Doane Advisory Services

Commodity Digest

Corn, Soy Complex and Wheat

Doane Advisory Services (Farm Journal Media)
2-14-2020

CORN FEBRUARY 14, 2020

Recommendations:

Our goal is to advance second quarter coverage. Add 25% to April coverage at $3.81 ¼ basis May.

Bullish Factors:

- In the February WASDE, USDA added 50 million bushels to the ethanol use forecast
- Preliminary January ethanol production up 4.8% from January 2019
- 10th circuit court says EPA overstepped its authority in granting ethanol blending waivers. May significantly reduce EPA's future grants.
- Market sensing coronavirus epidemic coming under control from China's aggressive actions to isolate
- President Xi has claimed that China would still meet its Phase 1 purchasing targets despite delays caused by coronavirus
- The trade agreement with China stipulates 2020 purchases of $36.5 billion of ag products, the most ever. Corn grain should get a share.
- Trade deal stipulates 2021 ag purchases of $43.5 billion. Underlines even larger potential for corn sales.
- China can also fulfill its purchase commitments buying ethanol and DDGS, both made from corn.
- China can also fulfill its purchase commitments buying more meat of animals that consume corn, boosting feed demand.
- USDA ending stocks forecast at 1.892 billion bushels and down 329 million YOY. Doane forecasts lower.
- In the February WASDE, USDA lifted its meat production forecast. Doane projects a significantly larger feed forecast than USDA.
- In the monthly WASDE, foreign stocks ex-China at 49.7 mmt, their lowest in 7 years and stocks-to-use least since 1983/84
- Global stocks trending lower for the third year in a row. Only fourth time it is down three years in a row since 1961
- World corn imports remain in a strong multi-year uptrend.
- USDA saying it has made progress developing a vaccine against African swine fever
- USDA forecasts China new-crop imports up 2.52 mmt to 7.0 mmt and its ending stocks down 10.25 mmt YOY.
- Brazil corn stocks expected to be very tight ahead of next harvest.
- Record pork exports in December and in 2019. China bought one-third of December exports. All pork exports in 2019 up 7.6%.
- Corn basis levels are their strongest in several years. Besides smaller harvest, MFP payments supplementing cash flow reduce sales needs
- Trading funds net Feb 11 negatively positioned (-72084) and shifted more negative by -16094. Potential buying on new bullish news.

Bearish Factors:

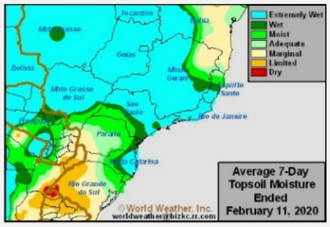
- In February WASDE, USDA reduces U.S. export forecast by 50 million bushels to only 1.725 billion. Multi-year low.
- Coronavirus epidemic persists in China with no certainty as to when it will be finally controlled
- Coronavirus is disrupting simple requirements of offloading grains at ports and shipping within China
- Reports some importers unhappy with quality of 2019 exported corn. Turning to other originations, such as the Ukraine
- Bears pouncing on trade agreement language that allows China an out if prices not market competitive – "market based"
- Not necessary that China buy old crop corn. Purchases could be in the new-crop market with supplies much higher and prices lower
- Subsoil moisture levels good across the vast majority of the major Brazil and Argentina corn growing regions
- Brazilian real has weakened considerably against dollar since January 1.
- Effectively higher prices from weak currencies will be an incentive for South American farmers to continue late plantings.
- USDA expects Brazil's harvest to match last year's record of 101 mmt.
- Rosario Grain Exchange forecasts Argentine crop at 53 mmt and up 3 mmt from USDA at 50 mmt.
- Ethanol margins have been negative the past two months in northwest Iowa.
- Some claim the EPA ethanol proposals for 2020 still have loopholes that will limit how much ethanol is produced
- Industry still unclear how the new RFS rules will result in 15.0 billion gallons of ethanol blending in 2020 despite EPA claims that it will
- Energy Information Agency forecasting ethanol production steady in 2021 vs 2020, instead of growing on new China demand
- World's largest sugarcane processing plant in Brazil considering adding corn for ethanol production

Swing Factors:

- Coronavirus timeline to containment and return to normal trade and travel conditions in China
- USDA Outlook Conference 2020/21 forecasts on February 20-21

Coverage and Insights:

Coverage is complete for the first quarter, at 50% for April-May, and at 25% for June. June was initiated on Friday when our target was hit. Corn prices trended lower this week and closed Friday at their lowest levels since mid-January. The March contract dropped 5 ¾ and closed at $3.77 3/4. The new-crop December contract fell 5 ¼ cents on the week to close at $3.88 3/4.



March futures have been trading between $3.75 and $3.85 with a few exceptions for the better part of three months. Cash prices have been very strong versus futures. We follow the central Illinois cash market which has been recently a very tight 3 cents under the futures and 15-20 cents less negative than the five-year normal. Basis gained from levels of about -10 cents in November and December. It is a positive underlying fundamental for corn prices. The corn futures market continues its standoff between bullish feed and industrial demand versus weak exports. The latest example was on Tuesday when USDA lowered the export forecast 50 million and increased ethanol 50 million. Exports are threatened by a big crop in Brazil. The nearby map shows plentiful moisture in Brazil. Doane is adopting both the higher ethanol and lower export forecasts of USDA. Doane still projects much higher feed use, resulting in lower ending stocks. We will have comments on the new USDA Outlooks on Feb 20-21 in next week's Digest.

