



WEEK IN REVIEW MARKET UPDATE 4/3/20

Grain

Corn – May 20 **down \$0.15^{1/4}** closing \$3.30^{3/4}
Soybeans – May 20 **down \$0.27^{1/4}** closing \$8.54^{1/4}
Wheat – May 20 **down \$0.21^{3/4}** closing \$5.49^{1/2}
Soybean Meal – May 20 **down \$19.90** closing \$303.20

Outsides

Dow – **down 558.00** closing 21054.62
S&P – **down 51.47** closing 2488.57
NASDAQ – **down 127.58** closing 7372.26
US Dollar – June 20 **up 2.040** closing 100.680
Crude Oil – May 20 **up 6.63** closing \$28.38

Livestock

Cattle – June 20 **down \$8.58** closing \$80.85
Feeders – May 20 **down \$12.83** closing \$108.10
Hogs – June 20 **down \$15.92** closing \$48.33
Class III Milk – April 20 **down \$1.20** closing \$14.07

News/Reports:

- Export sales report released Thursday 4/2. Corn came in at 42.3 million bushels, expected range 28 – 47. Beans came in at 35.2 million bushels, expected range 14 – 33. Wheat came in at 2.7 million bushels, expected range 4 – 18. Soybean Meal came in at 125.2 million metric tons, expected range 100 – 350K.
- Ethanol output weekly data reports were out Wednesday 4/1 at 840,000 barrels per day versus 1,005,000 last week. Ethanol stocks were at 25.717 million barrels versus 24.140 million last week.

Notes:

- The USDA March stocks and planting intentions report was a bit surprising as the corn acres came in above the trade estimate of 94 million acres at 97 million. The last time we had acres this high was 2012. It is likely we see some shuffling in the acres going forward. The survey for the acres was done in early March and we didn't have the destruction in the ethanol market like we do today. The soybean/corn futures ratio has recently worked to 2.45 and favors planting soybeans. Stocks for corn was considered friendly as March 1 reserves came in at 7.953 billion bushels, 181 million below the average trade estimate (suggests the USDA could be as much as 250-300 mbu light on its feed/residual estimate). The report for soybeans put the acre estimate at the low end of the trading range of 83.5 million (82.7-87.5 trading range) versus 76.1 million last year. The stocks data for soybeans was neutral to slightly bearish as it came in 25 million bushels above the trade average.
- Another 63 ethanol plants have reduced their output rates by a collective 1.7 billion gallons (these plants have reduced production anywhere from 10-50%). Another 13 plants with 0.8 billion gallons of capacity were closed/idled due to other factors prior to March 1 (prior to the onset of the COVID-19 pandemic). Overall, about 4.4 billion gallons of capacity has come offline since March 1. If you add the capacity that was already idle (prior to March 1), the total is about 5.2 billion gallons idle. That is approximately 30% of the industry's total production capacity. Another 15-20 plants have stopped buying corn and are likely taking steps to wind down production in the coming weeks. Plants are idling production left and right. The speed and scale of this pullback in production is completely unprecedented. We've never seen anything like it in the industry's history, not even when the bubble burst in 2008/09.
- Livestock margins getting hit hard, hog futures had their largest weekly drop in history. Reports of farms starting to dump milk.
- For the second week in a row, US unemployment claims reached a record high of 6.6 million claims last week, more than double analysts' expectation of 3.1 million claims. This broke the record set the previous week of 3.3 million claims; the week before that, 281,000 claims were filed. Due to the volume of filings overwhelming states' electronic filing systems, this probably is an underestimated number. Economists are predicting an unemployment rate of 15% by the end of the April.
- OPEC+ meeting that was initially scheduled for Monday April 6th to discuss 10 million barrels a day oil supply cut will be delayed until April 8th or 9th. Crude oil hit 18-year lows before rebounding \$7 to \$28 a barrel.
- World Pork Expo is cancelled for the second year in a row. Last year it was cancelled due to African Swine Fever concerns across the world, and this year obviously due to COVID-19. World Pork Expo 2021 is scheduled for June 9th through the 11th.
- Implementation of the USMCA trade agreement has been delayed from June 1st to July 1st at the earliest as the three countries missed the deadline to agree on matters not related to agriculture or food.
- The next USDA report will be the April WASDE Report out on Thursday April 9th at 12:00 est.