

GENERAL SESSION III

Grain Outlook

Dan O'Brien, Kansas State University

Daniel O'Brien was raised on a grain and livestock farm in south central Nebraska. He received bachelors and masters degrees in Agricultural Economics from the University of Nebraska-Lincoln. After completing his Ph.D. at Iowa State, he worked as the Extension Agricultural Economist at the Northwest Research and Extension Center in Colby and was Northwest Area Extension Administrative Director starting in 2003 before returning to his Extension Agricultural Economist position in January 2007. His ongoing extension and applied research interests and efforts are in the areas of a) grain market supply-demand analysis, bioenergy impacts and risk management strategies, b) grain industry market structure, conduct and performance – focusing on grain handling and transportation issues, and c) economic analysis of irrigated and dryland cropping systems, and associated cropland leasing arrangements.

Abstract/Summary

The 2012 drought is causing severe changes in projected U.S. and World corn and soybean supply-demand balances and price expectations for the 2012/13 marketing year. World and U.S. wheat supply-demand for MY 2012/13 is being affected by production problems in key World production areas (the Black Sea region, Europe, etc.) and by the shortfall in feedgrain supplies. are also being affected For the remainder of 2012 and on into 2013-14, U.S. and World grain and oilseed markets will be dealing with issues of historically low ending stocks, price rationing of use (bioenergy, livestock feeding, exports), crop acreage planting decisions, weather-induced crop production uncertainty, and likely structural change in the U.S. and World agricultural industries that rely on grains and oilseeds. The most likely "way forward" will be discussed in this presentation.

GRAIN MARKET OUTLOOK

2012 RISK & PROFIT CONFERENCE

MANHATTAN, KANSAS

AUGUST 16-17, 2012

Daniel O'Brien, Extension Ag Economist



2012-13 GRAIN MARKET "DRIVERS"

○ Corn & Grain Sorghum

- "Short" 2012 U.S. Feedgrain Crops
- Rationing use & "tight" ending stocks



○ Soybeans & Sunflowers

- "Short" 2012 U.S. & South American crops
- U.S.-World exports (China) & "tight" stocks



○ Wheat

- "Good" 2012 U.S. crop but problems elsewhere
- "Spillover" market impacts from feedgrains



FEEDGRAIN MARKETS:

CORN & GRAIN SORGHUM



CBOT CORN FUTURES

MONTHLY CONTINUOUS CHART: JUNE 2003 – JULY 2012



CBOT DEC 2012 CORN FUTURES

WEEKLY, APRIL 2011 – AUGUST 16, 2012

C Z2 [10] - CORN (OPEN-OUTCRY) LAST: 807'0 CHANGE: 3'0 HIGH: 810'6 LOW: 803'4 8/17/2012

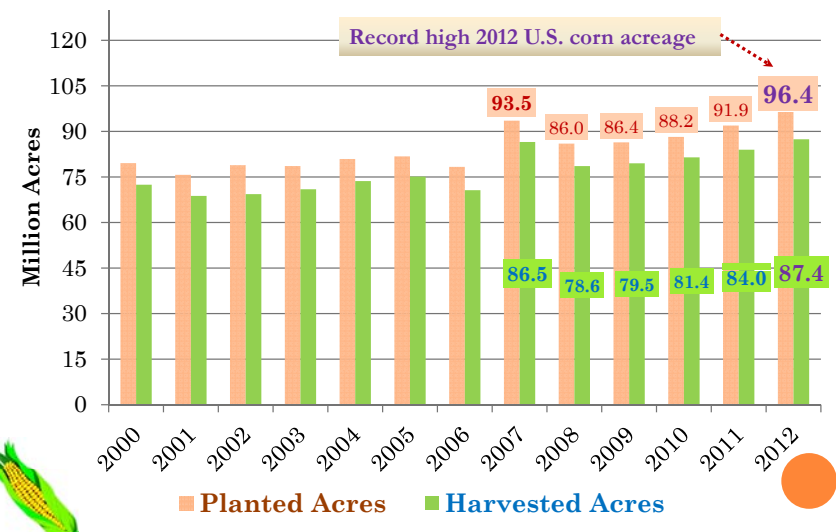


2012-13 FEEDGRAIN PRODUCTION

- 2012 U.S. Corn Acres, Yields & Production
 - Planted / Harvested Ac. = 96.4 / 87.4 million (Records)
 - Yield = 123.4 bu/ac (August) vs 161 bu/ac trend
 - Production = 10.779 billion bu (vs 12.97 bb in July)
- 2012/13 South American Corn Crops
 - Brazil:** 2.76 bln bu²⁰¹³ (vs 2.86 & 2.26 bb last 2 years)
 - Argentina:** 1.10 bln bu²⁰¹³ (vs 0.83 & 1.02 bb last 2 years)
- Looking to 2013.....
 - Incentive for ↑ corn acreage in U.S./ South America
 - Risk of ongoing 2nd year drought (E. Taylor-ISU)

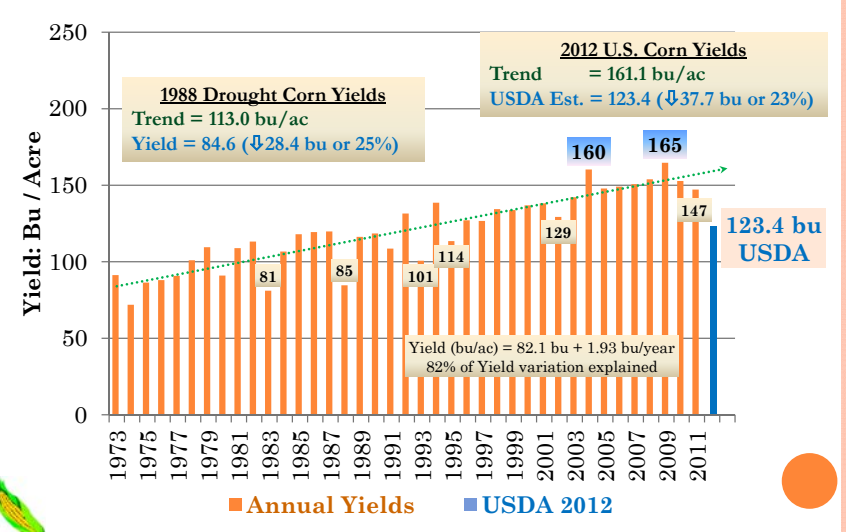
U.S. CORN ACREAGE

YEARS 2000 THROUGH 2012



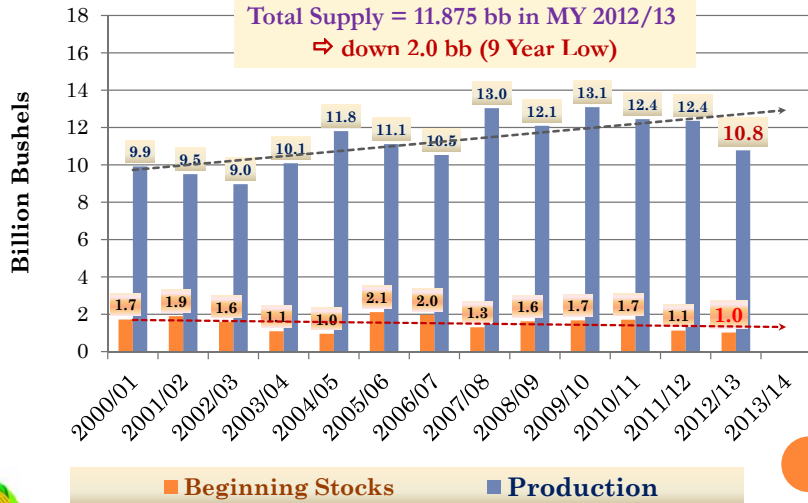
U.S. CORN YIELDS SINCE 1973

2012 TREND = 161 BU / USDA AUGUST = 123.4 BU/AC



U.S. CORN PRODUCTION & SUPPLIES

FROM MY 2000/01 TO 2012/13



2012/13 U.S. CORN USE & STOCKS

○ Rationing of Use vs “old crop” 2011/12

- Ethanol = 4,500 bln bu (down 10% vs 5,000 bb)
- Livestock Feed = 4,075 bln bu (down 10% vs 4,550 bb)
- Exports = 1,300 bln bu (down 16% vs 1,550 bb)
- Other FSI = 1,350 bln bu (down 3% vs 1,390 bb)
- Total Use = 11,225 bln bu (down 10% vs 12,490 bb)

○ Tight Ending Stocks (2nd lowest on record)

- 650 mln bu & 5.8% Stocks/Use (vs 5.0% in 1995/96)

○ Key Issue: How to rebuild U.S. stocks?

- Either ↑ 2013 Supplies or ↓ MY 2012/13 Use

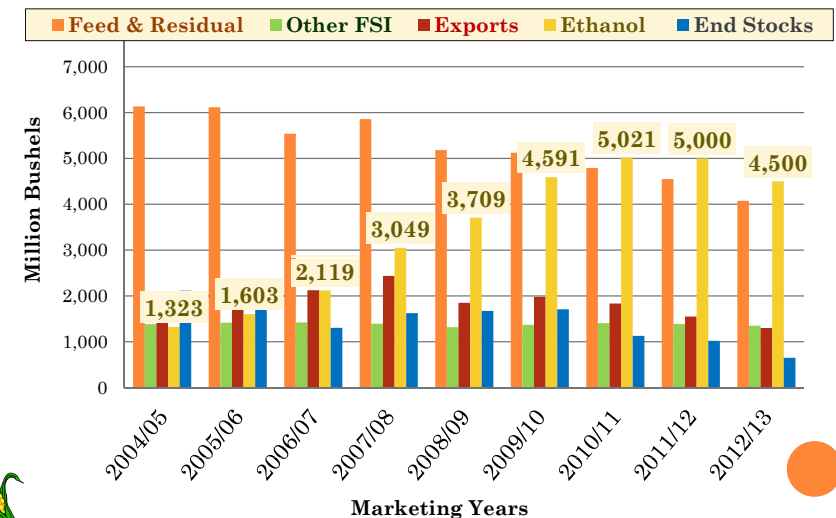
U.S. CORN SUPPLY-DEMAND

USDA WASDE REPORT: AUGUST 10, 2012

	2010/11	2011/12	2012/13
Planted Ac. (mln.)	88.2	91.9	96.4
Harvested Ac (mln.)	81.4	84.0	87.4
Yield (bu./ac.)	152.8	147.2	123.4
Beginning Stocks	1,708	1,128	1,021
Production	12,447	12,358	10,779
Total Supplies	14,182	13,511	11,875
Ethanol	5,021	5,000	4,500
Other Food, Seed, Ind.	1,407	1,390	1,350
Exports	1,834	1,550	1,300
Feed & Residual	4,793	4,550	4,075
Total Use	13,055	12,490	11,225
End Stocks (%S/U)	(8.6%) 1,128	(8.2%) 1,021	(5.8%) 650
U.S. Avg. Farm \$	\$5.18	\$6.20-\$6.30	**\$7.50-\$8.90