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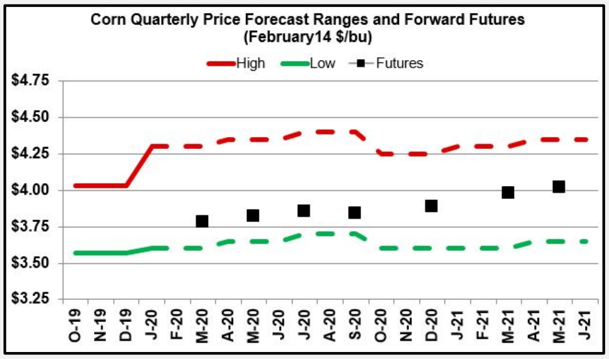


Nearby Corn Futures Price Ranges *($/bu)*

	Jan-Feb-Mar	Apr-May-Jun	Jul-Aug-Sept	Oct-Nov-Dec
2012	$5.93 - $6.76	$5.51 - $6.77	$6.86 -$8.49	$6.87 - $7.76
2013	$6.78 - $7.49	$6.26 - $7.23	$4.41 - $5.64	$4.17 - $4.50
2014	$4.06 - $5.04	$4.22 - $5.20	$3.20 - $4.24	$3.18 - $4.17
2015	$3.66 - $4.10	$3.47 - $4.15	$3.46 - $4.43	$3.56 - $4.00
2016	$3.47 - $3.74	$3.54 - $4.39	$3.01- $3.73	$3.31 - $3.63
2017	$3.51 - $3.80	$3.54 - $3.92	$3.28 - $3.95	$3.35 - $3.56
2018	$3.45 - $3.91	$3.39 - $4.12	$3.30 - $3.74	$3.55 - $3.86
2019	$3.53 - $3.85	$3.36 - $4.64	$3.30 - $4.60	$3.57 - $4.03
2020	$3.60 - $4.30	$3.65 - $4.35	$3.70 - $4.40	$3.60 - $4.25
2021	$3.60 - $4.30	$3.65 - $4.35		

Note: Green areas show Doane projections.

U.S. Corn Balance Sheet September/August Crop Year *(million bushels)*

	2016/17	2017/18	2018/19	Feb USDA 2019/20	Doane 2019/20	Doane 2020/21
Planted Acres (mil)	94.0	90.2	88.9	89.7	89.7	94.8
Harvested Acres (mil)	86.7	82.7	81.3	81.5	81.5	87.3
Yield (bu/a)	174.6	176.6	176.4	168.0	168.0	177.0
Supply						
Beginning Stocks 9/1	1,737	2,293	2,140	2,221	2,221	1,710
Production	15,148	14,609	14,340	13,692	13,692	15,452
Imports	57	36	28	50	48	38
Total Supply	16,942	16,939	16,509	15,962	15,960	17,200
Disappearance						
Feed/Residual	5,470	5,304	5,432	5,525	5,700	5,725
Food/Seed/Industrial	6,885	7,056	6,791	6,820	6,825	7,100
Corn for Ethanol	5,432	5,605	5,376	5,425	5,425	5,650
Total Domestic	12,355	12,360	12,223	12,345	12,525	12,825
Exports	2,294	2,438	2,065	1,725	1,725	2,250
Total Disappearance	14,649	14,799	14,288	14,070	14,250	15,075
Ending Stocks	2,293	2,140	2,221	1,892	1,710	2,125
Stocks-to-Use	15.7%	14.5%	15.5%	13.4%	12.0%	14.1%
Avg Farm Price ($/bu)	$3.36	$3.36	$3.61	$3.85	$3.90	$3.80

Note: Corn market factors, forecasts and recommendations are as of February 14, 2020.

For questions or further discussion, contact Bill Nelson, (224) 358-6994 or e-mail at bnelson@farmjournal.com.

SOYBEANS—FEBRUARY 14, 2020

Recommendations:

Our focus remains on extending summer coverage. Revise previous price targets higher. Based the July contract, target additional 25% of June needs and initiate 25% of July coverage at $9.01 or better. Secure additional 25% of July needs should prices fall further to $8.86.

Bullish Factors:

- In the Feb. WASDE, USDA raised its U.S. soybean export forecast 50 million bushels to 1.825 billion.
- Larger exports brought ending stocks 50 million bushels lower to 425 million. On average, the trade was looking for stocks of 448M.
- In the Feb. WASDE, USDA's import forecast for China was raised 3 mmt.
- USDA sees foreign soybean consumption ex-China up 5.5 mmt from 2018/19 to 186.6 mmt. Ending stocks are seen slipping 1.4 mmt.
- USDA again bumped China soybean crush projection 1 mmt to now 86 mmt. Optimism that crush will continue to rebound from ASF.
- The average of published trade guesses peg NOPA crush in Jan. at 173.7 million bushels vs. 171.6 million last year.
- December industry crush was in-line with expectations and the second-highest monthly total on record at 184.7 million bushels.
- *Oil World* lowered its Q1 2020 crush projection for Argentina to a multi-year low due to light farmer selling. More demand for U.S. crush.
- NASS reported farm prices received for soybeans in December were their highest since Sep. 2018. Better basis levels are helping.
- Talk that wet conditions and spring outlook for U.S. Midwest may limit plantings again for the upcoming 2020 crop.
- Phase one agreement of the trade war negotiations will find China buying more U.S. soybeans.
- USTR says China made firm commitment to buy $32 billion of additional farm products over two years, averaging $40 billion per year
- Midwest cash basis levels remain strong. Besides smaller harvest, MFP payments supplementing cash flow reduce sales needs

Bearish Factors:

