



Reed's Review



Reed Burres

Quick Preview:

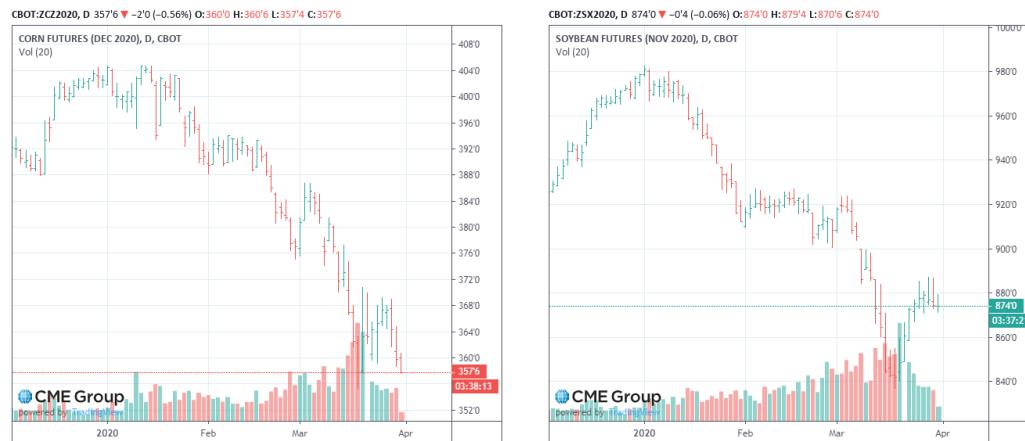
- ✓ COVID-19's Market Impact
- ✓ *Crude Oil Falls, Corn Follows*
- ✓ Future Market Relief
- ✓ Updated USDA Acreage Estimates
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Corona Confusion

It seems as of late there is little that can be done in order to mitigate any of this corona madness that the market has adopted as of late. For the first time since President Trump's election, the Dow Jones Industrial Average fell below 20,000 points. This happened as a result of the single worst stock trading week since the catastrophe of 2008. With the recent signing of a new stimulus package of over 2 TRILLION dollars, both stocks and commodities should have some sort of positive response, right?



Above: Since the end of the spring price discovery period both corn and soybeans have done nothing but watch prices continue to erode largely due to news of the COVID-19. Spring prices were set and fell below the 2019 harvest prices, what will be in store for the rest of 2020? How will the weather and this pandemic affect the market?

Image Source: CME Group December Corn Futures and November Soybean Futures

Unfortunately, that has not been the case as stock prices have rebounded while commodity prices work to find the courage to gain definitive direction higher or lower. Much of the price sluggishness has been due to the recent Corona virus, there is no doubt to that, however the bigger picture with commodities is what will this spring actually look like? Looking at the above charts it is clear to see that prices are needing some serious support in way of positive market news. The major concern will all of the current market events is that there is little optimism in the markets currently and only reason to suggest that we will have more sideways to lower trading for several more weeks to come. Looking back at the implications of watching crude oil prices plummet, there have been new opportunities arise in the market that have not be present for many years.

