

# Grain Market Outlook for 2018 - 2019

2018 KSU Risk & Profit Conference

Manhattan, Kansas

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EXTENSION AGRICULTURAL ECONOMIST

**KANSAS STATE**  
UNIVERSITY

Department of Agricultural Economics



## Topics to be discussed.....

1) U.S.-China Trade & Other Key Grain Market Factors

2) Grain Market Analysis & Outlook

- Corn & Grain Sorghum
- Wheat
- Soybeans & Cotton

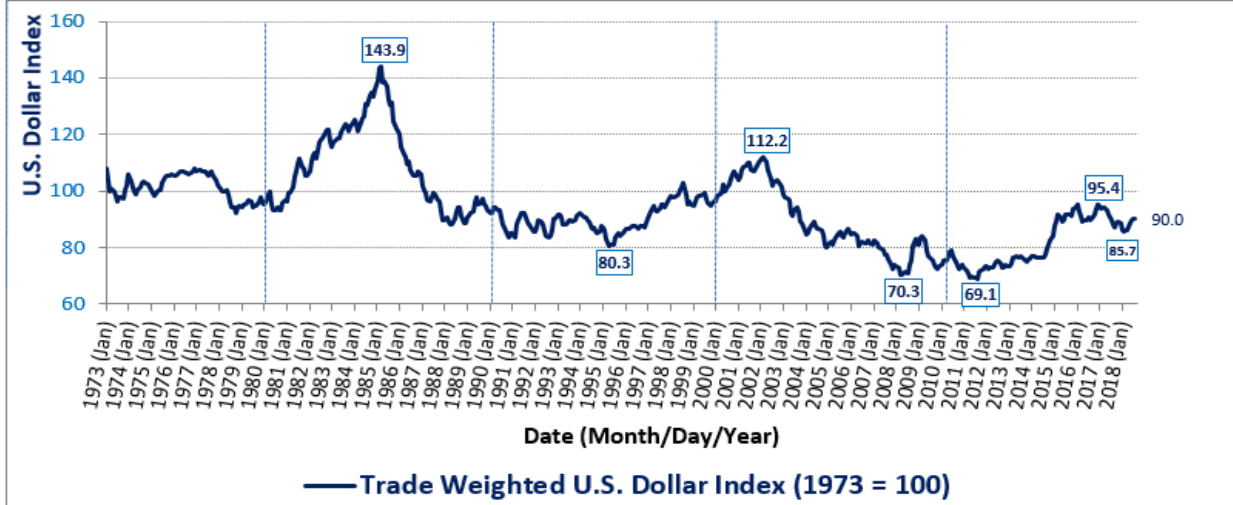
3) Economic "*forces at work*" in the grain markets

*& where they are taking us...*

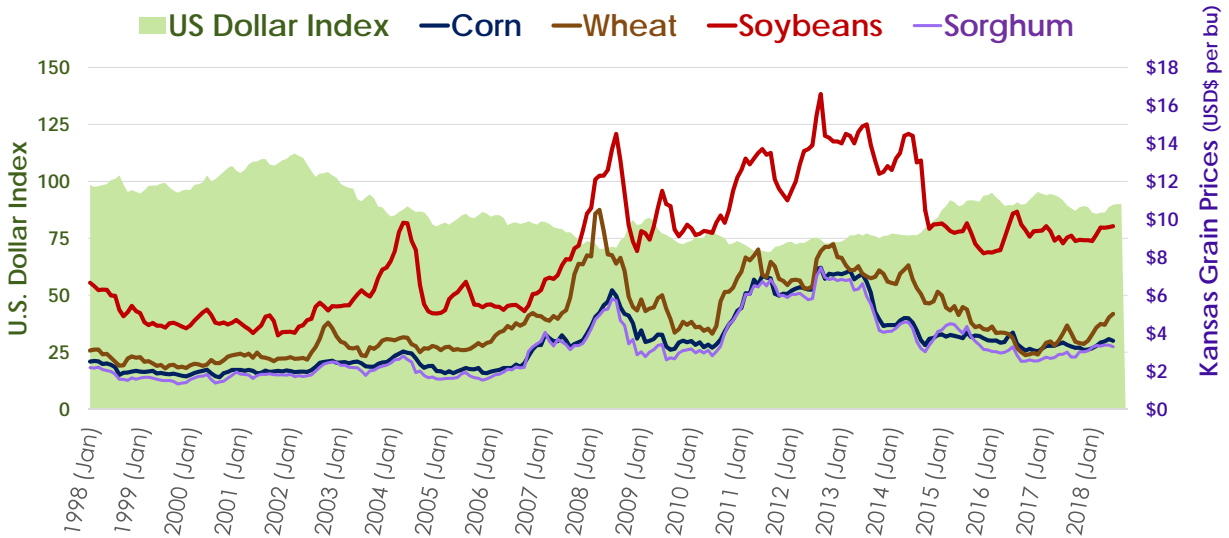
# U.S. Dollar Index (ICE Future)