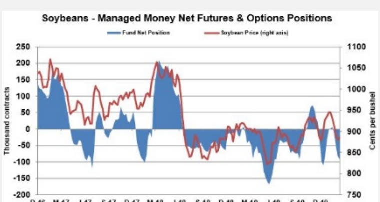
- Feb. WASDE saw USDA raise Brazil's 2019/20 soybean crop 2 mmt. to 125 mmt. More competition for U.S. soybeans.
- Larger Brazilian soybean crop added 1 mmt. to projected exports.
- USDA lowered its season-average farm price a quarter to $8.75. Doane's lowered forecast stands at $8.90 given firmer basis ideas.
- Fear from the spreading coronavirus has hit commodity markets this week on concerns for weakening Chinese demand.
- FAS export sales slipped to 23.7 million bushels in the latest week. About 27M per week needed to hit USDA's Feb forecast.
- Rumors that China booked more than 1 mmt. of South American soybeans since returning from Lunar New Year holiday.
- USDA's Post raised its projection of the Brazilian soybean crop 1 mmt to 124.5 mmt on larger area and impressive early yield results.
- BAGE maintained its forecast of the Argentine soybean crop 2 mmt. to 53.1 mmt. Local sources see output potential near 55+ mmt.
- Hearing some ideas that the Brazilian soybean crop may grow as high as 128 mmt.
- Brazilian meatpacker JBS recently signed a MOU to supply $717.26M of beef and poultry exports to China.
- Expectations for rebounding U.S. soybean acres in 2020 likely adding to long-term bearish ideas.
- Concerns that Chinese purchases will not live up to expectations as buying will not take place above competitive market values.
- POTUS announced that existing tariffs would remain in place until Phase Two talks. Holding on to tariffs as bargaining leverage.
- Reports of bird flu spreading could reduce meal demand from global poultry producers should the disease spread.
- Despite optimism of sow retention, mounting hog losses in China caused by African swine fever, reduced demand for soybeans/meal.
- When converted for their weak currencies, South American soybean prices are cheapening vs. supplies for global buyers.

Swing Factors:

- Chinese soybean demand/coronavirus impacts
- South American yield reports/production ideas
- NOPA January crush 2/18

Coverage and Insights:

Coverage remains complete through May while June coverage stands at 50%. Coverage remains unchanged again this week. Somewhat supportive demand outlook published by USDA this week, combined with signs that the impact from the coronavirus may be running its course, have reduced our optimism for a return to new lows for futures. This is reflected in the modest bump in our prior summer price targets.



Soybean futures remained firmer for much of the week before posting modest losses Friday as traders looked to remove risk ahead of the upcoming three-day trading weekend as the potential for negative news regarding coronavirus remain at the forefront. The nearby March contract rose 11 ¾ cents for the week to settle on Friday at $8.93 ¾. Buying enthusiasm was muted in the deferred contracts with the new-crop November contract rising just four cents in the week to settle at $9.22 ½.

Friday's CFTC release showed that the managed money group remained active sellers of soybean futures and options in the week ending February 11. The group's net futures and options position grew by 9,814 contracts from the previous week to 92,172. This week's data included the trade's muted reaction to the February WASDE report while generally higher prices after Tuesday's close suggests that funds may have pared that position by the end of the week.

The February WASDE proved to be mildly supportive for the soybean market as optimism from larger Chinese imports were viewed as boosting USDA's expectations for U.S. soybean shipments in the current marketing year. Unfortunately, China remains mostly absent from U.S. markets and dwindling demand from weekly FAS data reflects a less optimistic outlook. When the trade resumes from the extended weekend, any lingering bulls will look for signs that the beginning of the Phase One trade agreement may bring positive demand signs for U.S. agricultural products. The lone changes to Doane's U.S. soybean outlook this week was a modest reduction in our farm price ideas given reported marketings. Historically firm soybean basis levels are seen supporting Doane's higher farm price outlook.

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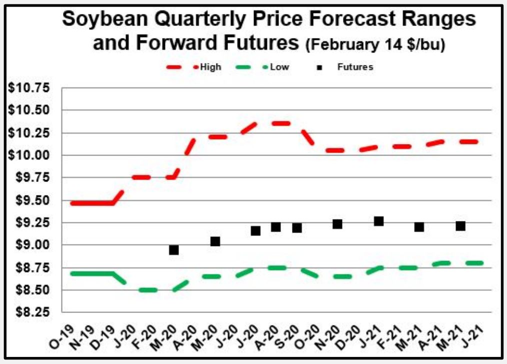

Nearby Soybeans Futures Price Ranges *($/bu)*

	Jan-Feb-Mar	Apr-May-Jun	Jul-Aug-Sept	Oct-Nov-Dec
2012	$11.50-$14.16	$13.18-$15.18	$15.22-$17.95	$13.72-$16.00
2013	$13.78-$15.18	$13.54-$15.74	$12.71-$16.30	$12.55-$13.54
2014	$12.60-$14.66	$13.73-$15.37	$9.05-$14.10	$9.04-$10.87
2015	$9.51-$10.52	$9.20-$10.59	$8.58-$10.60	$8.44-$9.20
2016	$8.49-$9.17	$9.01-$12.58	$9.34-$11.76	$9.37-$10.65
2017	$9.44-$10.80	$9.00-$9.81	$9.17-$10.27	$9.43-$10.15
2018	$9.37-$10.71	$8.41-$10.67	$8.10-$9.06	$8.32-$9.28
2019	$8.78-$9.31	$7.80-$9.22	$8.37-$9.18	$8.68-$9.46
2020	$8.50-$9.25	$8.65-$10.20	$8.75-$10.35	$8.65-$10.05
2021	$8.75-$10.10	$8.80-$10.15		

Note: Green areas show Doane projections.

U.S. Soybean Balance Sheet September/August Crop Year *(million bushels)*

	2016/17	2017/18	2018/19	Feb. USDA 2019/20	Doane 2019/20	Doane 2020/21
Planted Acres (mil)	83.5	90.2	89.2	76.1	76.1	83.5
Harvested Acres (mil)	82.7	89.5	87.6	75.0	75.0	82.6
Yield (bu/a)	51.9	49.3	50.6	47.4	47.4	50.5
Supply						
Beginning Stocks 9/1	197	302	438	909	909	450
Production	4296	4412	4428	3558	3558	4170
Imports	22	22	14	15	15	20
Total Supply	4515	4735	4880	4482	4482	4640
Disappearance						
Crush	1901	2055	2092	2105	2105	2125
Exports	2166	2134	1748	1825	1800	1925
Seed	105	104	89	96	97	97
Residual	41	4	43	31	30	33
Total Disappearance	4214	4297	3971	4057	4032	4180
Ending Stocks	302	438	909	425	450	460
Stocks-to-Use	7.2%	10.2%	22.9%	10.5%	11.2%	11.0%
Avg Farm Price ($/bu)	$9.47	$9.33	$8.48	$8.75	$8.90	$9.10

Note: Soybean market factors, forecasts and recommendations are as of February 14, 2020.