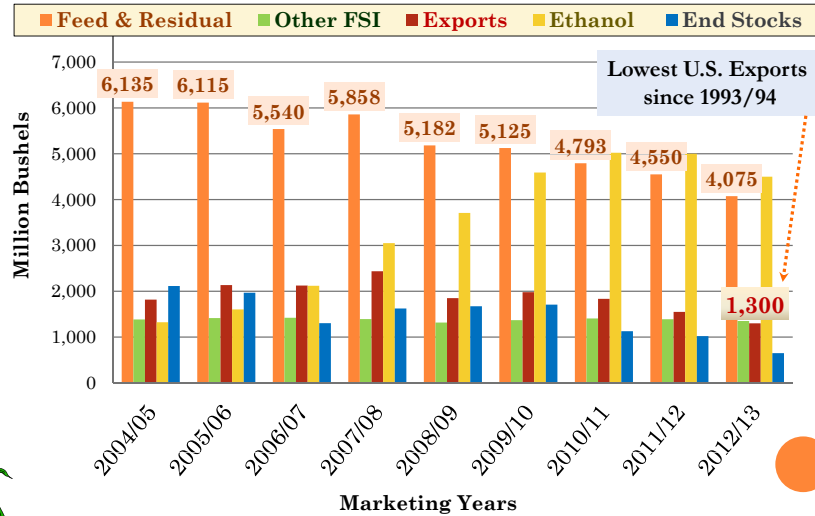
U.S. CORN ETHANOL USE

MY 2004/05 THRU MY 2012/13 AUGUST 10, 2012 USDA WASDE REPORT



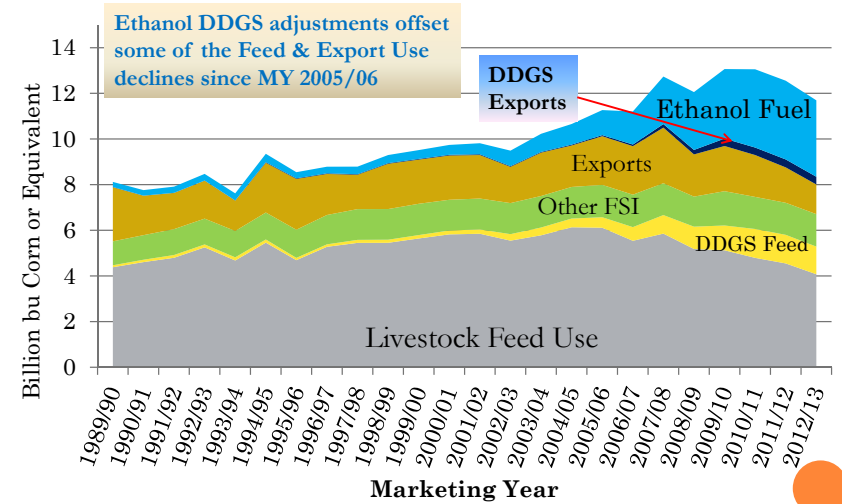
U.S. CORN FEED & RESIDUAL USE

MY 2004/05 THRU MY 2012/13 AUGUST 10, 2012 USDA WASDE REPORT



RECENT U.S. CORN USE WITH DDGS #s

1989/90 - 2012/13 MARKETING YEARS



U.S. GRAIN SORGHUM SUPPLY-DEMAND

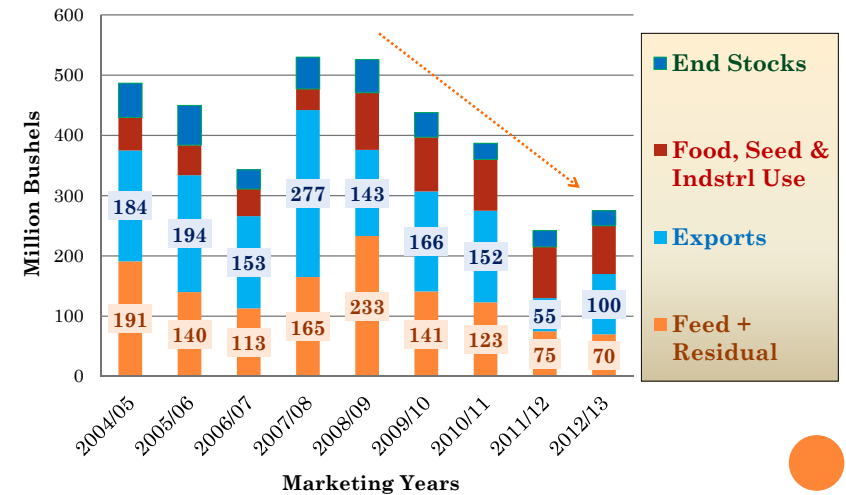
USDA WASDE REPORT: AUGUST 10, 2012

	2010/11	2011/12	2012/13
Planted Acres (mln.)	5.4	5.5	6.0
Harvested Ac. (mln.)	4.8	3.9	5.1
Yield (bu./ac.)	71.8	54.6	48.6
Beginning Stocks	41	27	27
Production	346	214	248
Total Supplies	387	242	275
Food, Seed, Industrial	85	85	80
Exports	152	55	100
Feed & Residual	124	65	80
Total Use	359	215	250
End Stocks (%S/U)	(7.5%) 27	(12.6%) 27	(10.0%) 25
U.S. Avg. Farm \$	\$5.02	\$6.05-\$6.15	\$7.00-\$8.40



