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Attached is our Updated 2020 Target Zone Chart for Corn and Summary Analysis Report

Looking forward with a backwards glance didn’t provide any guidance to future possibilities concerning the Wuhan Virus ***(WV),*** which started in December 2019 in the city of Wuhan, China. Whereas we thought our government would once again play a big part in grain prices in 2020 with the Phase 1 Agreement ***(P1)*** with China, we did not see the WV overtaking most all other factors when it came to the price of corn. Below you will find the Market Factors affecting grain prices for 2020, with the WV now being the #1 factor determining corn’s future.

Market Factor Summary for 2020

1* Wuhan Virus

2) World Weather Trends
3) U.S./China Trade War
4) African Swine Fever
5) South American Grain Production
6) U.S & World Carryover Stocks
7) Exports of Competing Nations
8) U.S. Acreage & Production
9) Corn Genetics
10) World Currency Valuations

Past Price Projection for December 2020 Corn Futures

DEC20 CORN: $3.30 - $3.70 / $3.70 - $3.95 / $4.10 - $4.50

Update Price Projection for December 2020 Corn Futures

DEC20 CORN: $2.80 - $3.20 / $3.20 - $3.60 / $3.60 - $4.00

We are all aware of how the WV caused governments to send states and nations into an almost total lockdown of workers, which shuttered businesses. We doubt there is much new news we can share today that we have not covered in our recent MNU's. Our March 2nd MNU detailed how the Farm Futures On-line Survey would take U.S. corn acres over 96 m and 2020/2021 corn carryover stocks above 3 bb. That report was a death nail for corn prices.

The WV became the nail in corn's coffin, killing demand for gasoline. Saudi and Russia added to that one by introducing an Oil War. Even if an agreement is reached that cuts world oil production by 20 mb/d, demand losses have now reached 36 mb/d. This will only reduce how fast the glut grows. When demand finally exceeds production, will we then begin eating through the glut that had months to grow. The trade will anticipate that point in time and the market will turn higher before that time comes. But what will it mean for corn? Profitability will need to come back to ethanol before that 5.4 bb cow will start eating again. Those plants still operating are losing money. Those plants that have closed and those that will close will not have a reason to re-open until profitability returns. That can be accomplished several ways.

First, the price of corn will need to fall significantly to return profitability to the industry. Okay, but that's just a one off. One certainly can't expect corn to carry the load of returning profitability to the ethanol sector. Second, the price of DDG's could rise significantly. With so many plants closed or closing and not producing DDG's, the price of DDG's has risen sharply; as much as $100/ton in some locations. Third, the price for ethanol can rise back to its former, major support area of $1.30/gallon. That's not going to happen until the price of gas moves higher than ethanol. Gasoline futures are currently trading at $0.73, with ethanol futures at $0.94. Those fuel prices are not going to rise to a price of profitability until crude oil reverses course, moving back above $30/b and then $40/b. That move higher won't be fully supported until demand for crude oil and its refined products exceed their levels of production.

This is a 2-part equation. As long as governments run in fear of the WV and inhibit workers from going back to work, the ethanol industry will stay flat on its back, destroying corn demand. The oil war only added to this equation.

Now that the oil war has been officially called off with Trump's arm twisting, fuel prices will bounce back faster, <u>but not until the governments stop their insanity</u>. The bickering children in Washington are fighting over control of our government, with some giving no consideration to the immense pain and financial losses being placed on so many and so many segments of our economy. **<u>This is the battle that's raging in Washington</u>**. Until some major change takes place, U.S. agriculture is in deep trouble. Everyone in agriculture is going to need a bailout, making agriculture even more dependent on government and putting our children in chains for decades to come. Some have said corn growers now need a $1/bu bailout, or about $15B in direct payments.

Corn has little upside at this time, other than technical bounces and retracements. Funds will remain very willing sellers on any small rallies. Dec20 corn shows significant resistance at $3.574 to $3.60, with $3.47 holding for now, representing current support.

Farmers will be pushing planting full steam ahead with any open windows they get. Most areas south of Hwy 20 have received less than normal precipitation for several months, so little showers now and again won't slow them much. Even with the struggles many will have in the northern states, we still expect the U.S. to end up with 94 ma this year. With trend at 178+ bpa and potential to 183+ bpa due to high soil moisture levels, carryover will have a very difficult time moving below 3 bb for 2020/2021. This will take Dec20 corn to $3.00-$3.05.

The expected shut down of the ethanol industry could cut 800 mb from demand. Few have come out with the conversion of corn needed to replace the loss of DDG's. We're putting it around 60%. Of the expected 800 mb of corn demand lost from ethanol, 500 mb is gained from feed demand replacing that loss. That's still adds 300 mb to next year's carryover stocks.

With hog, cattle and chicken processing plants closing, we have another loss in demand. Producers will start feeding a ration to maintain weight, not to add weight. That maintenance ration will not be high in protein/corn. How long these processing plants will be off-line few know. Currently, most are looking at 14 days. If the WV keeps coming back and re-infecting, they could go back on lockdown again and again and again. For now, no one can say.

There are issues in wheat growing nations that "could" lift corn prices. There drought in South American is growing, which is going to reduce Brazil's Safrina crop and possibly, reduce Argentina's as well. Can this drought cut 12 mmts from South American production? If the current trend stays in place, it could very well achieve that number. With all that has gone wrong for corn, it's like the perfect storm. Only Mother Nature can dig corn out from under this mess. With most all the eggs in corn's basket negative, we pushed hard to get producers to recognize they needed to take the risk off the table and get as much new crop corn sold as they dared. Those who can re-own sometime in the future could be more aggressive with sales; up to 100%.

We lowered the high end for Dec20 corn down to $4.00. For this fall's low, we opened the door under $3.00. If carryover moves over 3 bb, $3.00 will be a trip point to possibly $2.80. With 3+ bb in carryover, basis will be extra wide. If any "normal" corn basis is offered at any time this year, one should consider locking it in.

China has been rumored to begin taking grain early under the P1. There have been purchases recently by China. We don't know if this is from need or from Trump's arm twisting. If they keep buying on a consistent basis, it will help. For corn, they have been talking up to 3 mmts, which is about 117 mb. That's nothing major, but every little bit helps.

We pondered raising the upper third price range on **wheat**, but world wheat stocks are so large and we're so close to harvest where price usually fades (middle of May), we decided to stay the course. **Soybeans** have a great story with P1, but we believe if China does buy, it will be too little or too late to matter. The fundamentals aren't there for soybeans to make higher highs than last year and technicals can't do it alone. We'll stand pat on our soybean projections, too.