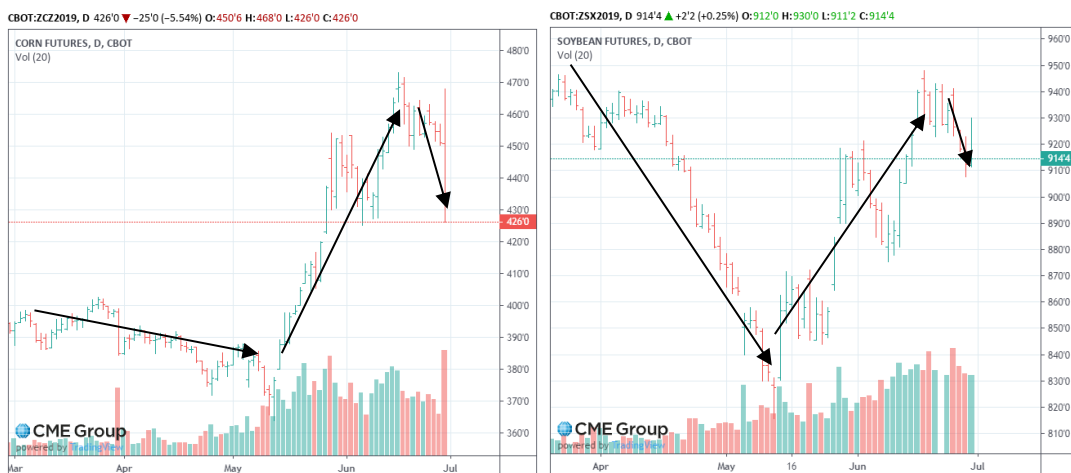
- ✓ *Wake The Markets Up*
- ✓ *Optimism on the Horizon?*
- ✓ *USDA Acreage Reflection*
- ✓ *Being "Rationale"*
- ✓ *Reed's Recommendation*
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Electric Slide in the Grains

WE MADE IT!!! We have seen our highs for the year, or have we? Anyone remember when we were expecting \$3.30 cash corn during harvest, then saw \$4.30 corn in less than a month? This rollercoaster ride in the grains has been nothing new especially with what we have experienced in this past year. With all of this new buzz in the grains, it's got many wondering, how long will this last and where are we really headed come harvest? Will we have a low enough national yield to keep the carryout low enough to keep \$4.00 cash prices in the Midwest? Having \$4.00 cash corn is pretty great, especially when soybeans are only trading around that are only worth around \$8.50 cash.



Corn and Soybean contracts for our fall contract months have been chasing each other around as of late as they have almost mirrored each other trading largely off of weather information and planting delays. **December Corn** (left) and **November Soybeans** (right) reacted strong today to the USDA's Acreage Report, next major rally soon to come in the July WASDE.

The early planting delays that acted as major market movers have all but cycled through the system have been significant all across the Cornbelt, however, as of late, many of the major interior Cornbelt states have gotten their crops, especially their corn planted, whereas, states such as Indiana and Ohio and have struggled to get their fields planted due to steady shots of excessive moisture throughout the planting season. When initially looking at the information and timing of the USDA Reports, I felt that it would be best to put out my June newsletter following today's USDA Acreage Report. This report will tell the market all it needs to know as the only information available to traders, apart from internal reports, on acreage usually will come from the World Agriculture Supply and Demand Estimate.



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Insurance Calendar

July 10th:

Late Plant Period
Ends for Soybeans

July 15th:

Acreage Reporting Deadline

September:

Expected Soybean Harvest

September 18th:

First Frost....
Tweet @Agriperil to be entered
to win a prize package!

October:

Expected Corn Harvest

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Disclaimer

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Being Rationale:

This month's Acreage Report did not show any indicator of a decrease in acres going into the July WASDE and if anything shook the markets awake. Please note, the USDA's Acreage Report does not look at the same metrics as the WASDE reports, they note on the top of the report "Corn for ALL PURPOSES". Looking to the future, general sentiment from many across the industry expects a decrease in planted corn acres of anywhere from 6.0-9.0 million acres on average, I believe it will only be decreased by around 3.0 million acres again, at most.

The major debate isn't just how many acres will end up not being planted, but rather what expected production looks like for this fall. The June WASDE showed an expected production of 13.680 billion bushels of corn, down 1.35 billion bushels from their May estimate.

My guess is that we will see acres and yield trade off and ultimately have production sit around: 14.25 billion bushels. In the US, we burn through around 12.3 billion bushels of corn each year and usually export around 2.15 billion bushels; with this in mind, that totals up to an expected use of around 14.45 billion bushels each year. Anyone who can do some quick mental math would suggest that we will be seeing a much needed reduction in ending stocks and will hopefully have only 1.5 billion bushels leftover come March.

We have had substantial ending stocks these past two-three years and as a result, below \$4.00 cash bids come harvest across much of the Midwest. Good Lord willing, we will be able to see higher corn prices than we have in the last 6 years.

Shifting to soybeans, we expected to see a reduction in acres from the June WASDE to the June USDA Acreage Report, the reality that is more important than acres is that of production and ending stocks. With the effects of the trade war implications still being a focus for much of the market there have been several new developments with China that have shifted demand for soy and soy products significantly.

Due to the impact of African Swine Fever, China has been forced to cull around 30% of their entire hog herd, this has stifled the Chinese demand for soymeal, a primary feedstuff for their herd. Even the Chinese level of imports from their new favorite soy producing country, Brazil, have fallen substantially since the outbreak of the disease.



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Being Rationale Cont'd:

As of late, China has been more open to trade talks and hopefully a long awaited resolution will come in the near future, but then again, that is perhaps too wishful of thinking. With expected acreage only falling from 84.6 million acres to 84.3 million acres and beginning stocks hovering around 1.07 billion bushels, normally around 400 million bushels, there is good reason to hope for an increase in expected prevent plant soybean acres and a hope that the US will export over 2.0 billion bushels this year. Expected production is currently hovering around 4.15 billion bushels and will likely remain steady barring a significant natural disaster or crop failure across the Midwest.

The Takeaway:

The reality of our current markets are that given the ratio of around corn to soy price ratio of 2.05, we will likely see producers across the country put more preference towards corn and will likely plan to produce one "glut" of a crop in the 2020 growing year. With all of the recent market movers having been weather events we will likely be weather events or trade updates that may come along the way.

Hopefully, as we progress towards our July WASDE, I expect to see more of a bearish report than many, due to the fact that in the June Crop Planted Acres to be harvested for grain was 1.195 million acres higher than the June WASDE.....what will we see come in the July WASDE?

We'll let you know! Until next time, stay safe, be proactive and work to reduce your operation's risk. Thanks for reading!



Reed's 2019 Recommendation:

Multi-Peril Crop Insurance:

- \$0.30 Price Buy-Up on Corn, insuring a spring price of \$4.30
 - 85% Revenue Protection, Optional Units, Corn
- \$1.00 Price Buy-Up on Soybeans, insuring a spring price of \$10.54
 - 85% Revenue Protection, Optional Units, Soybeans

Hail Insurance:

\$200 per acre BASIC Coverage Soybeans

\$200 per acre DXS10 Hail Coverage, DXS5 Wind with Extra Harvest Expense on Corn

Questions? Call or text Reed!

All the best,