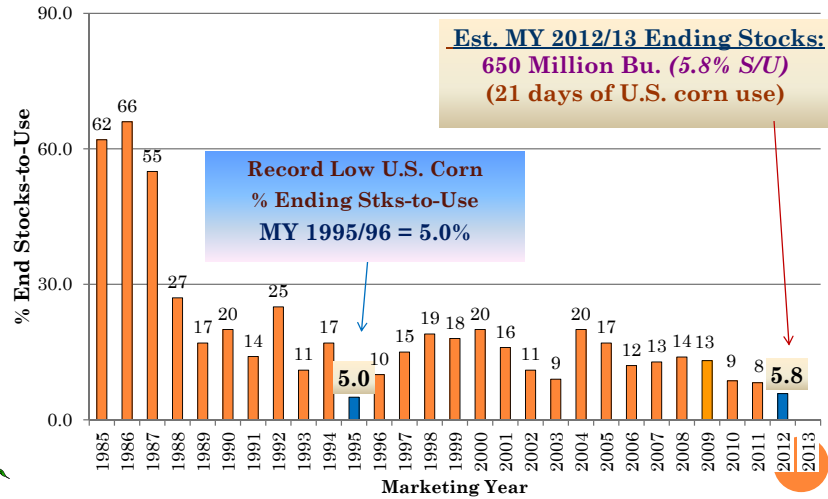
U.S. MILO USE & END STOCKS

MY 2004/05 - 2012/13 AUGUST 10, 2012 USDA WASDE REPORT



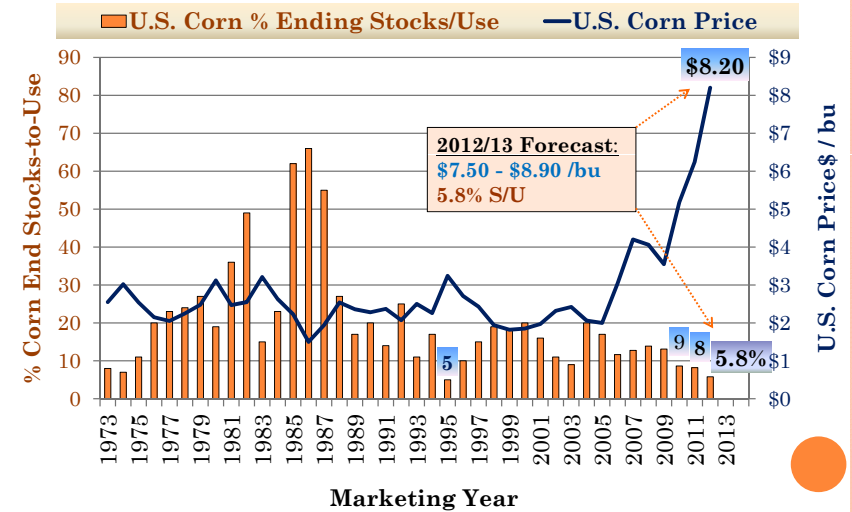
U.S. CORN % END STOCKS-USE

MY 1985/86 – 2012/13 AUGUST 10, 2012 USDA WASDE REPORT



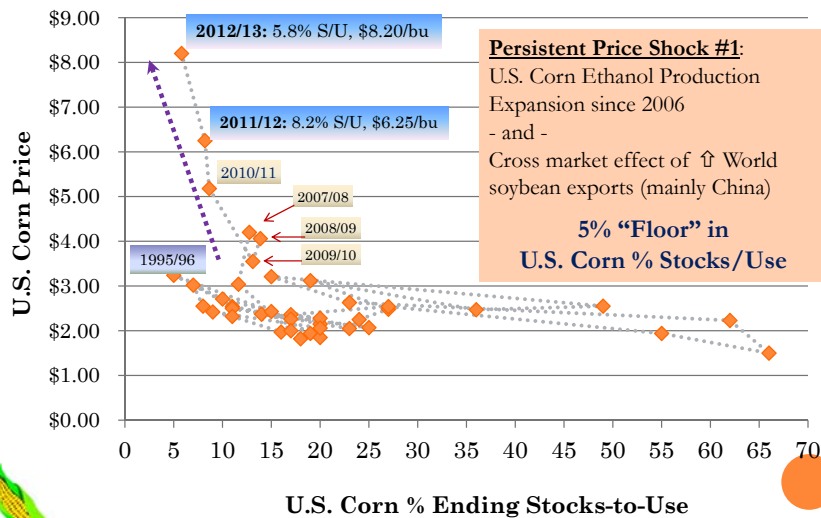
U.S. CORN % STOCKS/USE VS PRICE\$

MY 1973/74 – 2012/13 AUGUST 10, 2012 USDA WASDE



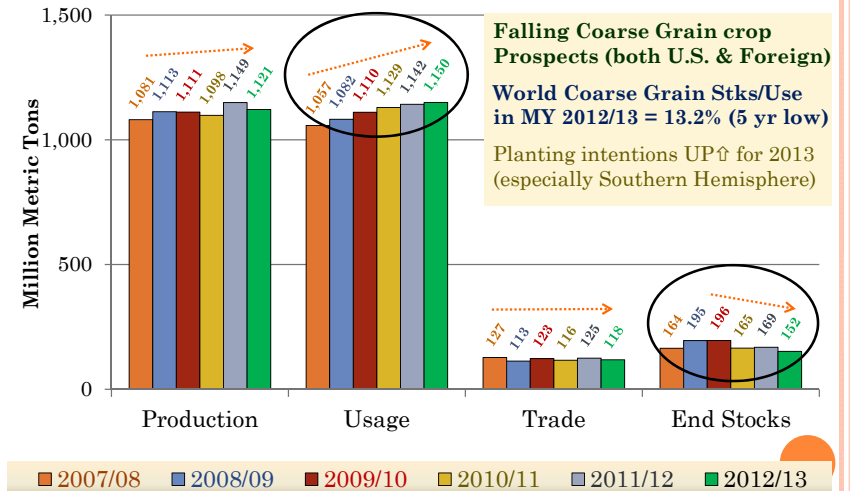
U.S. CORN \$ VS % STOCKS-TO-USE

MY 1973/74 - 2012/13 AUGUST 10, 2012 USDA WASDE



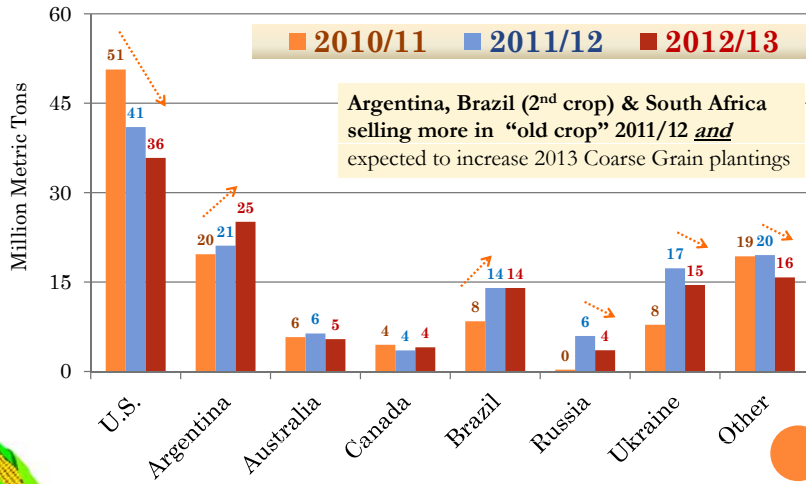
WORLD COARSE GRAIN S-D

MY 2007/08 – 2012/13 AUGUST 10, 2012 WASDE REPORT



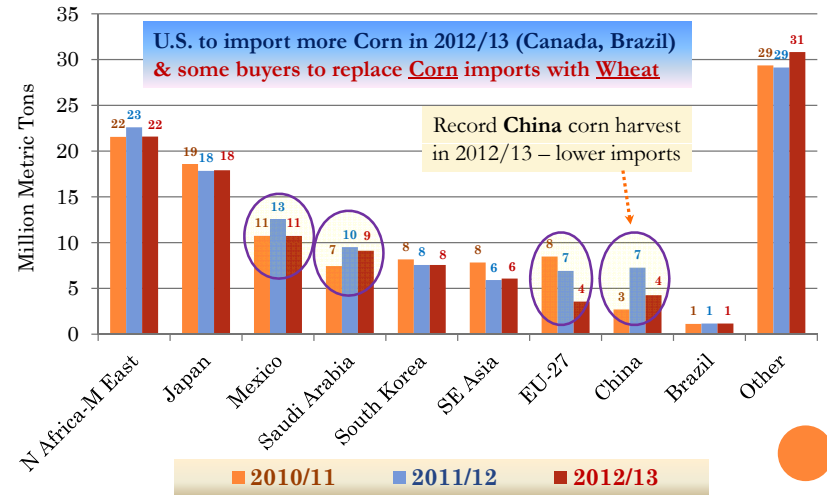
COARSE GRAIN EXPORTER SALES

MY 2010/11 THRU MY 2012/13 AUGUST 10, 2012 USDA WASDE REPORT



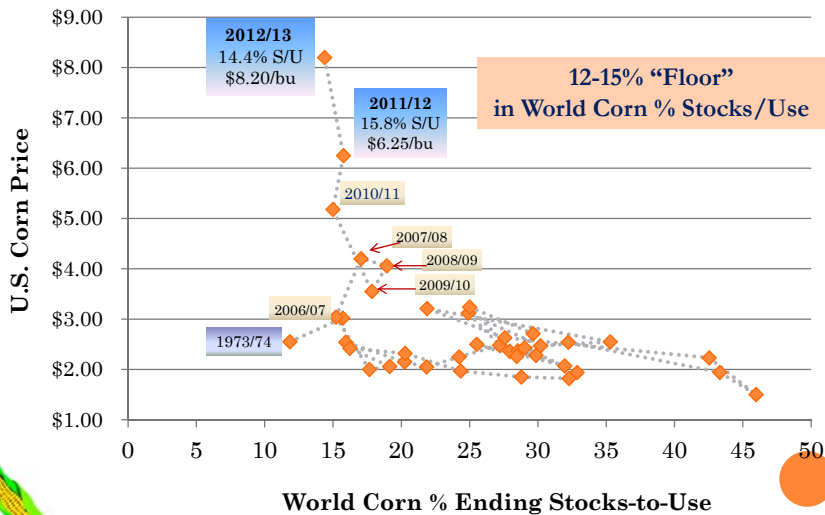
COARSE GRAIN IMPORTERS

MY 2010/11 – 2012/13 AUGUST 10, 2012 USDA WASDE REPORT



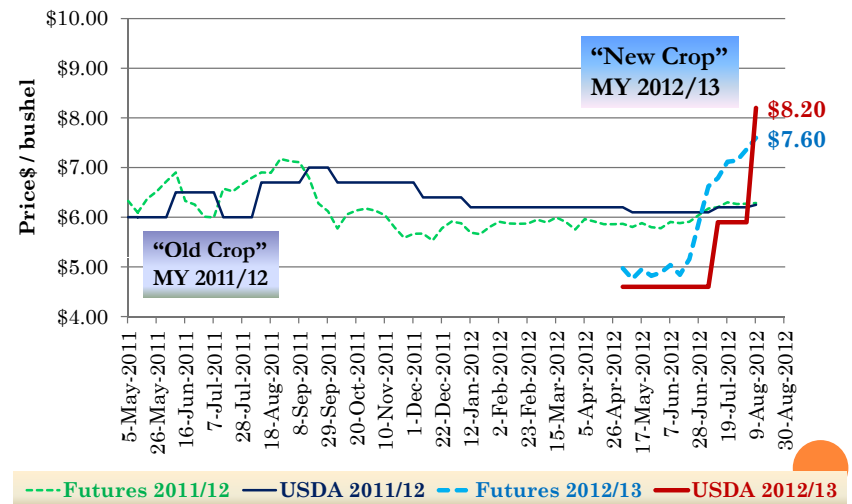
U.S. CORN \$ VS WORLD %STKS/USE

MY 1973/74 - 2012/13 AUGUST 10, 2012 USDA WASDE

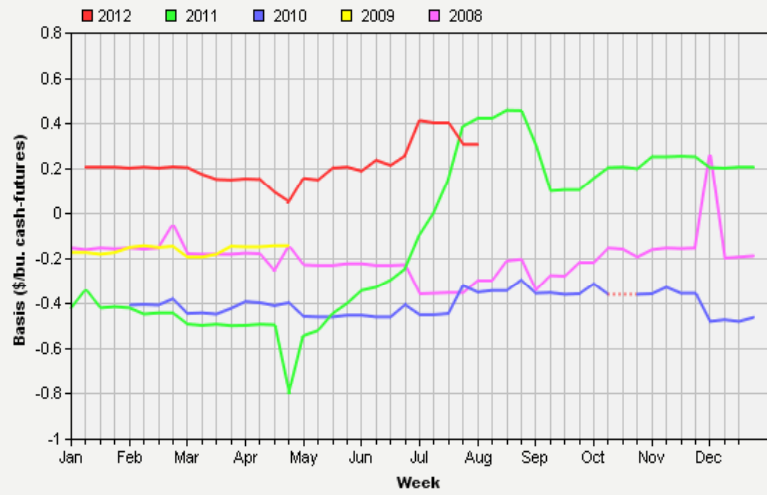


CORN PRICE\$ FORECAST: MY 2012/13

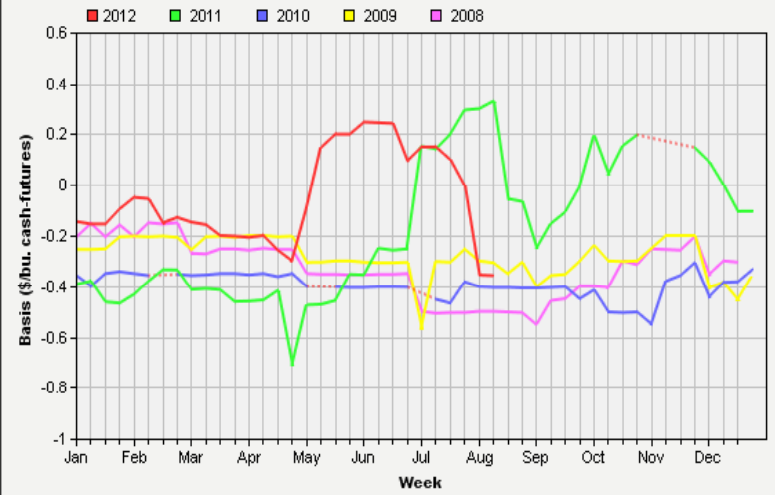
WEEKLY FUTURES-BASED & USDA PROJECTIONS (THRU 8/10/2012)



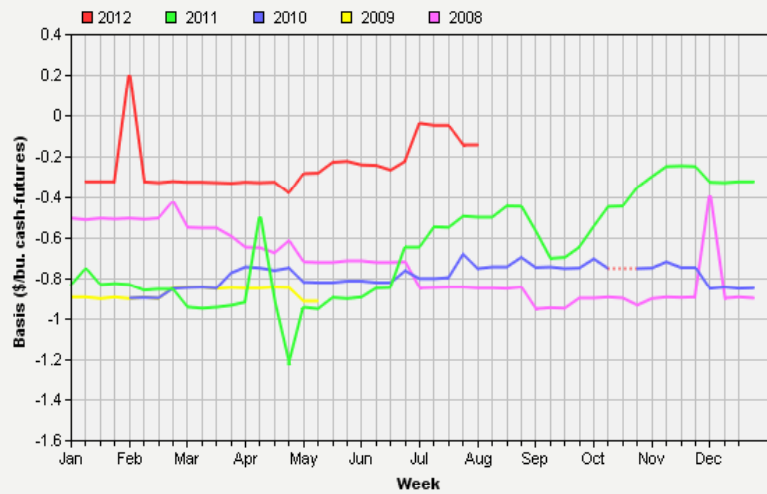
Basis Information: GARDEN CITY, KS - Corn
 K-State Dept of Agricultural Economics, www.AgManager.info



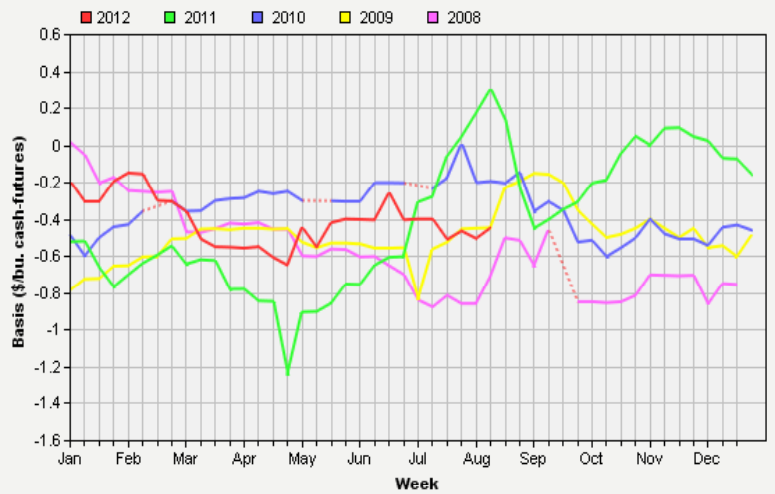
Basis Information: SALINA, KS - Corn
 K-State Dept of Agricultural Economics, www.AgManager.info



Basis Information: GARDEN CITY, KS - Grain Sorghum
 K-State Dept of Agricultural Economics, www.AgManager.info

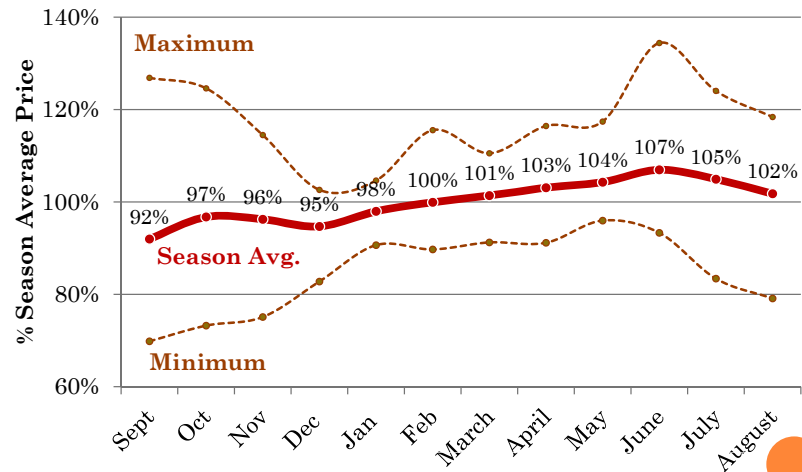


Basis Information: SALINA, KS - Grain Sorghum
 K-State Dept of Agricultural Economics, www.AgManager.info



KANSAS CORN SEASONAL \$ INDEX

MARKETING YEARS: 2001/02 - 2010/11



FEEDGRAIN MARKET DIRECTION

- **Final U.S. 2012 Feedgrain Production?**
 - IF +/- 100-250 mln bu ⇨ Large P_{corn} responses
- **Focus on rationing of U.S. / World Use**
 - Expecting **5.0% stocks-to-use** to “hold” at 550-600 mb
 - “Inflexible” **ethanol use** likely to “hold up” better than other “more flexible” U.S. corn uses (exports, feed)
- **2013 Acreage Competition: Corn vs Soybeans**
 - Support for New Crop Prices – Winter-Spring 2012

CORN MARKET PRICES IN 2013

I. Most Likely – “Larger Crop / Lower \$”

- **2012 U.S. Corn Crop** = 10.779 bln bu ± 500 mln bu (50%)
- **MY 2012/13 U.S. corn % end stocks/use** = 5.0%-6.5%
- **South America** – Increased corn (& soybean) planted area & production in 2013 ⇨ *November ‘12 – April ‘13 signals*
- **2013 U.S. Corn Production**
 - “Record” 2013 U.S. corn planted acres = 96.5 – 100.0 mln. ac.
 - “Trendline” 2013 U.S. corn yields = 160 – 165 bu/ac
 - “Record” 2013 U.S. corn production = 14.1 – 15.1 bln. bu.
- **“Rebuilt” MY 2013/14 Ending Stocks = 1.4–1.9 bln bu.**
 - U.S. Avg. Corn \$’s = \$4.20 - \$5.00 bu/ac for MY 2012/13

CORN MARKET PRICE TRENDS....

II. What could go wrong?

- A. **“Larger” 2012 U.S. Corn Crop** ≈ 11.5 bln bu
- B. **2013 South American Corn crop problems**
- C. **2013 U.S. Corn production “short crop”**
 - 2nd consecutive year of major drought (Taylor – ISU)
- D. **↓ RFS2 Mandate / Reduced Corn Ethanol Use**
 - Lower MY 2012/13 U.S. corn use ⇨ 4.0-4.4 billion bu
 - Lower MY 2012/13 U.S. avg corn \$’s = \$5.00 - \$6.00 bu/ac

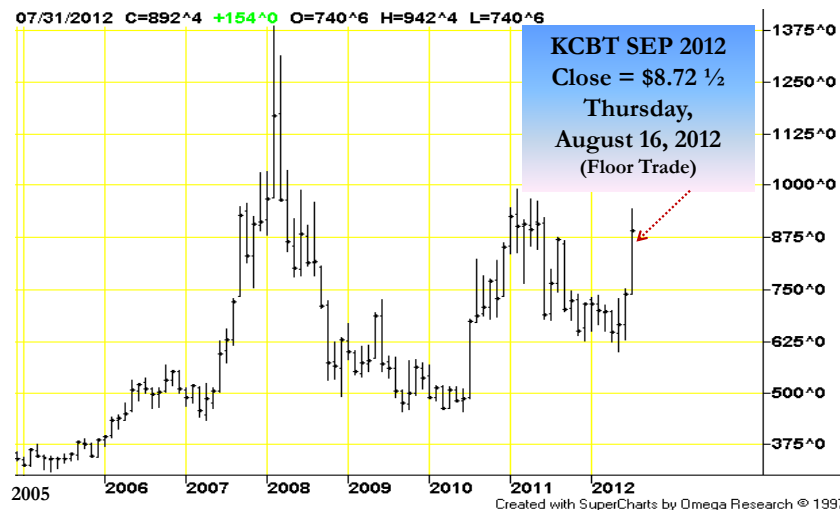


WHEAT MARKETS



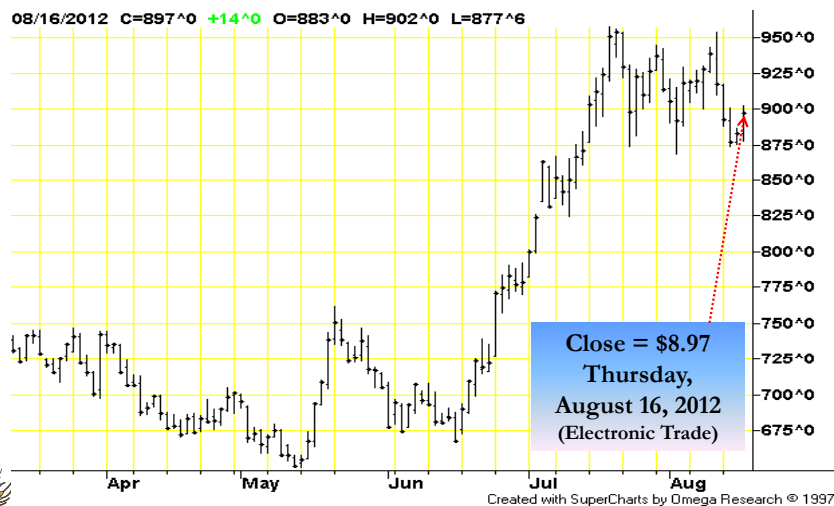
KCBT WHEAT FUTURES

MONTHLY CONTINUOUS CHART: DECEMBER 2004 – JULY 2012



DEC 2012 EHRW-WHEAT FUTURES

KCBT DAILY, MARCH – AUGUST 16, 2012



2012-13 WHEAT PRODUCTION

2012 U.S. Wheat Acres, Yields & Prodn. ↑

- Planted / Harvested Ac. = 56.0 / 48.8 million
- Yield = 46.5 bu/ac (August) vs 45.0 bu/ac trend
- Production = 2.268 billion bu (vs 2.224 bb in July)