88.31  
Index #  
August 1-11, 2017

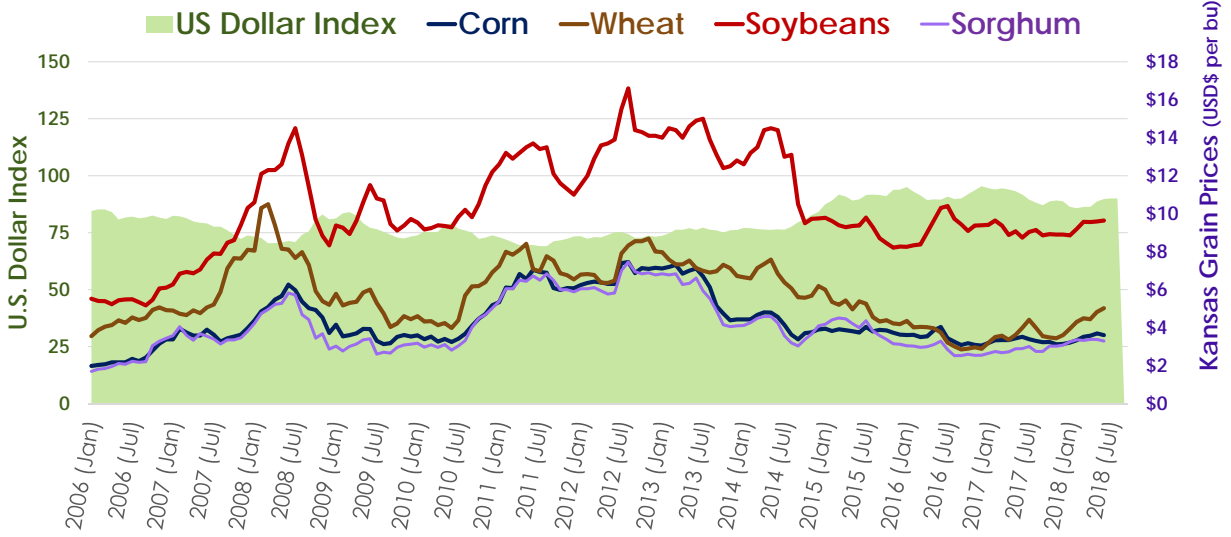
Monthly Chart: January 1973 through August 3, 2018 88.31