For questions or further discussion, contact Rob Hatchett, (901) 570-2097 or e-mail at rhatchett@farmjournal.com.

SOY OIL—FEBRUARY 14, 2020

Recommendations:

Our focus remains on extending summer coverage. Adjust targets to advance June-July coverage 25% at 31.01 or better based the July contract. Target securing initial August needs based the corresponding contract at 31.21 or better.

Bullish Factors:

- In the Feb. WASDE, USDA lowered its soyoil supply forecast 130M lbs. via lower soyoil yield of 11.54 lbs. per bushel. Doane is higher at 11.57.
- USDA raised its export forecast 200M lbs. in the Feb. WASDE to 1.900B lbs. Doane is higher at 2.125B lbs.
- Total export commitments for U.S. soyoil are up 32.9% from implied data for last year. USDA's latest export figure is nearly flat YOY.
- NOPA is expected to report soyoil stocks grew 25M lbs. in Jan. to 1.782B lbs. Since 2013, stocks have risen on average 143M lbs. in Jan.
- Rumors that China has been checking offers for U.S. soybean oil at the Gulf this week.
- China imported 535 tmt of U.S. soybean oil in 1998. We would not be surprised to see some imports included in the Phase One purchases.
- Census imports for December fell below expectations. This has recently prompted Doane to trim our MY2019/20 forecast 5M lbs.
- USDA remains more optimistic than Doane in terms of U.S. soybean oil imports forecast at 450M lbs.
- Courts ruled that EPA misused SREs for three refineries. This move could further weaken SREs and boost biodiesel demand.
- India continues to shun Malaysian palm oil. This demand seen being met via Indonesian palm oil and soyoil.
- Tight domestic soybean oil supplies suggest that lower futures prices will be offset via higher basis levels.
- Renewal of $1/gallon biodiesel tax credit viewed as a positive for future growth. This should begin boosting output in 2020 EIA data.
- Projections for soybean oil stocks falling to pipeline levels by October 2020 will remain supportive of traders' price ideas.
- China removed its import quotas on veg oils in August. This has proven bullish on global veg oil demand.

Bearish Factors:

- Conflicting reports of the coronavirus cast shadow on global growth forecasts and consumer demand for agricultural products.
- Slowing palm oil export figures have weighed on price ideas as the trade mulls impact of lower Indian and Chinese shipments.
- January MPOB data was mostly as expected which failed to elicit any substantial buying interest.
- Weakening energy prices doing little to elicit greater biofuel demand. Negative price spreads reported thanks in part to firmer vegoil prices.
- Growing Brazilian soybean output and crush ideas may provide greater competition for U.S. soy and soy products.
- The Feb. WASDE saw USDA raise its U.S. soyoil carryout 69M lbs. to 1.515B lbs. Doane maintains higher ending stocks at 1.675B.
- In the Feb. WASDE, USDA lowered its Decatur crude soybean oil price 50 points to 33.5 cents per lb. Doane remains lower at 32.0 cents.
- The average guess for crush of 173.7M bus. would be record large for January. This could boost MY crush and raise soyoil supply ideas.
- Private analysts raising South American crop ideas on much improved weather as the crop finishes and hits farmers' bins.
- Seasonal build in soybean oil stocks confirmed by latest NASS data. Doane expects a normal seasonal build to continue in Jan. NOPA data.
- SRE waiver requests rose to 21 for the 2019 year. The EPA will act based on recommendations from the Department of Energy.
- Major Argentine crusher remains offline. Greater demand for U.S. meal exports should prop crushings and output of U.S. soybean oil.
- Phase One of the U.S./China trade talks inclusion of greater U.S. livestock shipments would bolster crush rates via higher meal demand.
- Additional crush capacity has helped to boost U.S. soybean processing capabilities in recent months.

Swing Factors:

- NOPA crush, stocks data 2/18
- China purchases of U.S. agricultural products
- South American harvest results

Coverage and Insights:

Soybean oil coverage remains unchanged this week. Summer coverage was initiated early last week, while March-May coverage had been completely previously. June coverage stands at 50% while 25% of July requirements have been secured. We have raised our previous targets for summer needs this week as firming prices throughout the soybean complex following this week's USDA inputs have lowered the likelihood of revisiting previous recent contract-low levels.

Choppy would describe price action in soybean oil futures this week as values returned a portion of last week's gains but volatility was lower on a weekly basis. Futures prices eroded 41 points this week in the nearby March contract while losses were generally lower in other contracts. Demand woes weighed on the palm oil market this week which set the tone for weakness in soybean oil. Firmer soybean prices likely buoyed prices.

USDA's February WASDE included several needed adjustments to the agency's U.S. soybean oil balance sheet. Lower supplies were more-than-offset by generally lower domestic demand ideas to push carryout supplies 69 million lbs. higher. Despite the increase, USDA's forecast ending stocks remain tight, and leave little room for crush to fall short of current expectations without another surge in prices to ration demand and evoke renewed rapeseed crushings. NOPA will provide monthly data for January mid-morning Tuesday when the trade resumes from the three-day holiday weekend. Looking at analysts' guesses reported by Reuters, crush is seen in range of 171.0 million and 176.98 million bushels. Doane's estimate is towards the low end of expectations at 172.0 million bushels. Members crushed 171.6 million bushels last year providing the previous January record. Views on soybean oil stocks varied between 1.650 billion lbs. at the low-end of the range with Doane equaling the largest guess at 1.875 billion lbs. While towards the upper end of expectations, Doane's estimate would still fall short of a normal build in supplies for the month. Demand from most end-users was likely unable to respond to the sharp drop in values throughout the month to keep supplies from building considerably.