2012/13 World Wheat Crops ↓

- **Black Sea:** 3.1 bln bu (vs 4.2 bb & 3.0 bb last 2 years)
- **Major Exporters:** 7.3 bln bu (vs 7.6 & 7.5 bb last 2 yrs)

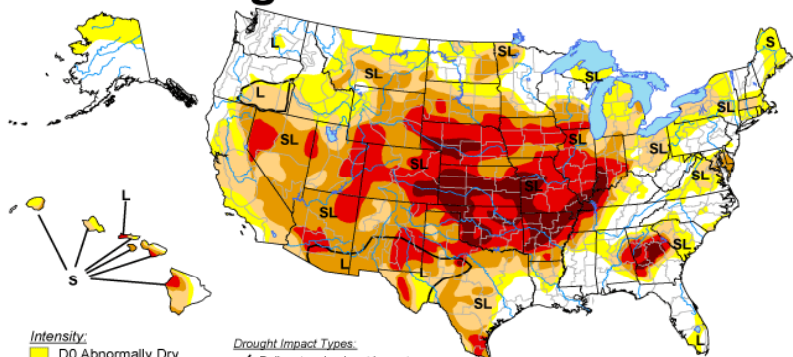
Looking to 2013....

- Dry conditions for seeding U.S. Winter Wheat
- Risk of ongoing 2nd year of drought (E. Taylor-ISU)



U.S. Drought Monitor

August 14, 2012
Valid 7 a.m. EDT



Intensity:
 D0 Abnormally Dry
 D1 Drought - Moderate
 D2 Drought - Severe
 D3 Drought - Extreme
 D4 Drought - Exceptional

Drought Impact Types:
 ~ Delineates dominant impacts
 S = Short-Term, typically <6 months (e.g. agriculture, grasslands)
 L = Long-Term, typically >6 months (e.g. hydrology, ecology)



The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

Released Thursday, August 16, 2012

<http://droughtmonitor.unl.edu/>

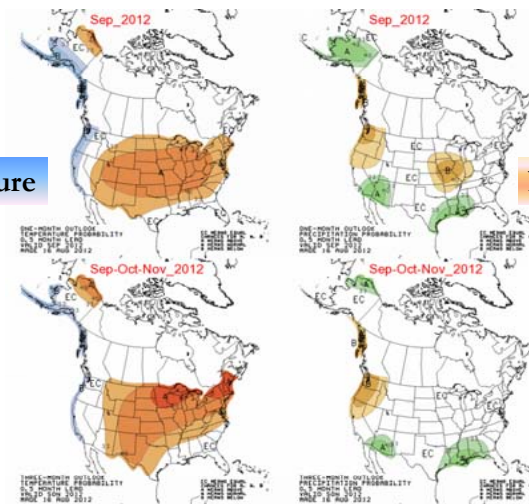
Author: Michael Brewer/Liz Love-Brotak, NOAA/NESDIS/NCDC

U.S. 30-90 DAY WEATHER FORECASTS

SEPTEMBER THRU NOVEMBER 2012 (SOURCE: NOAA NWS)

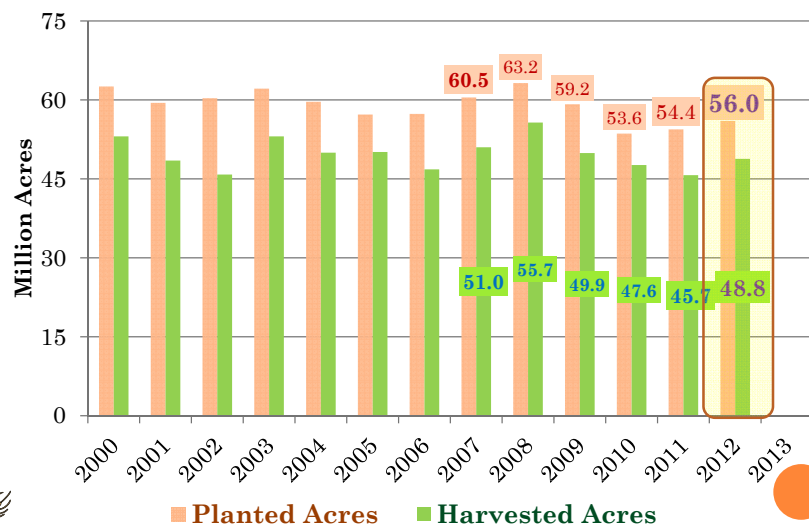
Temperature

Precipitation



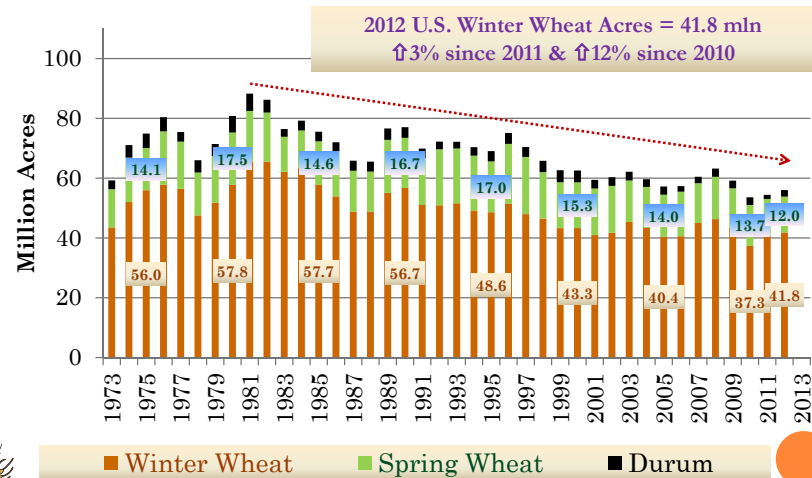
U.S. WHEAT ACREAGE:

YEARS 2000 – 2012 AUGUST 10 USDA CROP PRODUCTION REPORT



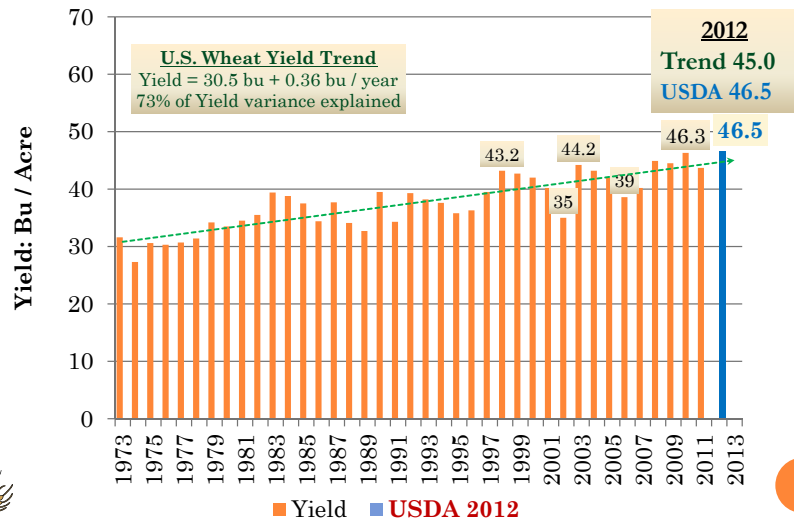
U.S. WHEAT SEEDING ACREAGE

AUGUST 10, 2012 USDA CROP PRODUCTION REPORT



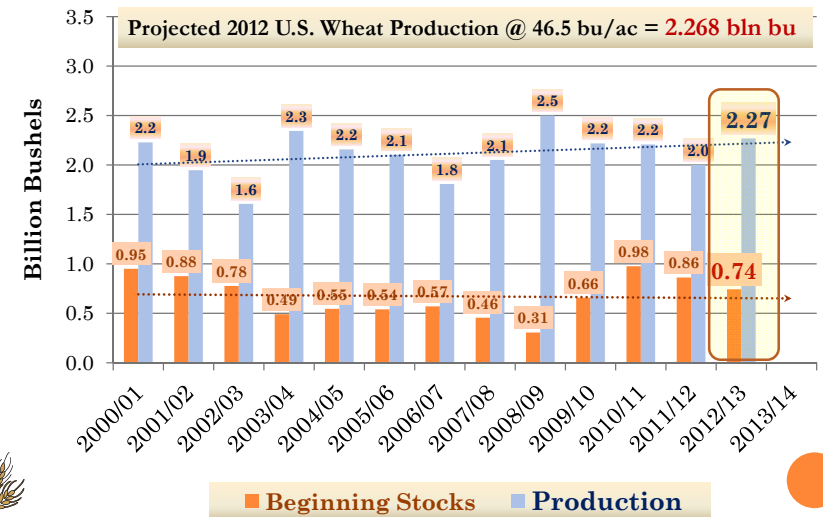
U.S. WHEAT YIELDS SINCE 1973

2012 TREND: 45 BU/AC / USDA: 44.6 BU/AC



U.S. WHEAT PRODUCTION & BEG. STOCKS

MY 2000/01 – 2012/13 AUGUST 10, 2012 USDA WASDE REPORT



2012/13 U.S. WHEAT USE & STOCKS

- Expanding Use vs “old crop” 2011/12
 - Food = 950 mln bu (up 1% vs 940 mb)
 - Exports = 1.200 bln bu (up 14% vs 1.050 bb) ****
 - Livestock Feed = 220 mln bu (up 35% vs 163 mb) ****
 - Seed = 73 mln bu (down 5% vs 77 mb)
 - Total Use = 2.443 bln bu (up 9.5% vs 2.231 bb)
- “Moderate” Ending Stocks Levels
 - 698 mln bu & 28.6% Stocks/Use (vs 13.2% in 2007/08)
- Key Issue: “Spillover” from Corn Market
 - ↑ U.S. & Foreign wheat feeding & support for wheat \$’s

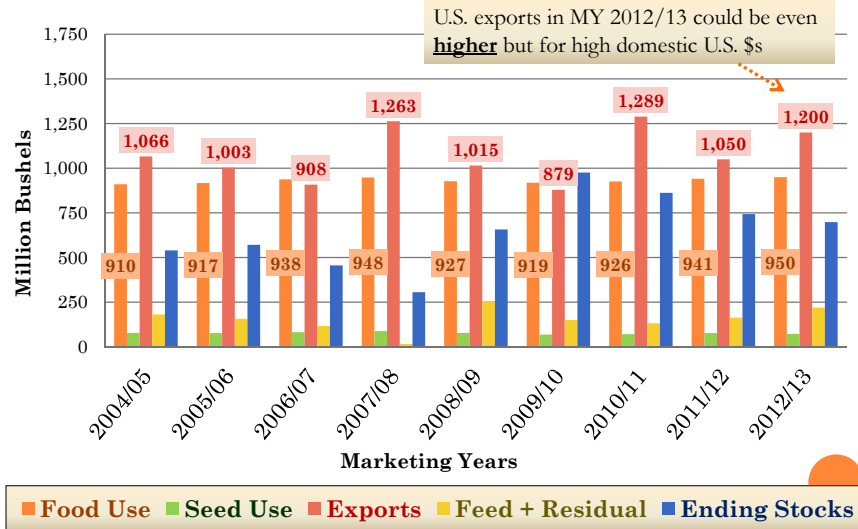
U.S. WHEAT SUPPLY-DEMAND

USDA WASDE REPORT: AUGUST 10, 2012

	2010/11	2011/12	2012/13
Planted Acres (mln.)	53.6	54.4	56.0
Harvested Ac. (mln.)	47.6	45.7	48.8
Yield (bu./ac.)	46.3	43.7	46.5
Beginning Stocks	976	862	743
Production	2,207	1,999	2,268
Total Supplies	3,279	2,974	3,141
Food & Seed	997	1,018	1,012
Exports	1,289	1,050	1,023
Feed & Residual	132	163	220
Total Use	2,417	2,231	2,443
End Stocks (%S/U)	(35.7%) 862	(33.3%) 743	(28.6%) 698
U.S. Ave. Farm \$	\$5.70	\$7.24	\$7.60-\$9.00