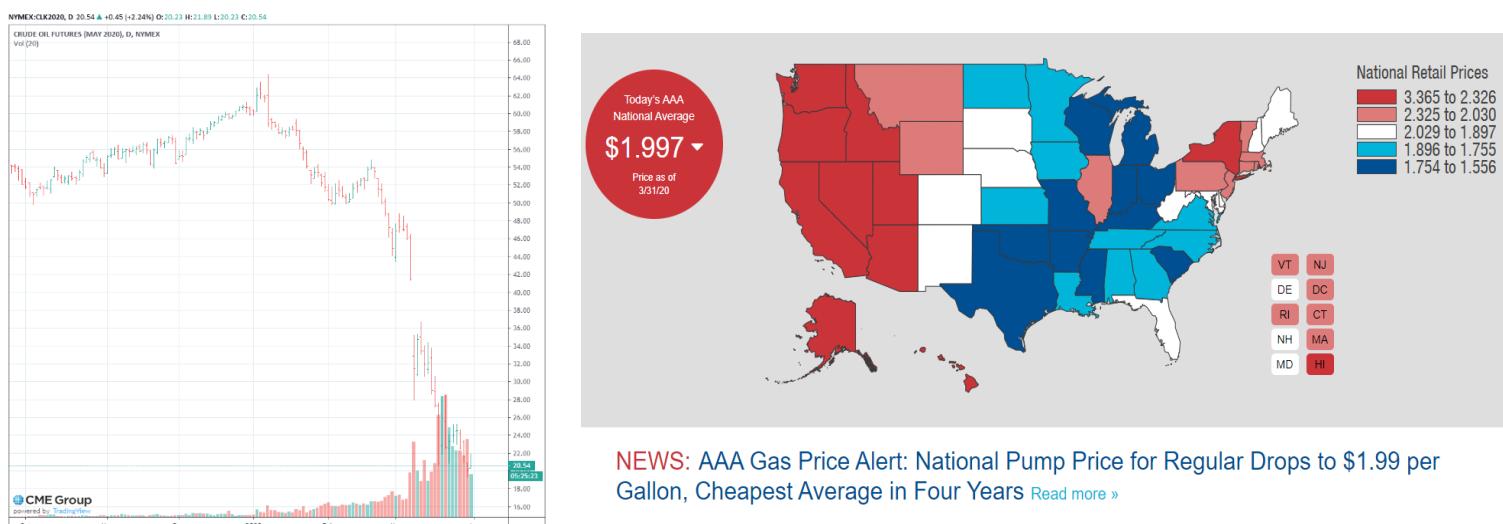


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Crude Oil Falls, Corn Follows:

Today, one of the most important things in understanding the relationship between things such as turmoil overseas and the price of corn on the river. With expanded technology there are making more things than ever out of corn, soybeans, and other agricultural commodities. This has resulted in the creation of a more elastic substitute market. I say this only tongue and cheek, as this is only true with certain products. The main example I am aiming this at is the relationship between crude oil prices and the price of corn.

As many know, the impact has been more profound than in recent years as OPEC has worked to play a financial game and manipulate the prices of oil in hopes of financial gain. Below is a look at May Crude Oil contracts, since the first of the year prices have taken a nose dive, at a peak back at the CZ and SX futures, very similar right?



Left: May Crude Oil Futures prices had been relatively stable, now with the current adversity offer up only uncertainty. Looking ahead to the future, what political resolution will be able to repair these numbers?

Source: CME Group

Right: AAA's national average fuel price is below \$2.00 per gallon. This is the first time in 4 years that we have experienced prices as low as they currently are, it has given many consumers a reason to fuel up and look to do some traveling, talk about great timing amidst this the current state of "home lock down" or quarantine that many are subject to. **Source: AAA National Average Fuel Price 3-31-2020**

The current reality is that the price of ethanol remains semi-strong across the country as gas prices continue to dip. What will be most important in the future is a strengthened relationship between the United States and Russia in order to work to mitigate and reduce some of the current price manipulation and stabilize the oil market. There is no doubt much political work to be done and while we are facing arguably one of the most unexpectedly severe pandemics in recent history, the show must go on and the economy must keep moving.



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Insurance Calendar

April 11th:

Corn Replant Coverage

April 21st:

Soybean Replant Coverage

May 31st:

Final Plant Date – Corn

June 15th:

Final Plant Date – Soybeans

June 25th:

Late Planting
Period Ends- Corn

July 10th:

Late Planting
Period Ends- Soybeans

Disclaimer

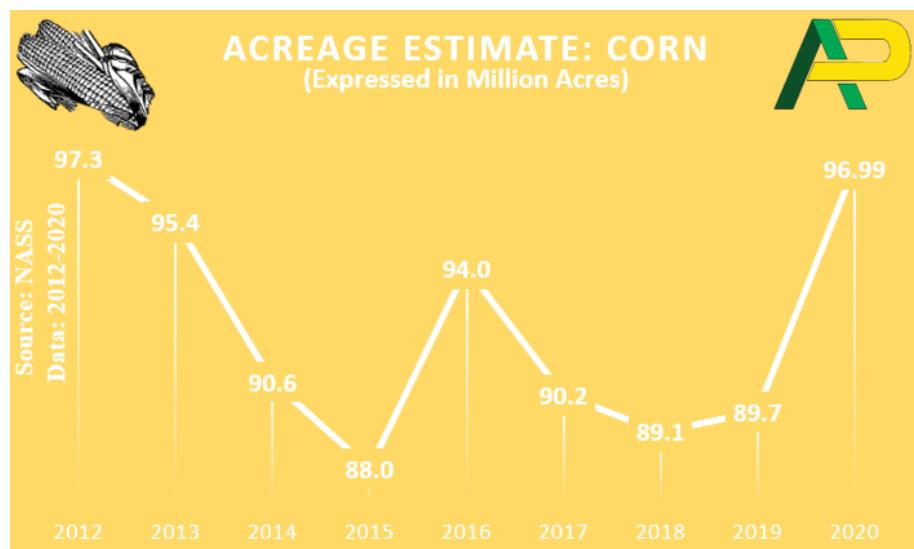
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Future Market Relief:

Shifting gears and looking at something that may give us some additional hope for 2020, today's release of the Grain Stocks report came out with good news of corn stocks being down 8%, soybean stocks down 17%, and wheat stocks down 11% from this time last year. These numbers will be very helpful as we work to further reduce our previous ending stocks that we carried over into 2020 while shooting for the moon in way of yields. The not so unexpected news that also was released today was of the USDA's latest prospective plantings report. The report featured some bigger than expected numbers, however, we have a long way to go before these numbers will be close to being correct. The corn acreage estimate was by far the highest above initial expectations with the USDA projecting 96.99 million acres of corn being planted in 2020. The estimate was nearly 2.5 million acres higher than most early estimates and will be a tall task for farmers to hit this spring with many areas across the country still recovering from 2019.