# U.S. Dollar Index vs Kansas Grain \$'s 1998 – August 2018



# U.S. Dollar Index vs Kansas Grain \$'s 2006 – August 2018



# Corn & Sorghum Markets

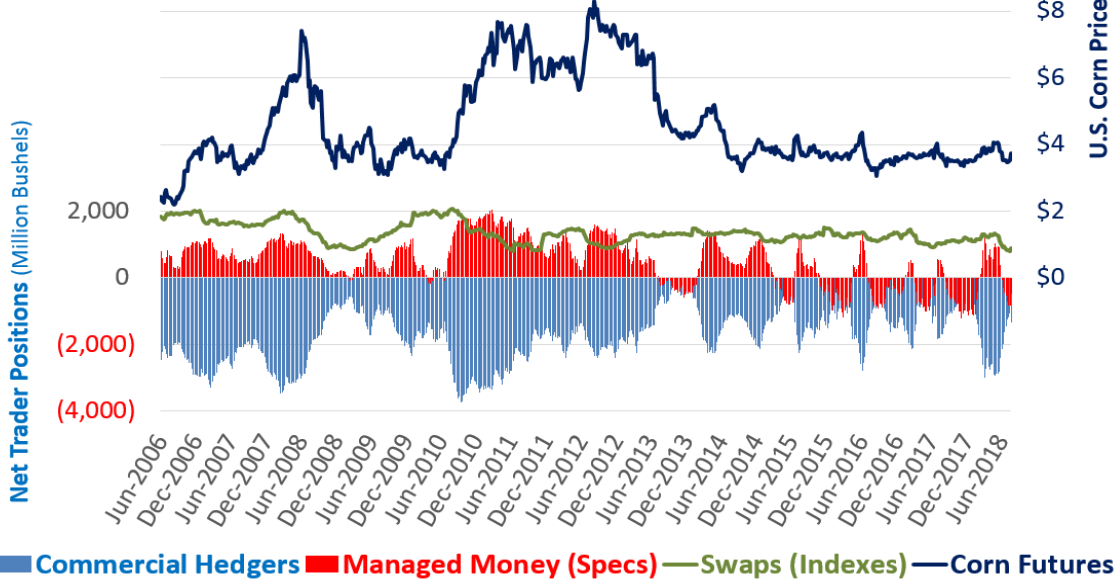


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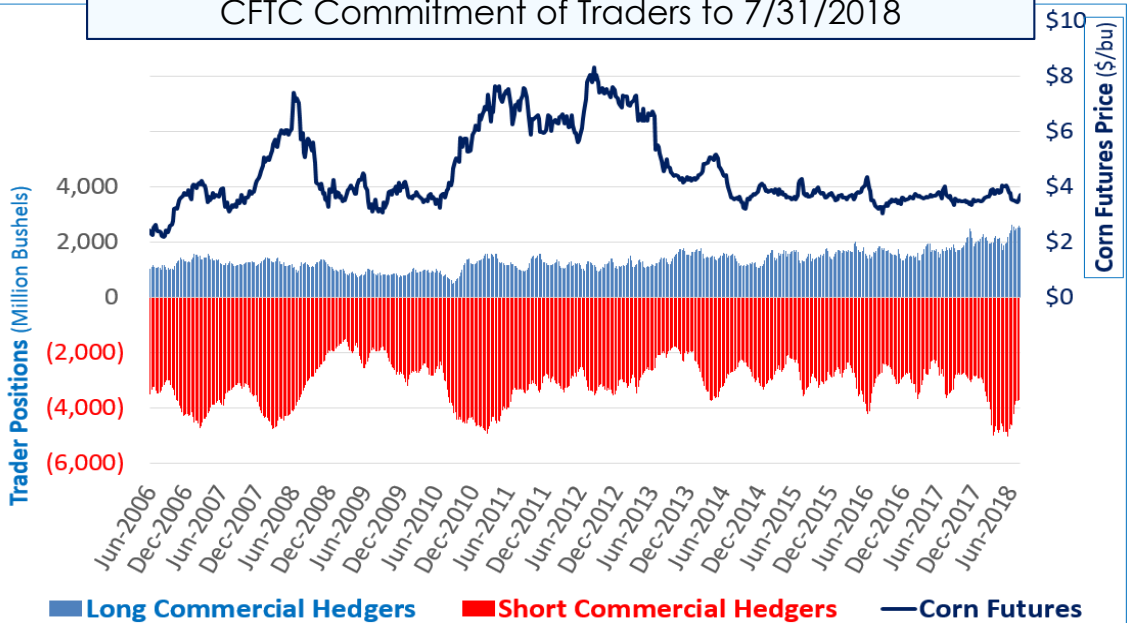
## CFTC Commitment of Traders Report