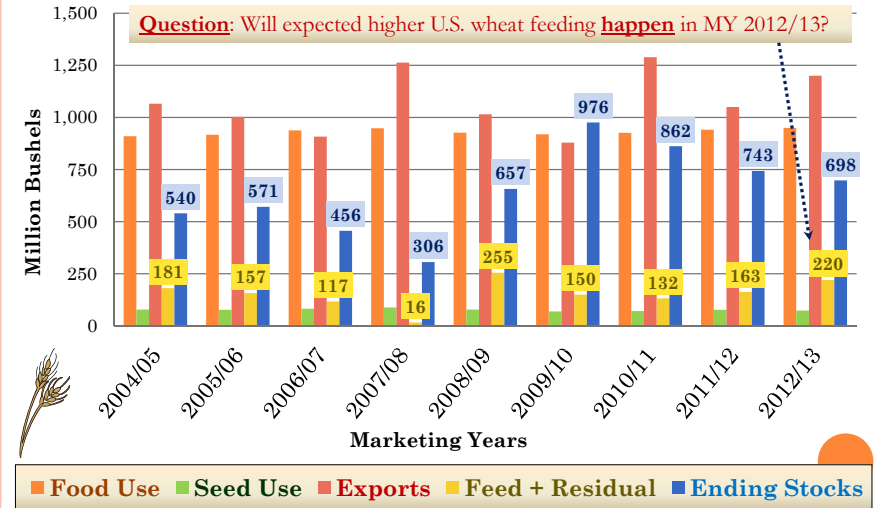
U.S. WHEAT FOOD & EXPORT USE

MY 2004/05 – 2012/13 AUGUST 10, 2012 USDA WASDE REPORT



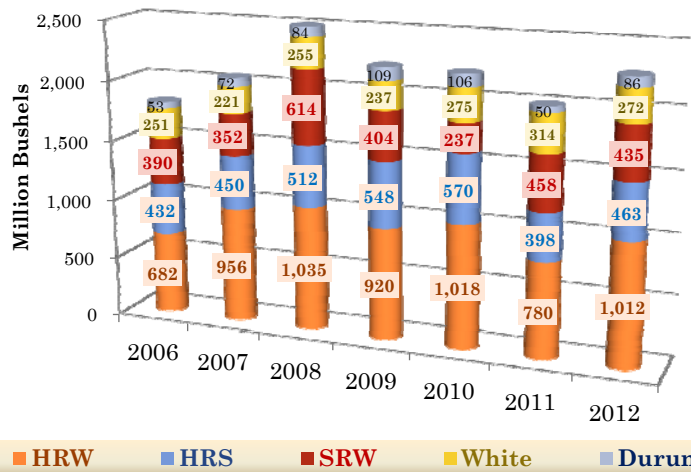
U.S. WHEAT FEEDING & ENDING STOCKS

MY 2004/05 – 2012/13 AUGUST 10, 2012 USDA WASDE REPORT

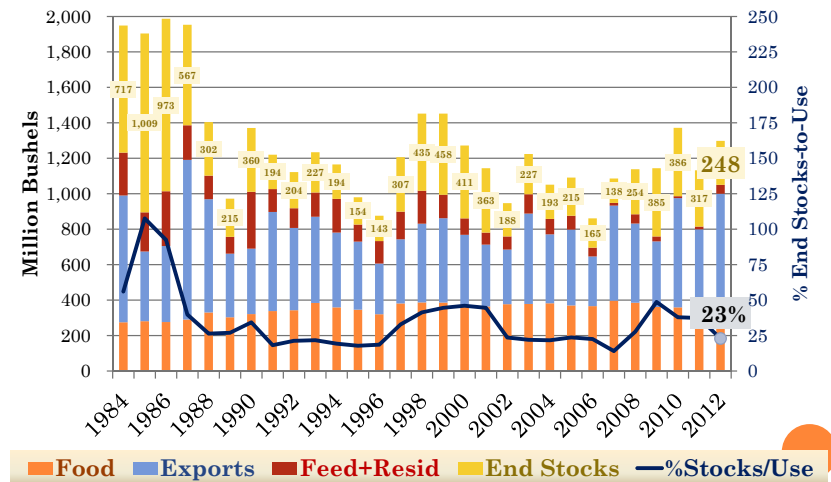


U.S. WHEAT PRODUCTION BY CLASS

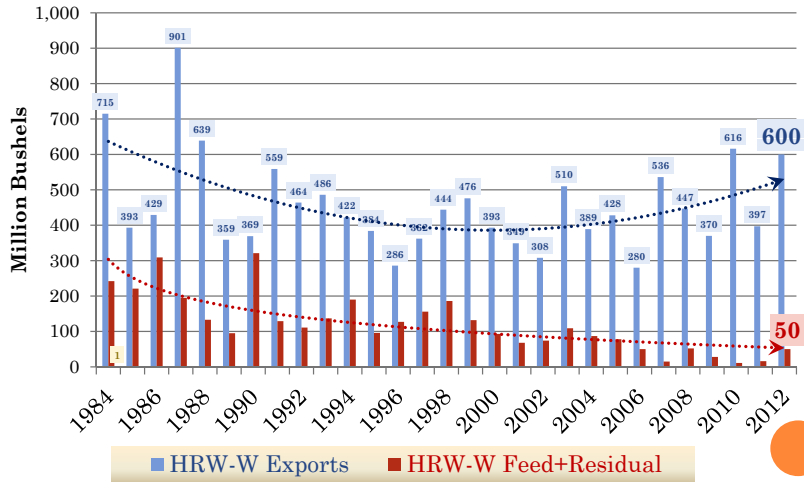
SINCE MY 2006/07



U.S. HRW WHEAT USE, END STOCKS & STOCKS/USE SINCE MY 1984/85

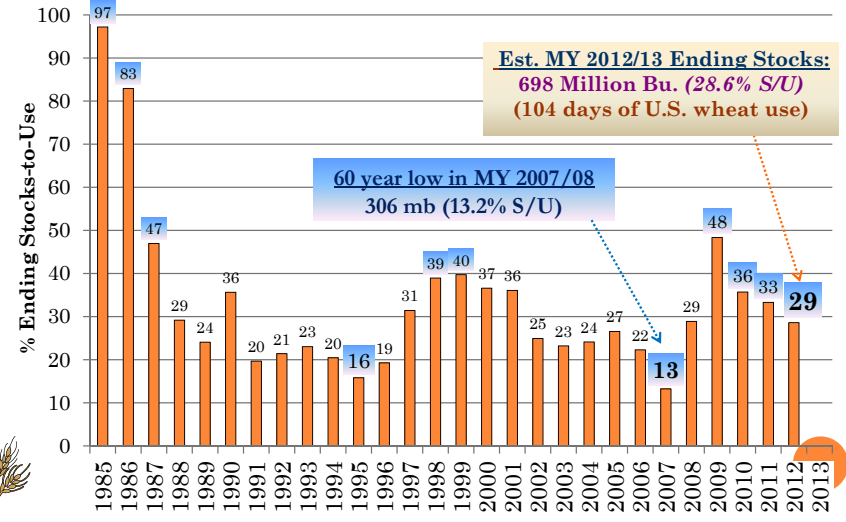


U.S. HRW WHEAT TRENDS IN EXPORTS & FEED USE SINCE MY 1984/85



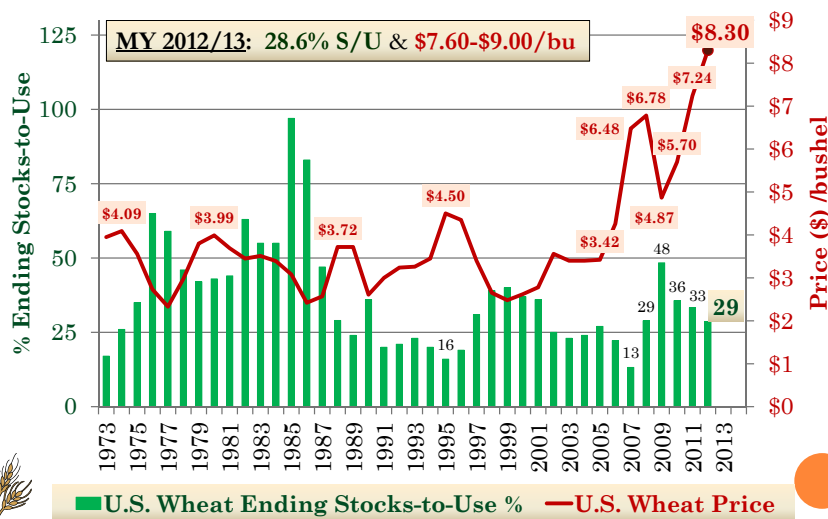
U.S. WHEAT %ENDING STOCKS-USE

MY 1985/86 – 2012/13 AUGUST 10, 2012 WASDE REPORT



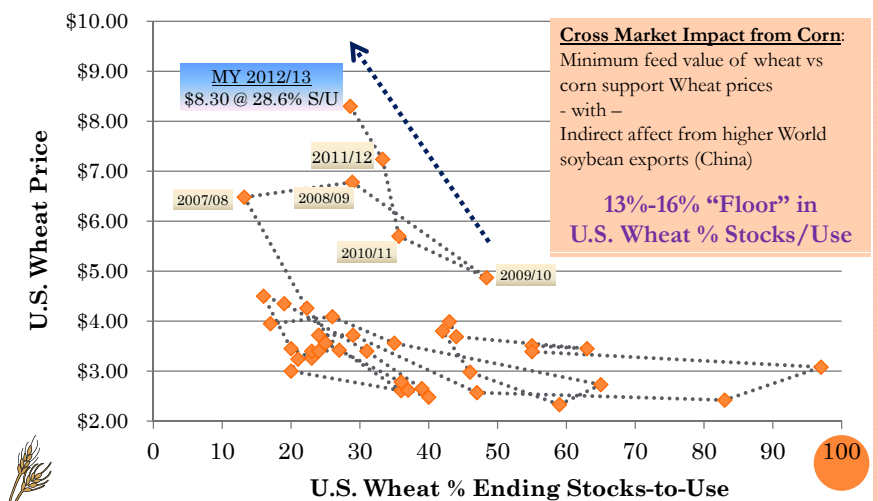
U.S. WHEAT %STOCKS/USE VS PRICE\$

MY 1973/74 – 2012/13 AUGUST 10, 2012 USDA WASDE REPORT



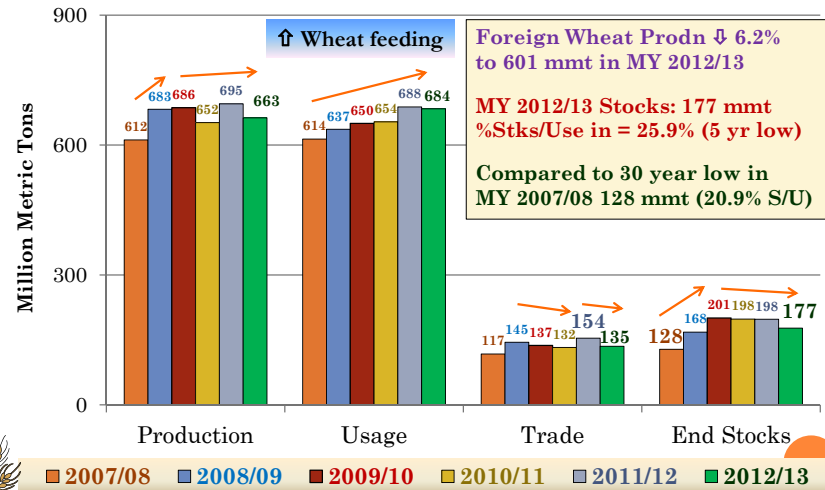
U.S. WHEAT \$ VS U.S. STOCKS-TO-USE

MY 1973/74 – 2012/13 AUGUST 10, 2012 USDA WASDE REPORT



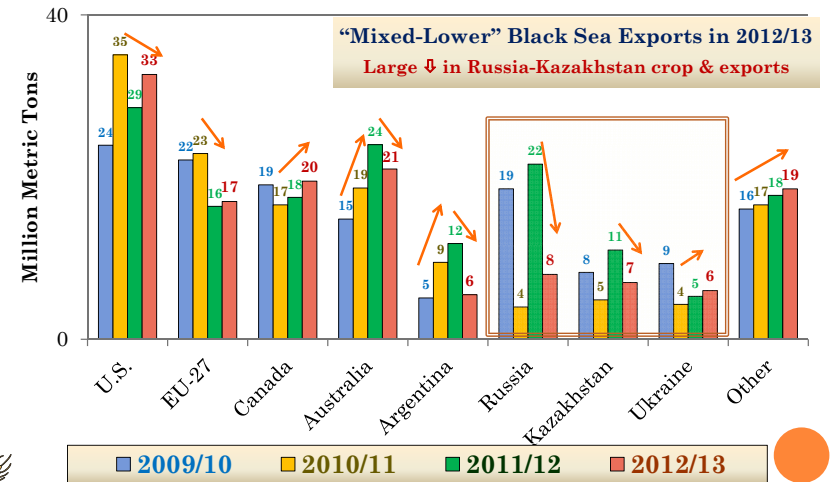
WORLD WHEAT SUPPLY-DEMAND

MY 2007/08 – 2012/13 AUGUST 10, 2012 USDA WASDE REPORT



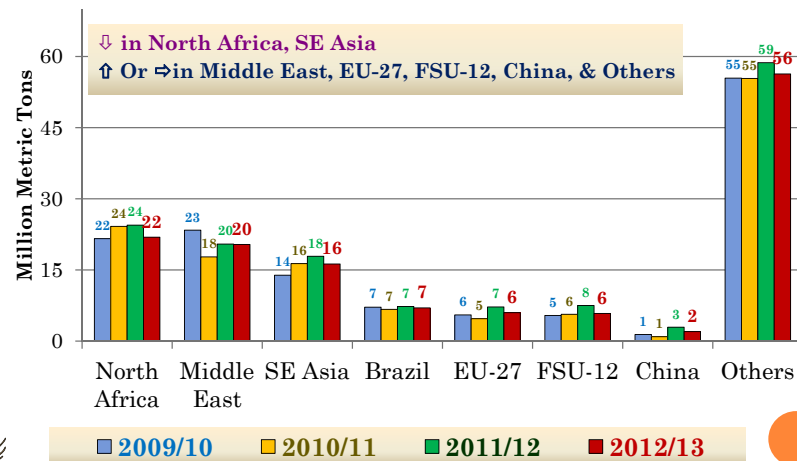
WORLD WHEAT EXPORTER SALES

MY 2009/10 – 2012/13 AUGUST 10, 2012 USDA WASDE REPORT



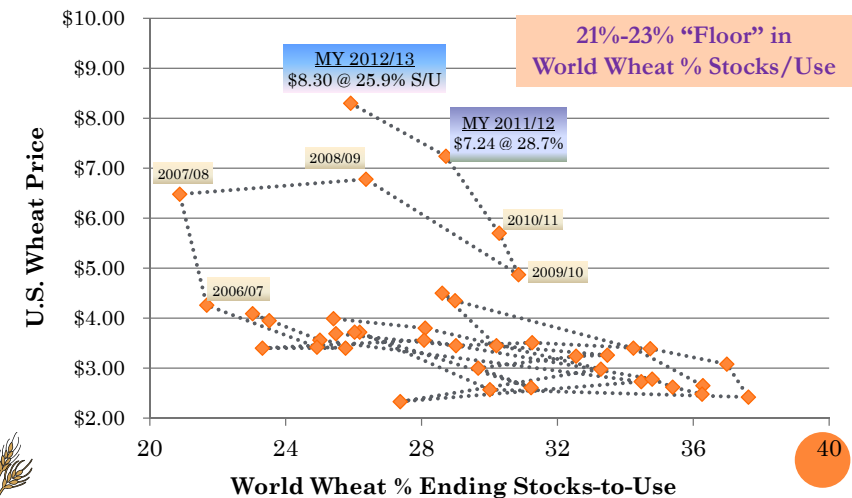
WORLD WHEAT IMPORT PURCHASES

MY 2009/10 – 2012/13 AUGUST 10, 2012 USDA WASDE REPORT



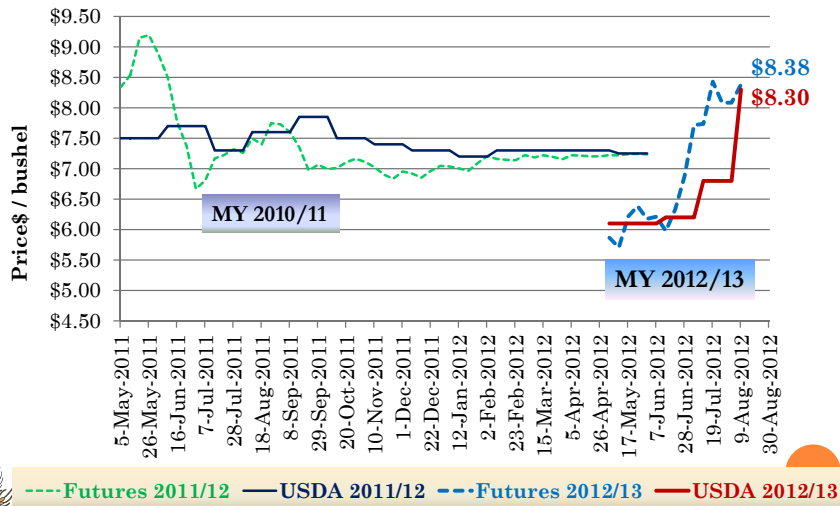
U.S. WHEAT \$ vs WORLD %STKS/USE

MY 1973/74 – 2012/13 AUGUST 10, 2012 USDA WASDE REPORT



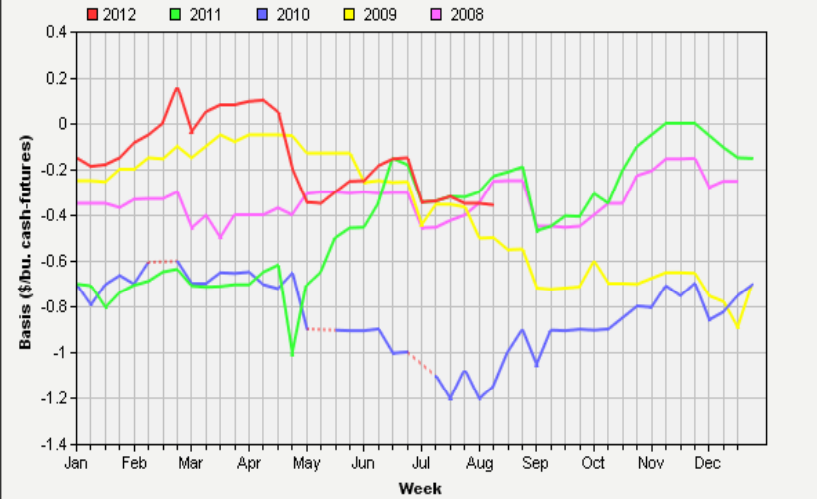
KCBT WHEAT PRICES FCST: MY 2012/13

WEEKLY FUTURES-BASED & USDA PROJECTIONS (THRU 8/10/2012)



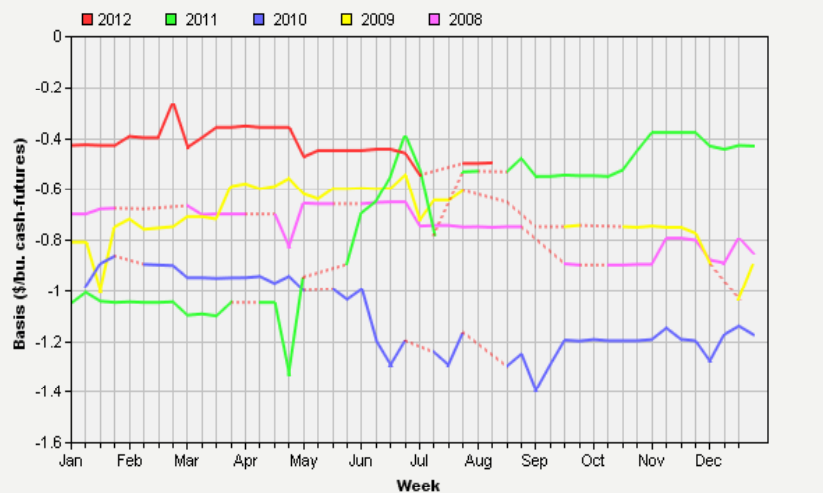
Basis Information: SALINA, KS - Hard Red Winter Wheat

K-State Dept of Agricultural Economics, www.AgManager.info



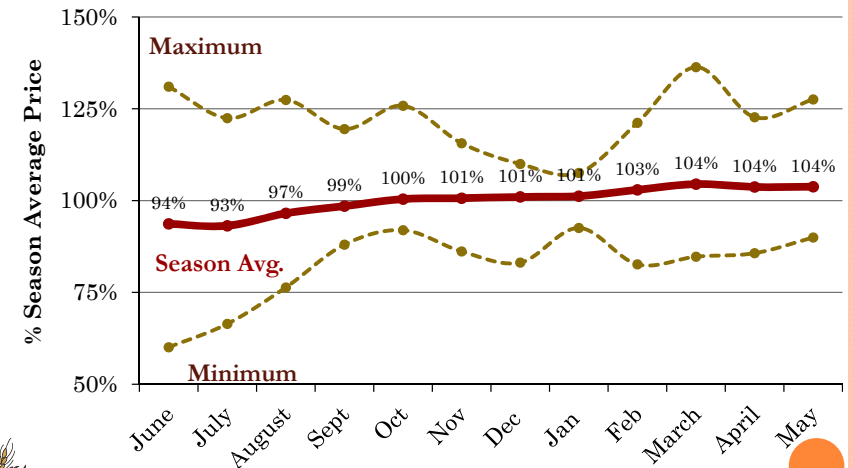
Basis Information: DODGE CITY, KS - Hard Red Winter Wheat

K-State Dept of Agricultural Economics, www.AgManager.info