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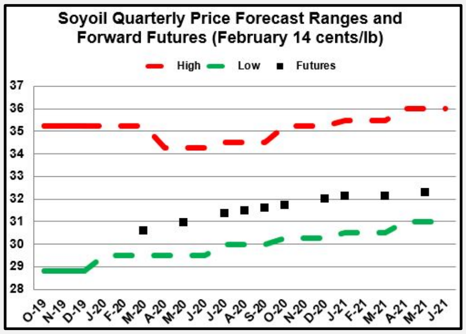


Nearby Soybean Oil Futures Price Ranges *(cents/lb.)*

	Jan-Feb-Mar	Apr-May-Jun	Jul-Aug-Sept	Oct-Nov-Dec
2013	48.46-53.57	45.85-50.61	40.76-47.57	38.54-42.12
2014	36.80-44.70	37.76-43.57	31.34-39.04	31.12-34.95
2015	29.32-33.71	30.39-35.29	25.38-33.60	26.74-31.96
2016	29.01-34.37	30.74-35.14	29.28-34.41	32.33-38.11
2017	31.60-36.07	30.86-33.44	32.01-35.60	32.07-35.44
2018	31.28-33.86	27.79-32.73	26.88-29.13	26.96-29.76
2019	27.88-31.01	26.03-29.41	26.50-30.50	28.80-35.22
2020	29.50-35.25	29.50-34.25	30.00-34.50	30.25-35.25
2021	30.50-35.50	31.00-36.00		

Note: Green areas show Doane projections.

U.S. Soybean Oil Balance Sheet October/September Crop Year *(million pounds)*

	2016/17	2017/18	2018/19	Feb. USDA 2019/20	Doane 2019/20	Doane 2020/21
Supply						
Beg. Stocks 10/1	1,687	1,711	1,995	1,775	1,775	1,675
Production	22,123	23,772	24,195	24,290	24,355	24,650
Imports	319	335	398	450	390	375
Total Supply	24,129	25,819	26,589	26,515	26,520	26,700
Disappearance						
Domestic use	19,862	21,380	22,872	23,100	22,720	23,000
For Biodiesel	6,200	7,134	7,863	8,200	8,400	8,800
All Other	13,662	14,247	15,009	14,900	14,320	14,200
Exports	2,556	2,443	1,941	1,900	2,125	2,050
Total Disappearance	22,418	23,823	24,813	25,000	24,845	25,050
Ending Stocks	1,711	1,995	1,775	1,515	1,675	1,650
Stocks-to-Use	7.6%	8.4%	7.2%	6.1%	6.7%	6.6%
Crush* (mill. bus.)	1,908	2,079	2,085	2,105	2,105	2,125
SBO Yield (lbs./bu.)	11.59	11.43	11.61	11.54	11.57	11.60
Decatur (cents/lb.)	32.48	30.04	28.26	33.50	32.00	32.25

Note: Soybean oil market factors, forecasts and recommendations are as of February 14, 2020.

For questions or further discussion, contact Rob Hatchett, (901) 570-2097 or e-mail at rhatchett@farmjournal.com.

SOY MEAL—FEBRUARY 14, 2020

Recommendations:

Our focus remains on extending ownership into the summer months. Target 25% of July needs at $296. Extend August coverage 25% based the corresponding contract at $297.5.

Bullish Factors:

- USDA lowered its U.S. soybean meal carryout 25,000 tons in the Feb. WASDE to 375,000. Doane is lower at 365,000 tons.
- USDA lowered its soybean meal yield to essentially match Doane's pre-report estimate of 47.01 lbs. per bushel.
- The Feb. WASDE increased foreign meal demand 1.44 mmt. and reduced ending stocks 0.28 mmt.
- NASS reported soybean meal stocks fell 90,341 tons in Dec. 2019 to 377,072. First decline in Dec. soybean meal stocks since 2015.
- *Oil World* estimates that January meal imports rose year-over-year in Japan, Pakistan and Taiwan.
- Census soybean meal exports topped forecasts based on weekly FAS data. This bumped Doane's export forecast 75,000 tons to 13.400M.
- Recent changes to Doane's balance sheets lowered projected U.S. soybean meal ending stocks 40,000 tons in both 2019/20 and 2020/21.
- Talk that Chinese crush margins improving. Will translate into better livestock feeding and meal demand once coronavirus fears subside.
- More talk this week that continued wet conditions in the U.S. Midwest may again hamper wheat harvest and limit double-crop beans.
- Recent bilateral trade agreements are seen supportive of U.S. soybean meal demand.
- Reports of bird flu outbreaks and fresh ASF cases continue to cloud the global meal demand outlook.
- Commercialization of Chinese hog operations is seen helping to improve efficiencies in the rebound from ASF.
- Phase One of the U.S/China trade agreement calls for considerable increase to China's imports of U.S. agricultural products.
- Larger imports of U.S. meat by China to boost demand for U.S. soybean meal in the domestic feed sector.
- Return to higher export taxes could limit Argentina soybean output in future years as prices are passed along to lower cash offerings.
- Major Argentine crusher remains shuttered, which should boost demand for U.S. soybean meal exports.