Positions in CME Corn Futures through July 31, 2018

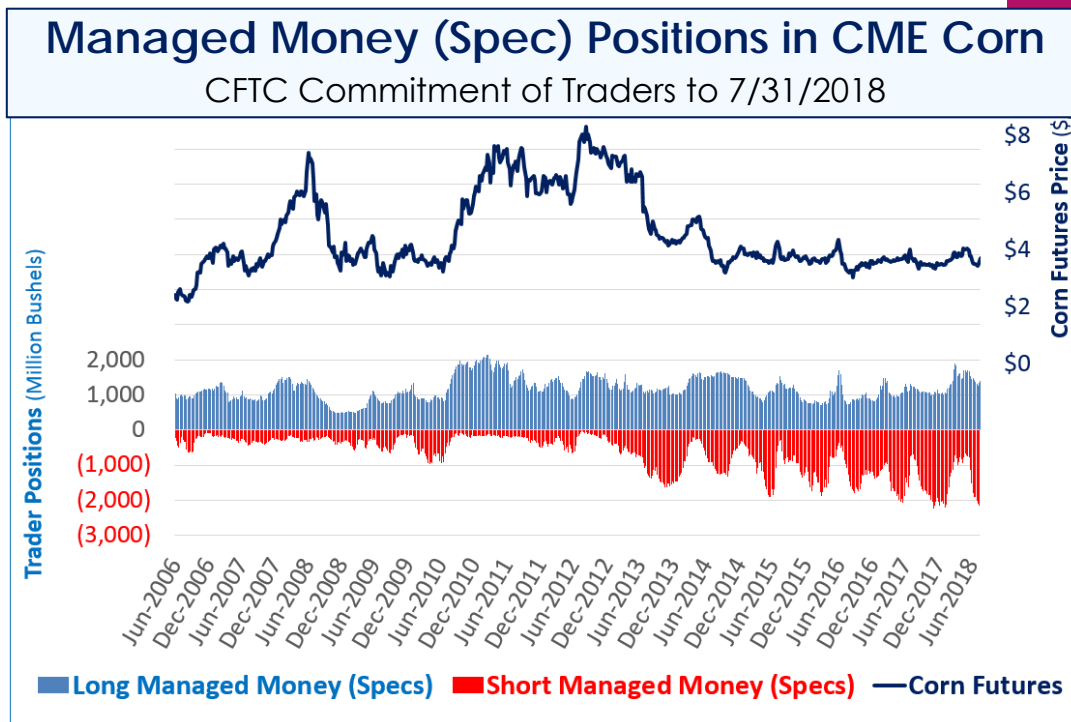


## Commercial Hedge Positions in CME Corn

CFTC Commitment of Traders to 7/31/2018







## U.S. Corn & Sorghum Supply-Use

- 2018 U.S. Corn & Sorghum Production  $\approx$  2017 Crops
- Large Corn Stocks are still limiting Feedgrain Price\$'s
- Low Price\$'s supporting "*New Crop*" MY 2018/19 Corn Use
  - Ethanol <sup>2018/19</sup> = 5.625 bln bu (*Record high* – vs 5.600 bb last year)
  - Livestock Feed <sup>2018/19</sup> = 5.525 bln bu (*10 year high* – vs 5.858 bb in 2007/08)
  - Exports <sup>2018/19</sup> = 2.350 bln bu (vs 2.400 bb in '17/18 & 2.294 in '15/16)
  - Other FSI <sup>2018/19</sup> = 1.480 bln bu (*4 year high* – vs 1.424 bb in 2011/12)

# U.S. Corn & Sorghum Stocks.....

- Corn: "Moderate" Stocks & % S/U

- End Stocks 2018/19 ⇒ 1.684 bln bu (vs 2.027 bb last year)
- % Stocks/Use 2018/19 ⇒ 11.2% S/U (vs 13.6% S/U last year)

- Grain Sorghum: "Low" Price\$'s (Hurt by trade issues)

- End Stocks 2018/19 ⇒ 40 mln bu (↓ Exports & ↑ Ethanol Use)
- % Stocks/Use 2018/19 ⇒ 10.5% S/U (↓ vs 12.4% S/U last year)