KANSAS WHEAT SEASONAL \$ INDEX

FOR THE 2001/02 THROUGH 2010/11 MARKETING YEARS



WHEAT MARKET DIRECTION



- **U.S. 2012 Spring Wheat Crop “known”**
 - Unlikely to be major changes in 500 mb August forecast
- **World crop problems support U.S. exports**
 - FSU-12 Exports = 22 mmt (vs 39 mmt & 14 mmt last 2 years)
 - Major Exporters = 63 mmt (vs 70 mmt & 68 mmt last 2 years)
- **“At-Risk” Grain Markets in 2012 - 2013**
 - Uncertain 2013 Corn Markets ⇄ “Influencing” Wheat \$s
- **Drought in U.S. Winter Wheat Areas**
 - Likely short of moisture for wheat seedings this Fall



WHEAT PRICES IN 2013

Likely: “↓ U.S. + ↑ Foreign Crops ⇒ Tight Stocks
⇒ Wheat \$’s follow Corn \$’s”

- ↑ World wheat feeding to compensate for short feedgrain supplies ⇒ *Tightening stocks & \$’s supported*
- **Likely “Recovery” in Foreign Wheat Production**
- U.S. SRW (eastern Corn Belt) & HRS (U.S. northern plains) acres lower ⇒ *Switching to Corn & Soybeans*
- **2013 U.S. Winter Wheat Crop @ risk due to ongoing drought in U.S. Great Plains**



SOYBEAN MARKETS



CBOT SOYBEAN FUTURES

MONTHLY CONTINUOUS CHART: JUNE 2003 – JULY 2012

07/31/2012 C=1721^0 +208^2 O=1532^0 H=1762^0 L=1526^0



CBOT Nov 2012 SOYBEAN FUTURES

WEEKLY, MARCH 2011 TO AUGUST 13, 2012

SX2 [10] - SOYBEANS (DAY) LAST: 1623¼ CHANGE: ▼ 110 HIGH: 1638¼ LOW: 1622¼ 8/17/2012



2012-13 SOYBEAN PRODUCTION

- **2012 U.S. Soybean Acres, Yields & Prodn.**
 - Planted / Harvested Area = 76.1 / 74.6 million acres
 - Yield = 36.1 bu/ac (August) vs 43.8 bu/ac trend
 - Production = 2.692 billion bu (vs 3.050 bb in July)
- **2012/13 South American Soybean Crops**
 - **Brazil:** 2.975 bb²⁰¹³ (vs 2.41 bb & 2.77 bb last 2 years)
 - **Argentina:** 2.020 bb²⁰¹³ (vs 1.51 bb & 1.80 bb last 2 years)
- **Looking to 2013....**
 - Incentive for ↑ soybeans in U.S./ South America
 - Risk of ongoing 2nd year of drought (E. Taylor-ISU)

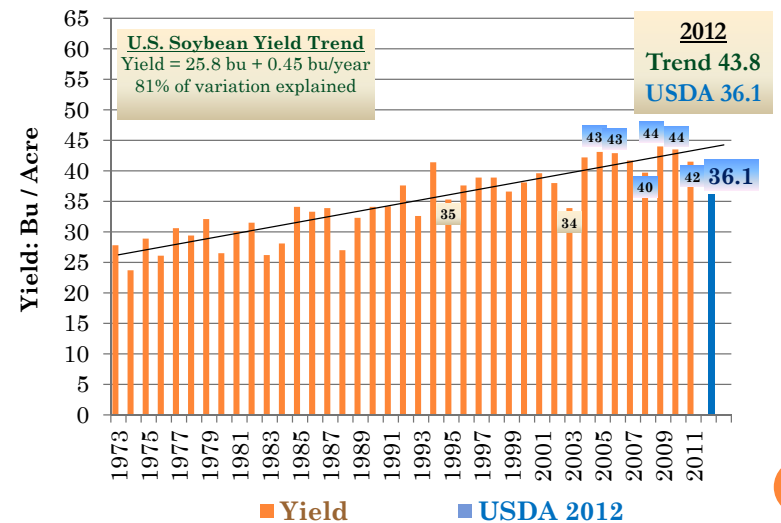
U.S. SOYBEAN ACREAGE:

