INSIDE THIS ISSUE:

"WHERE FARMERS FUEL AMERICA"

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Rationally Speaking...

It is hard to comment without criticism, giving or receiving it, about the current Covid-19 situation. Let's just say that the direct and indirect monetary cost to fight this thing is far from being shared equitably among all people and industry, and is not sustainable. Your location, your age, your occupation, your life choices to date, have put you squarely in harms way of the virus itself or the crippling costs of fighting it. Public responses have been as predictable and uncontrollable as the doctor testing your reflexes by tapping your knee, or trying to hold in a sneeze. You can see it coming, but you are helpless to react differently. It is the unknowns of this virus that create panic; the unknown of who it will kill, how many, and the unknown ability to eliminate or manage the virus. The cure could be the next dollar away, so we continue the course. You'd hate to spend 2 trillion dollars when a cure is 2 trillion and one dollar away.

The nation and individuals eventually grow comfortable living with known risks of death that come from various directions. Most volunteer to accept a good degree of risk where pleasure or compensation may be involved. 38,000 people die from road crashes annually in the U.S. and 4.4 million are injured. Yet, vacations in pursuit of immediate pleasure outweigh the odds of death and permanent injury. We regulate speed limits according to peoples' tolerance of risk and Government assessment of profit versus loss of life, and we strike a balance. Road crashes are the leading cause of death for people aged 1-54. Globally 1.35 million are killed in road crashes annually. In the U.S., heart disease kills 650,000, diabetes 83,000, and skin cancer 9,000. All of these are largely preventable, but the cost or inconvenience ("not living life to its fullest"), keeps many playing the odds.

We are already starting to understand the odds of death from this new virus and understand what must be given up by whom to prevent contraction. We will establish new parameters as a nation that will place odds into similar quantifiable brackets as those things above, and we'll move on, eventually. Until then, and just like with all those other potential killers out there, it will ultimately be a personal choice that relates to your current circumstances in life...mostly your age as it pertains to the threat of this virus, as to whether you end up getting on with life as before or moving farther away from it, where youth and most of the big risk takers reside. The big difference between this virus and other risks of death is that it is not voluntary. That is why this is scarier than most things that can kill you. Long after this virus is beat, there will still be people lining up to die prematurely of accepted risk, like texting and driving...2800/year.

ACCORDING TO THE NUMBERS...

According To The Numbers…

Going back to 1990, the largest drop in corn acres from the March planting intentions to the June report is 3.3 million acres, in 1995 from flood. In 18 of 30 years since, corn acres increased from March to June. In any year where reduced significantly, it was as a result of extensive flooding.

If ethanol demand would average 30% lower going forward the rest of the year, that would be a demand reduction of about 625 million bushels. On the flip side, 250 million of new corn demand for feed would replace ddgs. The net reduction is 375 million bushels.

A bearish baseline, an estimated 97 million corn acres planted, a trend yield of 178bpa, modest exports, and modest ethanol, could result in a carryout approaching 4 billion bushels and a farm price of $2.50.

A bullish baseline, an estimated 94 million acres planted, a yield reduced to 170bpa, near record exports, and rebounding ethanol usage, could result in a carryout approaching 2 billion bushels and a farm price of $3.50, about where we've been prior to the virus.

As of today, funds are only short about half the record short position. But make no mistake, once the corn is in the ground, short positions will increase ratably right through pollination if uneventful and that is when you will see the cheapest corn of the year.

For ethanol to run, corn prices are still 30 cents too high today. For ethanol to be profitable, corn needs to be a lot cheaper than that.

To keep it simple, lets assume we shave off 30% of ethanol demand for the next 2 years. 30% of 5 billion bushels is 1.5 billion bushels. What does it take to offset this huge number?

1.5 billion / (1 million acres x 178 bushels) = 8 million acres of corn needs to go away

1.5 billion / 97 million acres = yield needs to be reduced by 15 bushels per acre

Both of those things above have happened, once from flooding and once from drought; once each in the last 30 years. Today, we need a flood followed by a drought to put corn prices where you think they need to be. Here's the hitch. Corn prices can't go higher without ethanol slowing down even more. Without higher fuel price and higher fuel demand, you can't win.

You will need to market corn and beans this year in a very defensive manner. 6 months from now, the numbers say that a price range exists from $2.50 to $3.50. December futures are $3.50 today. Today, you think that is awful, yet today, the numbers say that is a great price.

Farmer Spotlight Connections

"WHERE FARMERS FUEL AMERICA"

Bruce Buck Insurance—660-376-4000, Marceline, MO

Richard Gunnels—Agri-Genesis LLC, Macon, MO