Soybean acreage was much more realistic as projections came in at 83.51 million acres, an increase of around 6 million acres from last spring, and provides a number that will likely grow or show signs of growth as corn acres begin getting reduced due to planting delays.

I believe that one of the biggest sleeper crops for 2020 will be spring wheat. Looking at all things aside, wheat may have the best opportunity to increase planted acres with current USDA estimates sitting at 44.655 million acres. If this were the case, wheat acres would continue its decline, however, prices may be on the rebound if corn and soybean acres remain open and give folks the opportunity they have been looking for to put more acres of wheat in this year.





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The Takeaway:

Again, with acreage estimates providing some concrete direction for the future in way of pricing, we can only think that there must be some opportunity to break free of the price rut we have been stuck in and move on to something slightly more attractive. We are currently sitting with December Corn futures of around \$3.80 and November Soybean futures of \$8.80. This equates to around \$0.08 lower than the spring corn price and \$0.37 below the spring soybean price. We will likely see prices higher than they currently are at some point, right? There will be constant adjustments made to the acreages until mid-July. The possibility of a nationwide spell of wetness similar to last spring is possible, but two years in a row with the same degree of severity is unlikely. We must remember that with traditionally wet springs, we see our marketing year high earlier. Think back to 2012, widespread drought in the country, the marketing year high was not until the fall. Meaning, we will likely see our high for the year anywhere from Father's Day through the 4th of July at this rate.

Reed's 2020 Recommendation:

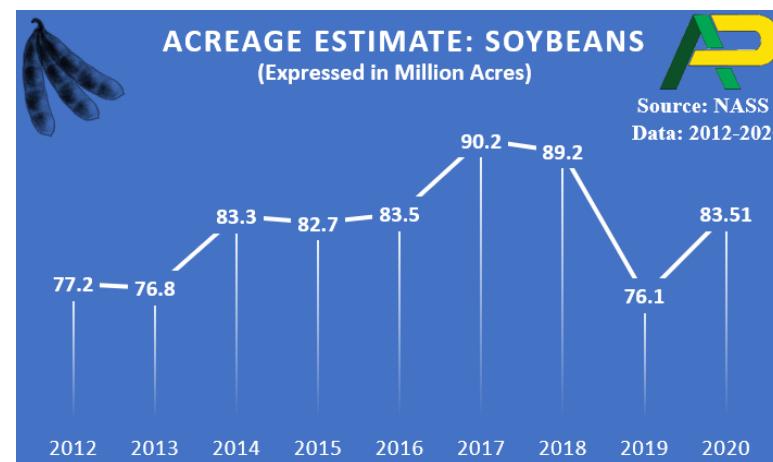
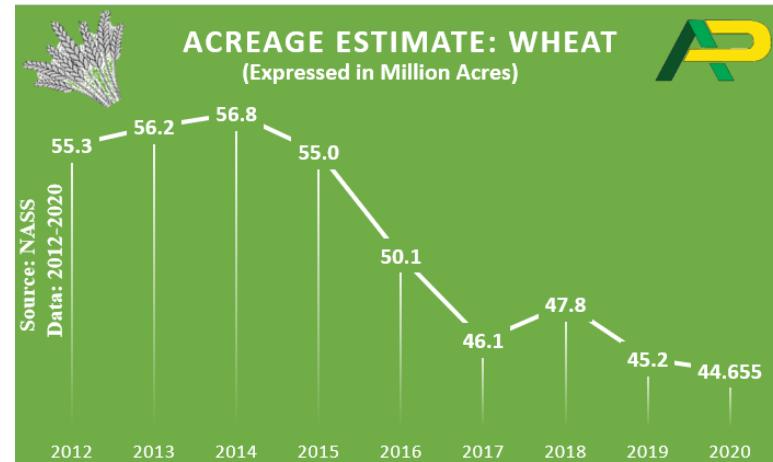
Multi-Peril Crop Insurance:

- Corn: 85% Revenue Protection with \$0.15 of price buy-up insuring a price of \$4.03 per bushel.
- Soybeans: 85% Revenue Protection with \$0.50 of price buy-up insuring a price of \$9.67

Hail Insurance:

\$250 per acre BASIC Coverage Soybeans

\$250 per acre DXS10 Hail Coverage, DXS5 Wind with Extra Harvest Expense



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

All the best,