YEARS 2000 – 2012



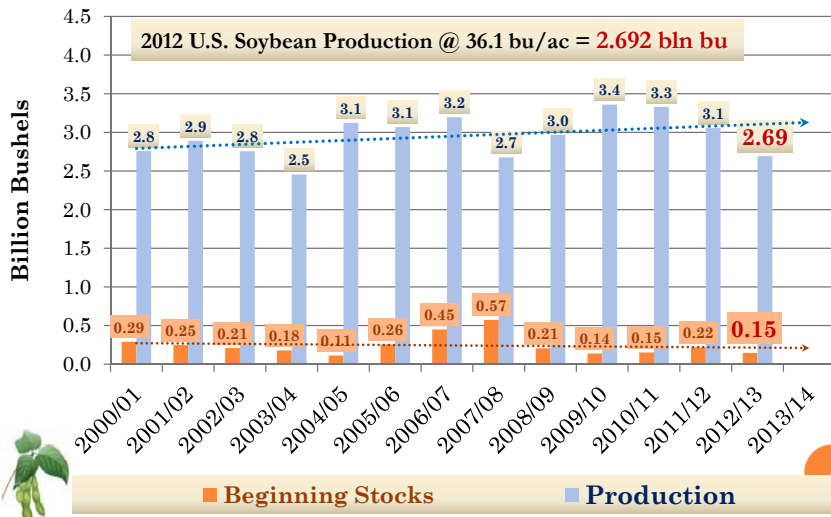
U.S. SOYBEAN YIELDS

2012 TREND YIELD: 43.8 BU/AC / USDA: 36.1 BU/AC



U.S. SOYBEAN PRODUCTION & SUPPLIES

MY 2000/01 – 2012/13



2012/13 U.S. SOYBEAN USE & STOCKS

○ Rationing of Use vs “old crop” 2011/12

- **Crushings** = 2.857 bln bu (down 13% vs 3.286 bb)
- **Exports** = 1.110 bln bu (down 19% vs 1.370 bb)
- **Seed & Resid.** = 116 mln bu (up 14% vs 102 mb)
- **Total Use** = 2.742 bln bu (down 13% vs 3.141 bb)

○ Record “Tight” Ending Stocks-to-Use

- **Ending Stocks** = 115 million bu (vs 112 mb in 2003/04)
- **End Stocks/Use** = 4.2% Stks/Use (vs 4.4% in 2003/04)

○ Key Issue: Rebuilding U.S./World stocks?

- **Either** ↑ 2013 Supplies **or** ↓ MY 2012/13 Use

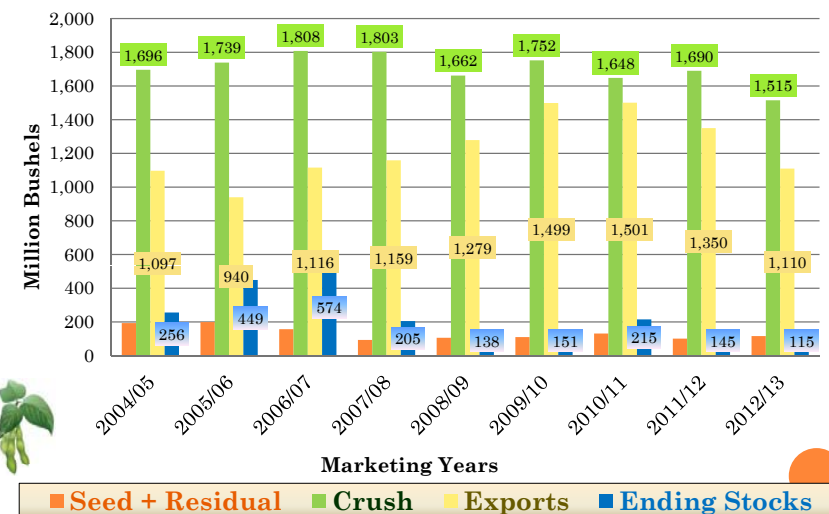
U.S. SOYBEAN SUPPLY-DEMAND

AUGUST 10, 2012 USDA WASDE REPORT

	2010/11	2011/12	2012/13
Planted Acres (mln.)	77.4	75.0	76.1
Harvested Acres (mln.)	76.6	73.6	74.6
Yield (bu./ac.)	43.5	41.5	36.1
Beginning Stocks	151	215	145
Production	3,329	3,056	2,692
Total Supplies	3,495	3,286	2,857
Crushings	1,648	1,690	1,515
Exports	1,501	1,350	1,110
Seed & Residual	131	101	116
Total Use	3,280	3,141	2,742
Ending Stocks	(6.6%) 215	(4.6%) 145	(4.2%) 115
U.S. Avg. Farm \$	\$11.30	\$12.45	\$15.00-\$17.00