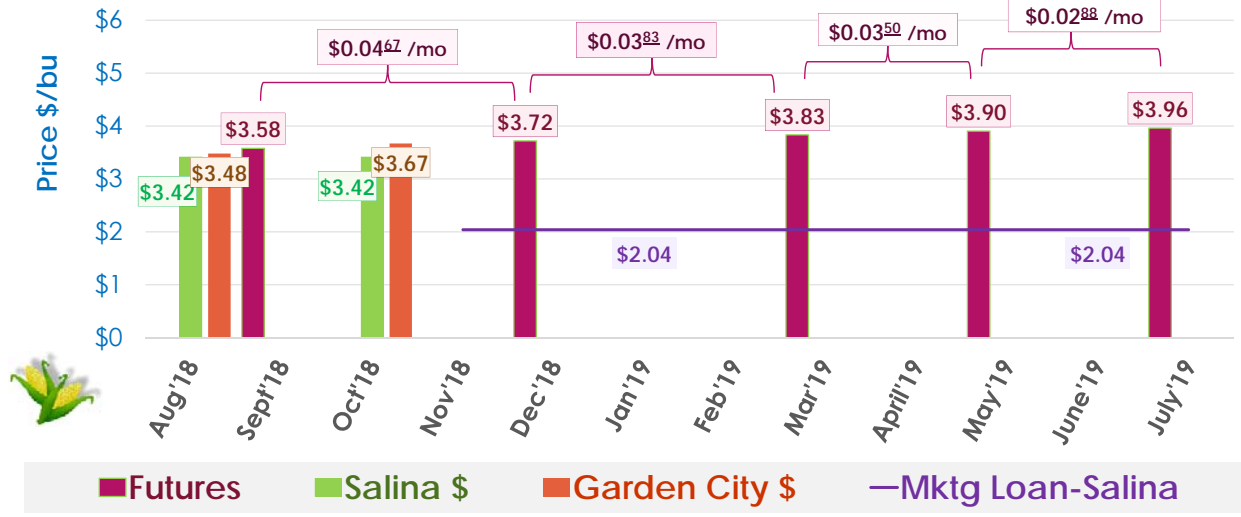
## CME Corn Futures

Weekly Chart: June 2009 – July 2018 + 8/10/2018



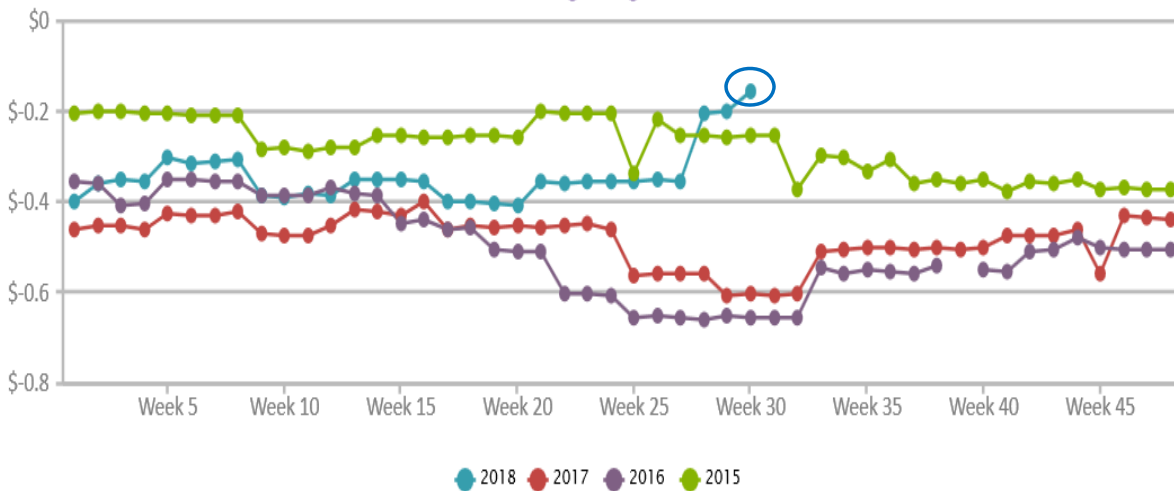
# Corn Cash & Futures \$'s

Salina & Garden City, KS Local Elevators - August 10, 2018



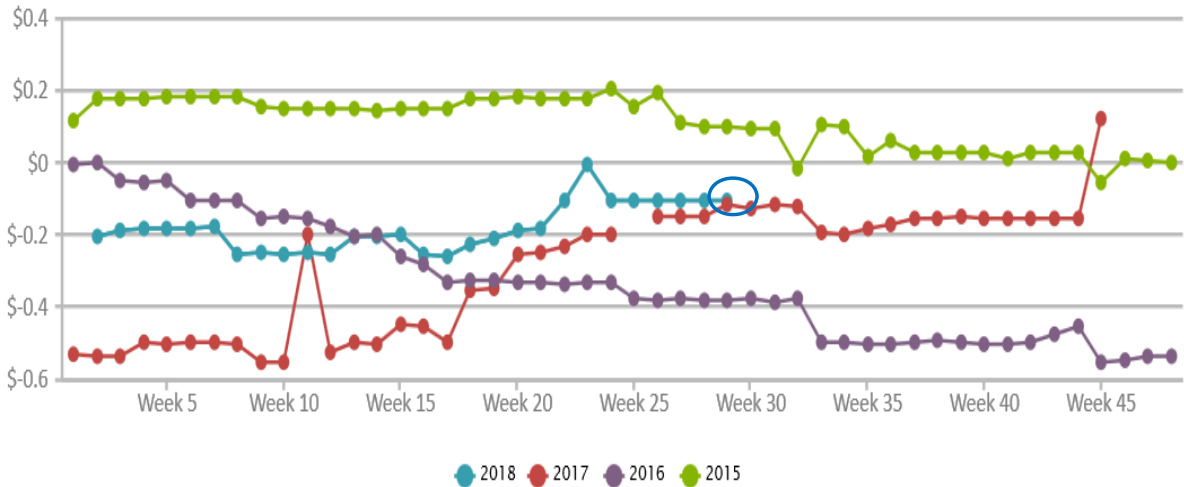
## SALINA, KS: Corn Basis - CARGILL

www.AgManager.info



# GARDEN CITY, KS: Corn Basis - GARDEN CITY COOP

www.AgManager.info

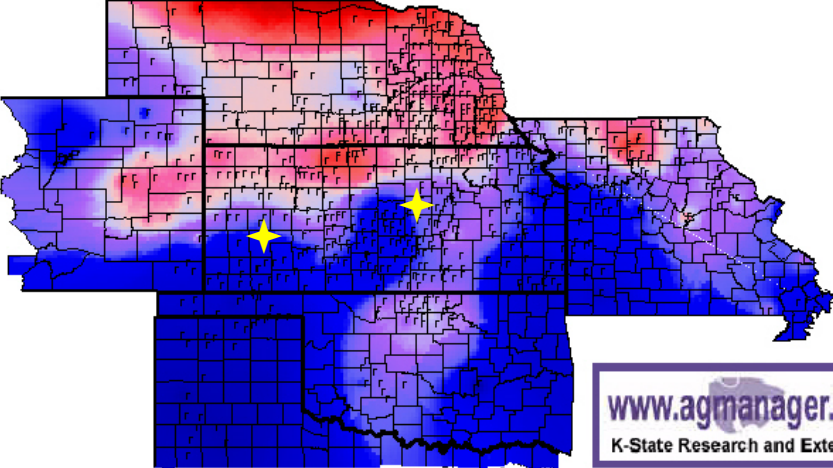