Bearish Factors:

- Growing South American soybean crops are likely to cap price gains in the soybean complex.
- Spread of the coronavirus has weighed on the soybean complex this week on fears of lowered demand for agricultural products.
- Friday's CFTC data showed that funds grew their net-short positions in both beans and meal in the latest reporting week.
- Commodity funds will likely defend net-short positions so long as there are no signs for drastically improved demand for U.S. soybeans.
- Clause in Phase 1 agreement says 'a natural disaster or other unforeseeable event' could delay Chinese purchases.
- Doane recently lowered projected Decatur cash meal prices by $5.00/ton on continued weakness in cash prices.
- Chinese purchases of South American soybeans ahead of the Phase One period have cast doubts as to U.S. purchase potential.
- *Oil World* notes that U.S. meal offers at the Gulf remain at a premium to South American supplies.
- Improved ethanol outlook could bring some additional competition to the feed markets from DDGs.
- Cash markets have been sluggish and forecasts for a warmer winter may limit feed needs.
- Cases of bird flu have prompted culling of poultry flocks in Southeast Asia.
- Reports that African swine fever continues to spread in eastern Europe. Fresh cases reported along the Polish-German border.
- Additional U.S. crush capacity has come online, helping to bolster additional soybean meal production in coming months.

Swing Factors:

- South American weather
- NOPA reports 2/18
- U.S.-China trade signs

Coverage and Insights:

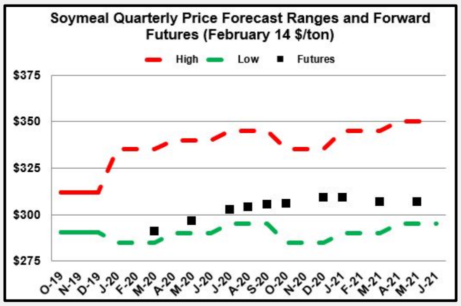
Coverage levels were unchanged this week with all needs secured through June. Initial coverage for July was added last week. We have maintained our previous targets given the continued weakness in the protein outlook given continued fears for coronavirus, ASF and bird flu to temporarily weigh on livestock feed needs.

Soybean meal futures found some modest support this week following the soybean market into the green much of the week before paring gains in Friday's session. Just when it appeared that higher prices had taken out targeted resistance in the nearby March contract, technical buying failed to push prices considerably higher. This was likely a result from continued fears for Chinese protein demand. March futures rose $1.80 in the week to settle on Friday at $291.10 per ton. This remains within striking distance of last week's contract-lows. Greater gains in the soybean market pushed financial crush levels sharply lower in the week with the nearby March contracts losing over 12 cents for the week. Losses were less severe in the summer months.

USDA's February WASDE saw USDA fine-tune their soybean meal yields lower to nearly match Doane's previous estimate but failed to make any material adjustments to the strong start to import pace or tweak its demand components. Doane sees greater imports nearly matching our higher export forecast to keep our ending stocks projection near USDA's latest projection. Continued strong U.S. meal exports support Doane's higher forecast.

The trade will receive January crush indications from NOPA when the trade returns from the extended U.S. holiday weekend. Doane's crush estimate has fallen towards the low end of analysts guesses this month. Doane will look both at crush levels and soybean meal yields when considering any potential adjustments to our soybean meal balance sheets. The broader trade will likely remain focused on Chinese demand, South American finishing weather and macro market sentiment as health officials look to control the coronavirus outbreak.

SOY MEAL (PAGE 2)—FEBRUARY 14, 2020



Nearby Soybean Meal Futures Price Ranges *($/short ton.)*

	Jan-Feb-Mar	Apr-May-Jun	Jul-Aug-Sept	Oct-Nov-Dec
2013	$394.50-$445.00	$389.90-$491.50	$393.80-$545.10	$391.80-$510.00
2014	$413.80-$486.50	$445.00-$509.40	$303.50-$464.20	$295.10-$417.60
2015	$317.20-$372.10	$296.30-$360.40	$300.80-$382.50	$263.90-$312.30
2016	$255.70-$276.60	$265.90-$432.50	$293.90-$406.20	$293.00-$328.80
2017	$307.00-$353.70	$292.00-$319.40	$291.80-$338.80	$305.80-$346.10
2018	$308.00-$399.70	$320.30-$404.90	$298.80-$342.60	$303.00-$327.00
2019	$296.5-$320.10	$280.70-$328.10	$286.40-$317.00	$290.50-$311.90
2020	$285.00-$335.00	$290.00-$340.00	$295.00-$345.00	$285.00-$335.00
2021	$290.00-$345.00	$295.00-$350.00		

Note: Green areas show Doane projections.

U.S. Soybean Meal Balance Sheet October/September Crop Year *(1,000 short tons)*

	2016/17	2017/18	2018/19	Feb. USDA 2019/20	Doane 2019/20	Doane 2020/21
Supply						
Beginning Stocks 10/1	264	401	555	402	402	365
Production	44,787	49,226	48,809	49,473	49,483	49,995
Imports	350	483	684	500	680	605
Total Supply	45,401	50,109	50,048	50,375	50,565	50,965
Disappearance						
Domestic use	33,420	35,537	36,092	36,800	36,800	37,300
Exports	11,580	14,016	13,544	13,200	13,400	13,300
Total Disappearance	45,000	49,554	49,646	50,000	50,200	50,600
Ending Stocks	401	555	402	375	365	365
Crush* (mil. bu)	1,908	2,079	2,085	2,105	2,105	2,125
Avg Meal Yield (lbs./bu.)	46.94	47.35	46.82	47.01	47.01	47.05
Decatur-48% Protein ($ per short ton)	$316.88	$345.02	$308.28	$305	$305	$315

Note: Soybean meal market factors, forecasts and recommendations are as of February 14, 2020.

For questions or further discussion, contact Rob Hatchett, (901) 570-2097 or e-mail at rhatchett@farmjournal.com.

WHEAT—FEBUARY 14, 2020

Recommendations:

First quarter coverage for SRW was completed this week and HRS has been covered previously. Cancel previous HRW target for March and go ahead and complete March 2020 coverage. May futures have seen substantial price corrections of about 25-30 cents over the past month. Increase coverage for all classes by 25% for April-May to 50% complete. Begin June class coverage of 25% basis respective July futures contracts for SRW at $5.35, HRW at $4.68, or HRS at $5.38.