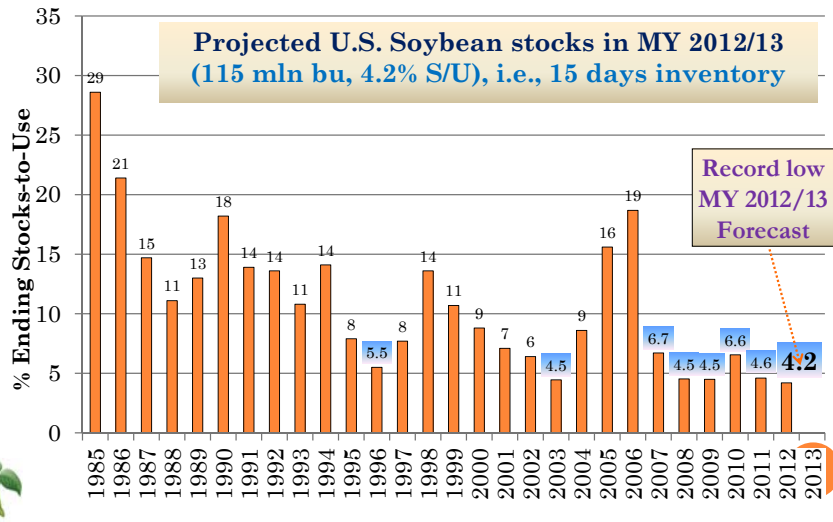
U.S. SOYBEAN USE & END STOCKS

MY 2004/05 – 2012/13 AUGUST 10, 2012 USDA WASDE REPORT



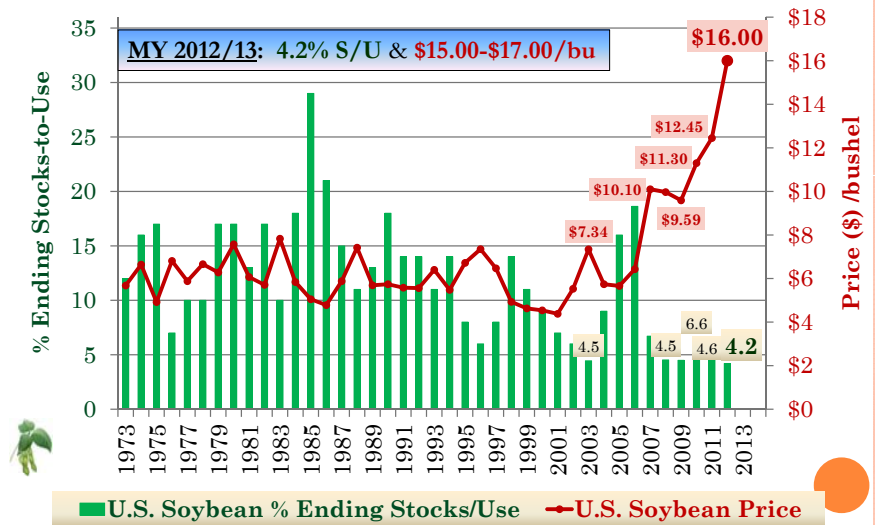
U.S. SOYBEAN % END STOCKS-TO-USE

MY 1985/86 – 2012/13 AUGUST 10, 2012 WASDE REPORT



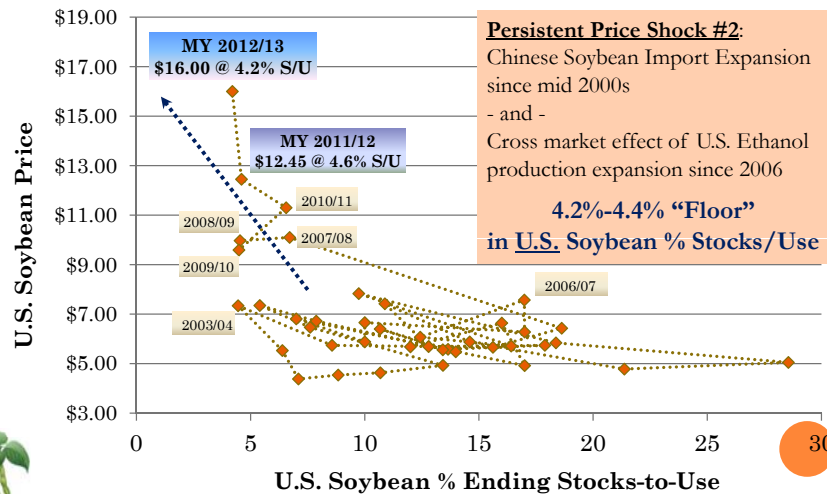
U.S. SOYBEAN % STKS/USE VS PRICE \$

MY 1973/74 – 2012/13 AUGUST 10, 2012 USDA WASDE REPORT



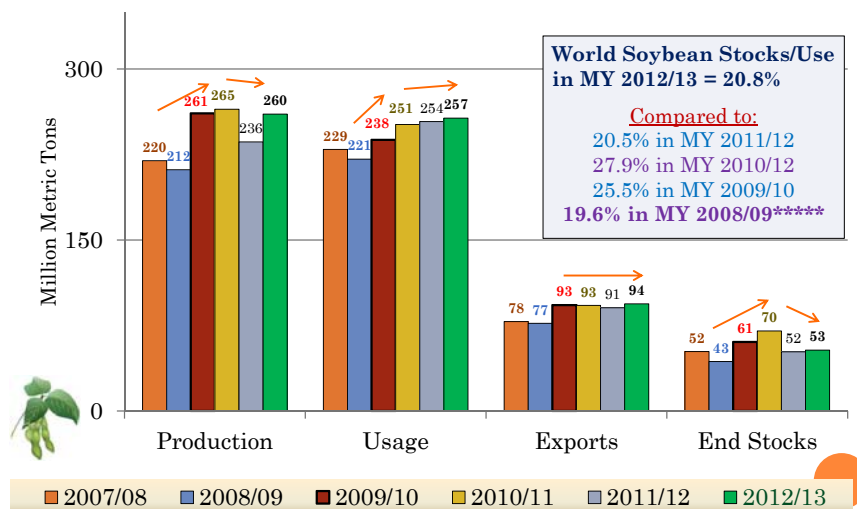
U.S. SOYBEAN \$ VS STOCKS-TO-USE

MY 1973/74 – 2012/13 AUGUST 10, 2012 USDA WASDE REPORT



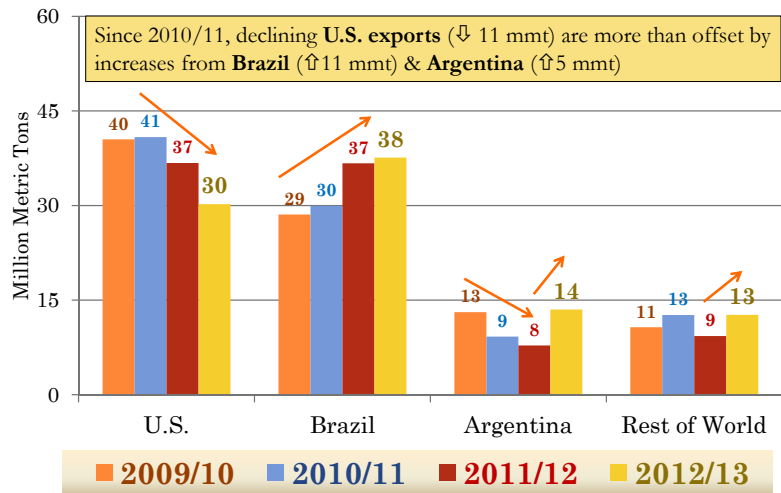
WORLD SOYBEAN SUPPLY-DEMAND

MY 2006/07 – 2012/13 AUGUST 10, 2012 USDA WASDE REPORT



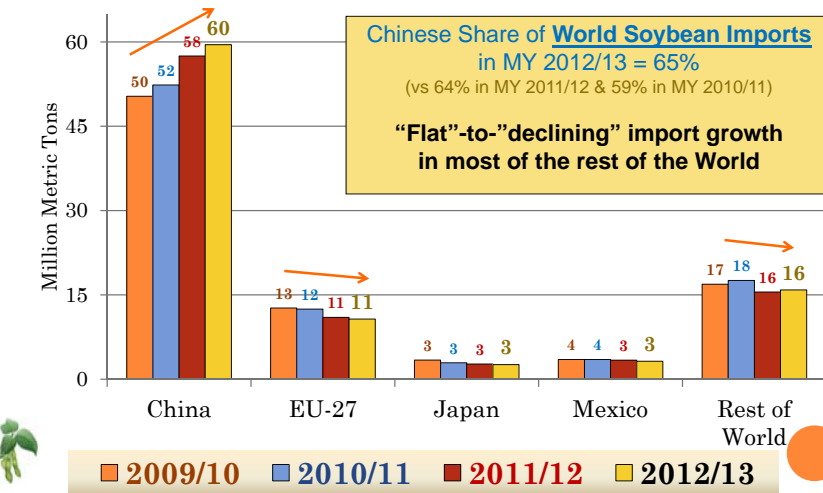
SOYBEAN EXPORTER SALES

MY 2010/11 – 2012/13 AUGUST 10, 2012 USDA WASDE REPORT



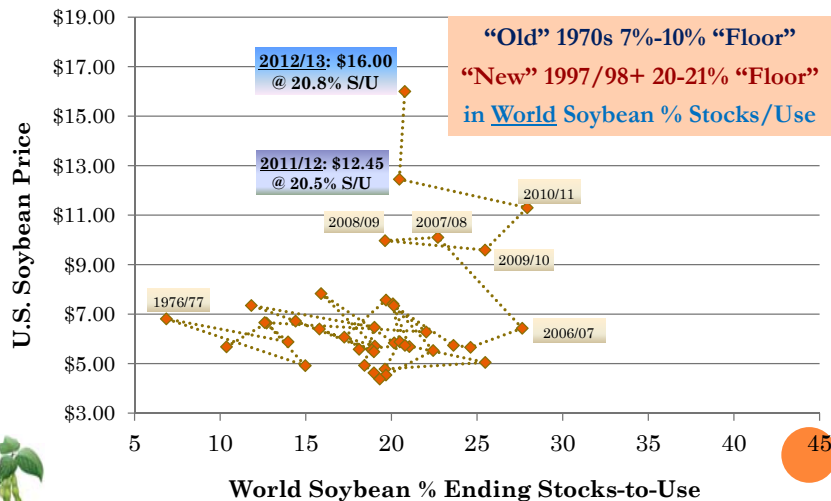
SOYBEAN IMPORT PURCHASES

MY 2009/10 – 2012/13 AUGUST 10, 2012 USDA WASDE REPORT



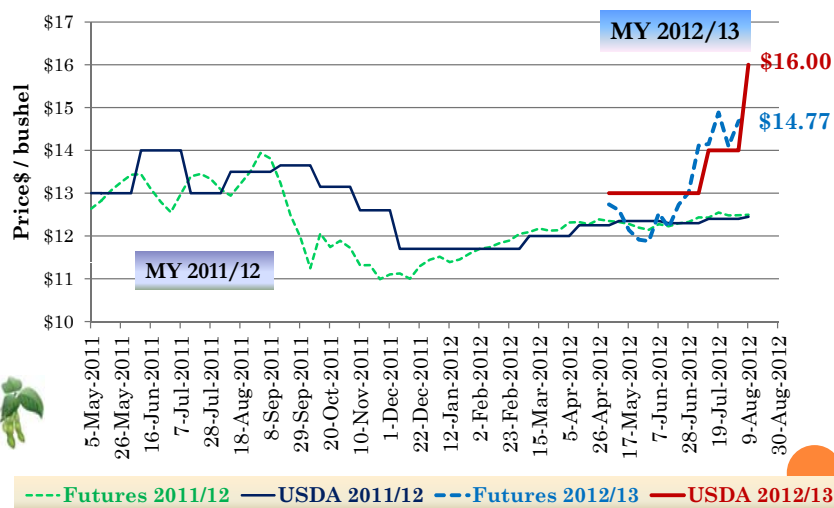
U.S. SOYBEAN \$ VS WORLD %STK/USE

MY 1973/74 – 2012/13 AUGUST 10, 2012 USDA WASDE REPORT

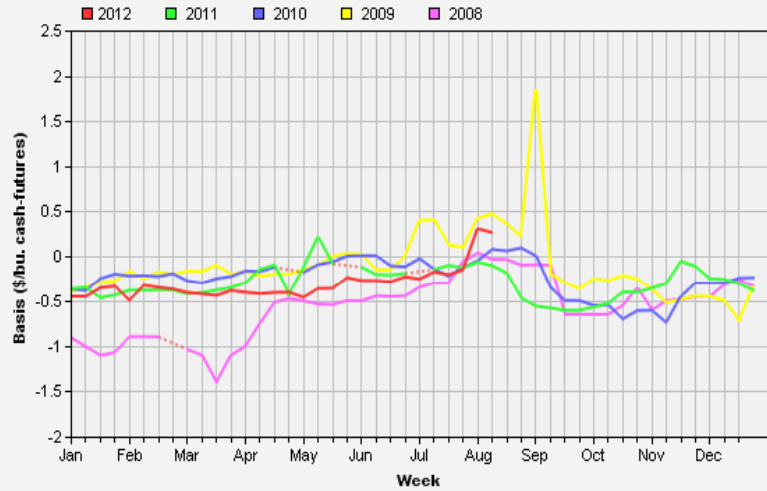


SOYBEAN PRICE\$ FORECAST: MY 2012/13

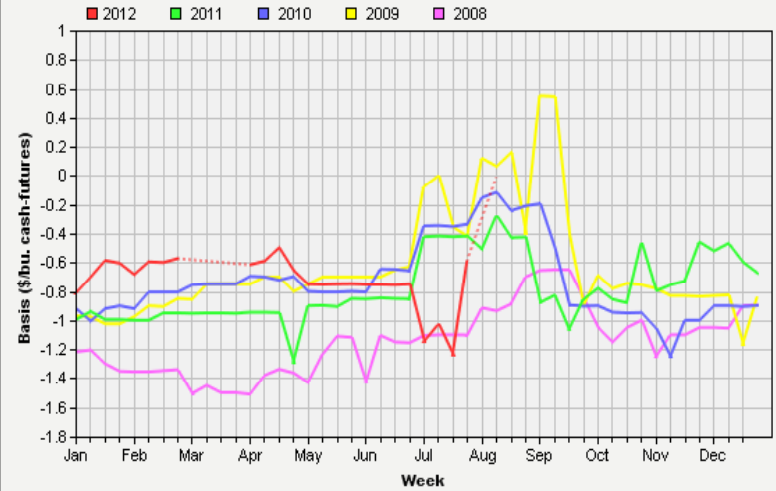
WEEKLY FUTURES-BASED & USDA PROJECTIONS (THRU 8/10/2012)



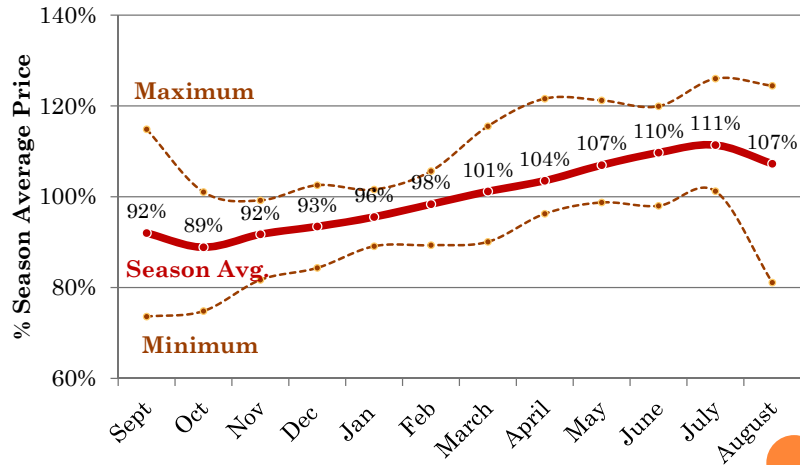
Basis Information: TOPEKA, KS - Soybeans
K-State Dept of Agricultural Economics, www.AgManager.info



Basis Information: GREAT BEND, KS - Soybeans
K-State Dept of Agricultural Economics, www.AgManager.info



KANSAS SOYBEAN SEASONAL \$ INDEX
MARKETING YEARS 2001/02 THROUGH 2010/11



SOYBEAN MARKET DIRECTION

- **Final U.S. 2012 Soybean Production?**
 - 2.692 bln bu +/- 100-250 mln bu ⇨ Large P_{soybean} changes
- **Focus on rationing of U.S. / World Use**
 - Expecting 4.0-4.2% stocks-to-use “hold” at 110-150 mb
 - U.S. soybean exports not likely to slow until possibly a large South American crop available in March-April 2013
- **2013 Acreage Competition: Corn vs Soybeans**
 - Support for New Crop Prices – Winter-Spring 2012

SOYBEAN MARKET \$'S IN 2012-2013

I. Most Likely – “Larger Crop / Lower \$”

- **2012 U.S. Soybean Crop** = 2.692 bln bu ± 150 mln bu (50%)
- **MY 2012/13 U.S. Soybean % end stocks/use** = 4.0%-7.0%
- **South America** – Increased soybean (& corn) planted area & production in 2013 ⇒ Nov '12 – April '13 market signals
- **2013 U.S. Soybean Production**
 - “Large” 2013 U.S. soybean planted acres = 75.0 – 78.0 mln. ac.
 - “Trendline” 2013 U.S. soybean yields = 44 – 45 bu/ac
 - “Large” 2013 U.S. soybean production = 3.25 – 3.41 bln. bu.
- **“Rebuilt” MY 2012/13 U.S. End Stocks = 180-250 mb**
 - U.S. Avg Soybean \$'s = \$11.00 - \$13.00 bu/ac for MY 2012/13

SOYBEAN MARKET PRICE TRENDS....

II. What could go wrong?

- A. A “Larger” 2012 U.S. Soybean Crop ≈ 2.86 bln bu
- B. **2013 South American soybean crop problems**
- C. **2013 U.S. Soybean production short crop**
 - 2nd consecutive year of major drought (Taylor – ISU)
- D. **Marginal “Weakness” in Chinese Imports**
 - ↓10% in Chinese imports ⇒ 5.95 bln bu (6% of World trade)

OTHER GRAIN MARKET TOPICS

- 1) Financial & Economic Factors Affecting U.S. Grain Markets (*What to expect in 2012/13*)
- 2) **Two Key major factors have driven U.S. Grain Markets since MY 1998/99** (Chinese soybean imports & U.S. bioenergy policy)
- 3) **Path of U.S. Bioenergy Policy in 2012-2015?** (Impact of E-15, RFS2, the changing “Blend Wall”, Brazil imports, bio-butanol development, etc.)
- 4) **Marketing grain by “expecting the average” while being “wary of the extremes”**



QUESTIONS?



COMMENTS?

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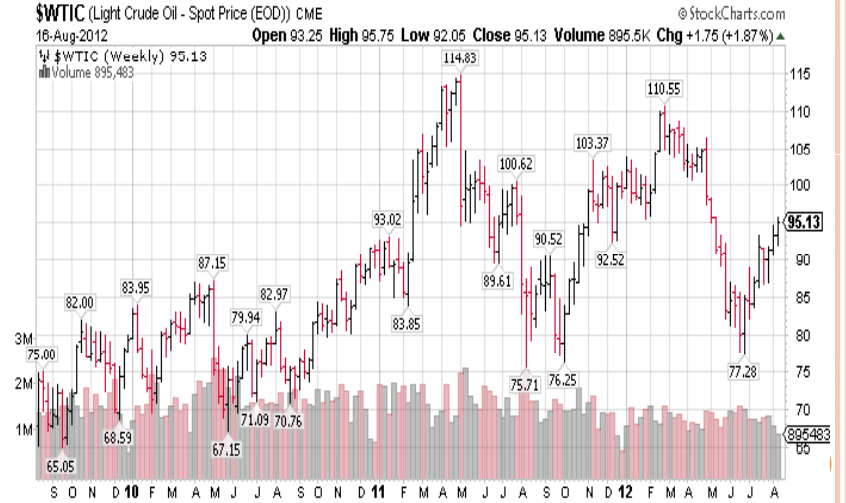


ECONOMIC FACTORS AFFECTING U.S. GRAIN MARKETS



LIGHT CRUDE OIL PRICES

WEEKLY PRICE CHART (\$WTIC): SEPTEMBER 2009– AUGUST 16, 2012



U.S. DOLLAR INDEX

WEEKLY PRICE CHART (\$USD): SEPTEMBER 2009 – AUGUST 16, 2012



DOW JONES INDUSTRIAL AVERAGE

WEEKLY PRICE CHART (\$INDU): SEPTEMBER 2009– AUGUST 16, 2012



S&P AGRICULTURAL INDEX

WEEKLY CHART (BASED ON SPOT PRICES): SEP. 2009 – AUG. 10, 2012



BALTIC DRY INDEX (OCEAN FREIGHT COST INDEX)

WEEKLY PRICE CHART (\$BDI): SEPTEMBER 2009 – AUGUST 16, 2012

