

U.S. CORN ACRES – 2020 ACREAGE SCENARIOS

	2019**	2020**		
		High	Average	Low
Planted Acres	89.9	94.0	92.0	90.0
Harvested Acres	84.4	86.3	84.4	82.6
YIELD	167.0	174.0	174.0	174.0
Carry-in*	2,114	1,910	1,910	1,910
Production*	<u>13,661</u>	<u>15,016</u>	<u>14,686</u>	<u>14,372</u>
Supply*	15,825	16,956	16,626	16,312
Total Use*	<u>13,915</u>	<u>14,250</u>	<u>14,250</u>	<u>14,250</u>
Carryout*	1,910	2,706	2,376	2,062
STOCKS/USE RATIO	13.7%	19.0%	16.7%	14.5%

THE 2020 ACREAGE BATTLE BEGINS

Here are five key factors to watch.

By **Al Khuis**

Many farmers are glad to have 2019 in the rearview mirror. It was a challenging year: planting delays, record prevent-plant acreage, and a late wet fall. At the time of this writing, I estimate that close to 1 billion bushels of corn are still out in the field.

Yet, I am always amazed at the optimism that farmers have.

I recently talked with a young customer in North Dakota about weather and whether he should plant more corn or soybeans. Near the end of the conversation, he said he had all of his corn still in the field, but it was drying down and gaining in test weight. He said when he harvests the corn some time next spring, it will have a lot less discounts than his neighbors, who muddled the crop out during fall.

So what will farmers plant in 2020? I

work with several seed companies who ask that same question. The answer is still a big puzzle to me.

Here are five key factors that I am watching over the next two months as I look at the final totals for 2019 and the predictions for acres planted in 2020.

Factor #1: How many acres will be planted in 2020? When I add the total corn, soybean, and wheat acreage in 2018, it totals 226.1 million acres. With record prevent plant in 2019, that dropped to 211.4 million acres.

My early projection for 2020 is for 224 million acres. If a lot of land is enrolled in the new CRP and wet conditions persist, then my early projection may prove to be 3 to 5 million acres too high.

Factor #2: What is the final size of the corn and soybean crops growing right now in South America? Right now, when I look at the

At this time, I predict 2020 planted corn acreage at 90 to 94 million acres of corn. I am using a conservative yield projection of 174 bushels per acre. I think corn feed usage will increase in 2020, and that even after a slow start, corn exports may end up better than expected. Based on my current ending stocks projections, I expect December corn futures to have an upside of \$4.20 to \$4.40 and the potential to drop below \$3.80 by next harvest.

five main crop-producing countries in South America, my projection is for a total soybean crop of 7.130 billion bushels. That would be about 240 million bushels above last year's record crop.

For corn, the five countries are currently projected to produce 5.9 billion bushels of corn. That would be down about 400 million bushels from last year.

Look for a lot of competition in the global soybean export market starting this month.

Factor #3: How much global demand will we see for soybeans? The turmoil around the U.S.-China trade war has slowed soybean exports to China. That economic slowdown – and let's not forget African Swine Fever in China – has reduced global soybean demand.

If the worst of the African Swine Fever is behind us and China is aggressive in buying, then I will take projected usage up and ending stocks lower in future USDA reports. ▶

U.S. SOYBEAN ACRES – 2020 ACREAGE SCENARIOS

	2019**	2020**		
		High	Average	Low
Planted Acres	76.5	87.0	85.0	84.0
Harvested Acres	75.6	86.1	84.1	83.1
YIELD	46.9	48.0	48.0	48.0
Carry-in*	913	475	475	475
Production*	3,550	4,133	4,037	3,989
Supply*	4,483	4,628	4,532	4,484
Total Use*	4,008	4,100	4,100	4,100
Carryout*	475	582	432	384
STOCKS/USE RATIO	11.8%	12.9%	10.5%	9.4%

Factor #4: What RP crop insurance guarantee price will be announced by the Risk Management Agency at the end of February?

The \$4 December 2019 corn revenue guarantee was much more profitable for most farmers than the \$9.54 price guarantee for November 2019 soybeans. That would have shifted a lot more acres to corn, if we had a normal spring. Currently, a price comparison between December 2020 corn and November 2020 soybeans favors more acres of corn in 2020.

Factor #5: What kind of weather will we get this spring? When I look at the NOAA weather maps, I am concerned. Specifically, the Long-Term Drought Indicator shows super saturation in all parts of the Corn Belt north of Interstate 90. In addition, the current snowpack map suggests we will again have trouble getting the 2020 corn crop planted on time. I am not a meteorologist and a lot can change by late April and early May; however, all of my early indications suggest this is going to be another challenging spring.

So what should you plant this spring?


Back to the question from the young farmer in North Dakota about what to plant this spring.

My recommendation is very straightforward: Plant the crop rotation that is going to allow you to maximize your yields in 2020.

If you only focus on which crop has the most price potential, then that could influence the amount of your crop you get hedged and the combination of hedges and puts that you use to get new-crop price protection.

The farmers who were successful in managing risk in 2019 used a combination of crop insurance, hedges, and puts to put together a comprehensive risk-management plan. They also made cash and new-crop sales in May and June. The odds are good that this type of proactive approach will again be successful in 2020.

See you at the 2020 Commodity Classic!

I will be speaking at the Successful Farming Main Stage during the event. Be sure to stop by. I will be looking forward to seeing you in San Antonio, Texas, February 26-29, 2020. 

Note: The risk of loss in trading futures and/or options is substantial, and each investor and/or trader must consider whether this is a suitable investment. Past

At this time, I estimate 2020 planted soybean acreage at 83 to 86 million acres. I am plugging in a national yield of 48 bushels per acre. I expect total use to jump to 4.1 billion bushels. Unless acreage comes in much larger than my current projections (or yields jump to over 50 bushels per acre), that ending stocks number could move down to 384 to 432 million bushels. This would be the second year of declining ending stocks and should be supportive for new-crop soybean prices. My first objective for November 2019 sales is at \$9.83. I will get very aggressive at \$10.20. My long-term seasonal odds chart suggests lower prices by the fall of 2020, with November futures moving down below \$9 by harvest.

performance – whether actual or indicated by simulated historical tests of strategies – is not indicative of future results. Trading advice reflects good-faith judgment at a specific time and is subject to change without notice. There is no guarantee that the advice given will result in profitable trades.

Al Kluis Commodity Trader

Al Kluis has been trading grain futures since 1974. Sign up for a free trial to his daily morning email and weekly



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