Bullish Factors:

- Export sales pace has been good. USDA lifts its export forecast by 25 million bushels in February WASDE.
- The Feb. WASDE - World Ex-China stocks-use ratio of 17.4% is its lowest since 2007/08. 10-year average is 19.2%.
- USDA lifted China wheat import forecast by 800,000 tonnes in Feb. WASDE
- Consultants JCI see Chinese wheat import potential of 5.8 mmt in 2020/21. Forecast up 2.1 mmt year-to-year.
- President Xi has claimed that China would still meet its Phase 1 purchasing targets despite delays caused by coronavirus
- The trade agreement with China stipulates 2020 purchases of $36.5 billion of ag products, the most ever. Wheat should get a share.
- Trade deal stipulates 2021 ag purchases of $43.5 billion. Underlines even larger potential for wheat sales.
- Oklahoma noted expanding drought and winter wheat ratings of 36% G/E in its monthly crop update, down 16% from late-November.
- Kansas rating at 34% good to excellent in late January down 6 points from end December and down 10 points from end November
- French sowings down 5.6% YOY, condition 65% good-excellent down from 85% YOY, production fcst 33.8 mmt down from 39.5 mmt YOY
- German area down 20% YOY. Private UK forecasts wheat area down 20% YOY & production outlook of 10.6 mmt vs 16.2 mmt last year.
- Low US winter wheat seedings of only 30.804 million acres.
- Barring a huge surge in spring wheat plantings or very high yields, 2020 production destined to be much below demand.
- 2020/21 ending stocks seen dropping toward 800 million bushels. Market appreciating risk for ever tightening stocks in early 2020s
- Generally poorer quality will likely force a much larger portion of new-crop Canadian wheat into feed channels.

Bearish Factors:

- Limited risk of winterkill over the next two weeks. Very little winterkill to date according to World Weather forecasting firm.
- Coronavirus spreading globally and seen limiting Chinese economic growth and demand for commodities
- Coronavirus is disrupting simple requirements of offloading grains at ports and shipping within China
- Chinese insistence that wheat import purchases will be market and demand based, countering optimism about large sales of US wheat
- France expects total exports of 1 mmt to 1.2 mmt to China
- Russia sees its next wheat harvest at 78.744, up 5.9% YOY
- Reports Russia's winter crop is faring better than in recent years. Early start to spring field work seen.
- Egypt bought Russian and Romanian wheat in this week's tender. $7/MT less than two weeks ago. No US wheat offered
- Managed Money net higher to 45940 bullish positions as of February 11. Declining potential for managed money buying to drive more gains
- Monthly wheat condition ratings above average in Colorado, Nebraska, S Dakota, and Montana. MT and SD ratings very high
- Canada forecasting in 2020 3% increase in wheat area and 4.8% increase in production to 33.9 mmt
- Record 2019/20 global wheat stocks of 288.03 mmt and up 9.76 mmt from 2018/19
- India expected to harvest a record wheat crop this spring
- Rains into eastern Australia after months of below average precipitation. Above average so far in February

Swing Factors:

- Coronavirus timeline to containment and return to normal trade and travel conditions in China
- USDA Outlook Conference 2020/21 forecasts on February 20-21

Coverage and Insights:

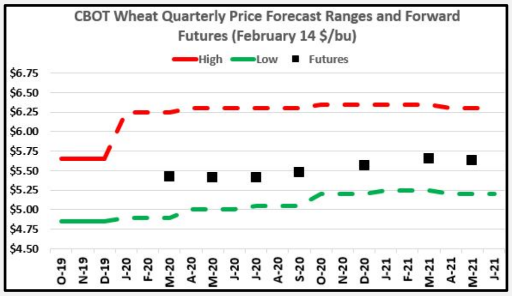
First quarter coverage is complete for SRW and HRS classes. HRW is 75% covered for March. SRW coverage for March was completed on Tuesday. April-May coverage is at 25% complete for all classes.

Wheat futures prices were lower for all classes this week. The March SRW futures plunged 16 cents at $5.42 3/4. HRW futures dropped 7 cents at $4.65 1/2. That was a precise reversal of the 7-cent gain the week before. HRS futures closed at $5.25 1/24, down 10 ¼ cents on the week.

The main news of the week was the release on Tuesday of the monthly WASDE. In its February WASDE, USDA raised its export forecast 25 million bushels to 1.000 billion. This was the lone change for the month, which brought ending stocks lower by the same amount to 940 million bushels. Greater exports were said to have resulted from increased U.S. competitiveness on the world market, and recent sales figures seemingly support the improved outlook. If realized, USDA's export forecast would be the first year where exports equaled or exceeded the one-billion-bushel mark since 1.051 billion bushels were shipped in 2015/16. Doane adopts the export forecast and retains a lower ending stocks forecast due to a larger feed use forecast. The surprise was market selling on WASDE day even with the lower stocks and higher export forecast. The market is still seeing strong competition from Europe, notwithstanding the export forecast increase. Weather conditions are good. On the other hand, winter wheat plantings for 2020 are down in the U.S. and several European countries. Friday's closing prices were in the bottom half to bottom quartile of the quarterly price ranges. Our advice is to buy a portion of second quarter needs into this market weakness.

WHEAT (PAGE 2)—FEBUARY 14, 2020

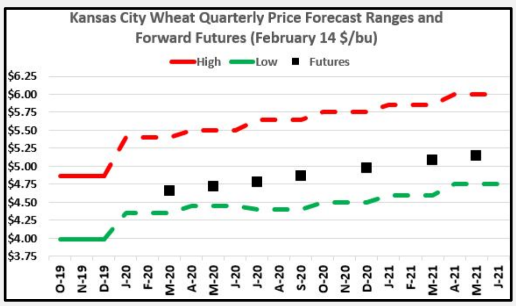
Nearby Chicago Wheat Futures Price Ranges *($/bu)*



	Jan-Feb-Mar	Apr-May-Jun	Jul-Aug-Sept	Oct-Nov-Dec
2013	$6.73 – $8.00	$6.47 - $7.27	$6.23 - $6.95	$5.99 - $7.11
2014	$5.50 - $7.24	$5.56 - $7.35	$4.66 - $5.72	$4.70 - $6.77
2015	$4.81 - $6.04	$4.60- $6.15	$4.56 - $6.16	$4.51 - $5.32
2016	$4.35 - $4.88	$4.23 - $5.24	$3.60 - $4.40	$3.70 - $4.28
2017	$4.04 - $4.64	$3.98 - $5.12	$3.94 - $5.56	$3.86 - $4.50
2018	$4.13 - $5.06	$4.46 - $5.54	$4.70 - $5.93	$4.87 - $5.35
2019	$4.22 - $5.31	$4.16 - $5.58	$4.44 - $5.39	$4.85 - $5.65
2020	$4.90 - $6.25	$5.00 - $6.30	$5.05 - $6.30	$5.20 - $6.35
2021	$5.25 - $6.35	$5.20 - $6.30		

Note: Green areas show Doane projections.

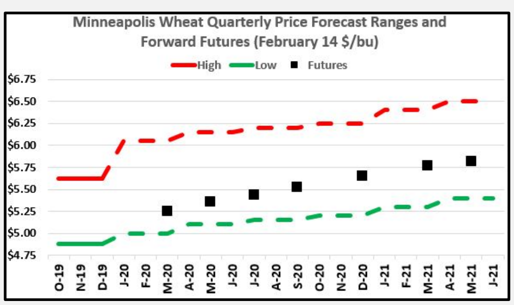
Nearby Kansas City Wheat Futures Price Ranges *($/bu)*



	Jan-Feb-Mar	Apr-May-Jun	Jul-Aug-Sept	Oct-Nov-Dec
2013	$7.23 – $8.52	$6.71 - $8.05	$6.72 - $7.47	$6.33 - $7.76
2014	$6.08 - $7.99	$7.02 - $8.55	$5.54 - $7.11	$5.50 - $7.06
2015	$5.14 - $6.42	$4.84 - $5.93	$4.40 - $5.93	$4.46 - $5.21
2016	$4.37 - $4.91	$3.97 - $4.98	$3.67 - $4.27	$3.82 - $4.28
2017	$4.14 - $4.74	$3.99 - $5.11	$3.91 - $5.57	$3.94 - $4.45
2018	$4.20 - $5.27	$4.53 - $5.75	$4.50 - $5.99	$4.59 - $5.32
2019	$4.14 - $5.18	$3.78 - $4.97	$3.62 - $4.73	$3.99 - $4.87
2020	$4.35 - $5.40	$4.45 - $5.50	$4.40 - $5.65	$4.50 - $5.75
2021	$4.60 - $5.85	$4.75 - $6.00		

Note: Green areas show Doane projections.

Nearby Minneapolis Wheat Futures Price Ranges *($/bu)*



	Jan-Feb-Mar	Apr-May-Jun	Jul-Aug-Sept	Oct-Nov-Dec
2013	$7.71 – $8.82	$7.61 -$8.58	$6.97 - $8.27	$6.28 - $7.66
2014	$5.95 - $7.70	$6.67 - $7.99	$5.29 - $7.38	$5.25– $6.80
2015	$5.38 - $6.38	$5.13 - $6.25	$4.85 - $6.19	$4.91 - $5.35
2016	$4.81 - $5.31	$4.92 - $5.57	$4.82 - $5.34	$5.04 - $5.50
2017	$5.15 - $5.90	$5.19 - $7.81	$6.10 - $8.16	$5.96 - $6.58
2018	$5.75 - $6.36	$5.20 - $6.51	$5.12 - $6.39	$5.49 - $6.00
2019	$5.48 - $5.85	$4.85 - $5.90	$4.67 - $5.59	$4.88 - $5.62
2020	$5.00 - $6.05	$5.10 - $6.15	$5.15 - $6.20	$5.20 - $6.25
2021	$5.30 - $6.40	$5.40 - $6.50		

Note: Green areas show Doane projections.

WHEAT (PAGE 3)—FEBUARY 14, 2020

U.S. Wheat Balance Sheet June/May Crop Year *(million bushels)*

	2016/17	2017/18	2018/19	Feb. USDA 2019/20	Doane 2019/20	Doane 2020/21
Planted Acres (mil)	50.1	46.1	47.8	45.2	45.2	45.5
Harvested Acres (mil)	43.8	37.6	39.6	37.2	37.2	37.5
Yield (bu/a)	52.7	46.4	47.6	51.7	51.7	49.0
Beginning Stocks 6/1	976	1,181	1,099	1,080	1,080	935
Production	2,309	1,741	1,885	1,920	1,920	1,835
Imports	118	158	135	105	105	125
Total Supply	3,402	3,080	3,119	3,105	3,105	2,895
Food	949	964	955	955	955	958
Seed	61	63	59	60	60	61
Feed and Residual	161	47	90	150	155	96
Domestic Use	1,171	1,075	1,103	1,165	1,170	1,115
Exports	1,051	906	936	1,000	1,000	975
Total Disappearance	2,222	1,981	2,039	2,165	2,170	2,090
Ending Stocks	1,181	1,099	1,080	940	935	805
Stocks-to-Use	53.1%	55.5%	52.9%	43.4%	44.1%	38.5%
Avg Farm Price ($/bu)	3.89	4.73	5.16	4.55	4.60	5.50

Note: Wheat market factors, forecasts and recommendations are as of February 14, 2020.

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