# Corn Basis, 08-08-2018

Basis = Cash Price - Nearby Futures Price

CBT Sept Futures Price: \$3.71

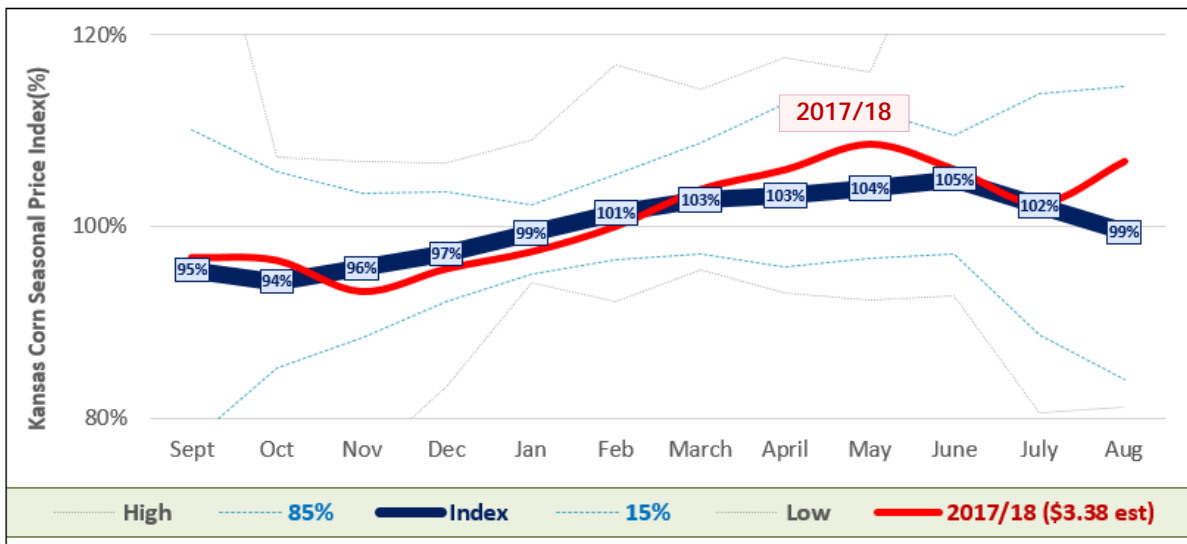
| \$/Bushel       |      |
|-----------------|------|
| Dark Blue       | .80  |
| Blue            | -.17 |
| Light Blue      | -.20 |
| Very Light Blue | -.27 |
| White           | -.30 |
| Light Pink      | -.34 |
| Red             | -.37 |
| Dark Red        | -.41 |
| Dark Red        | -.49 |
| Dark Red        | -.59 |



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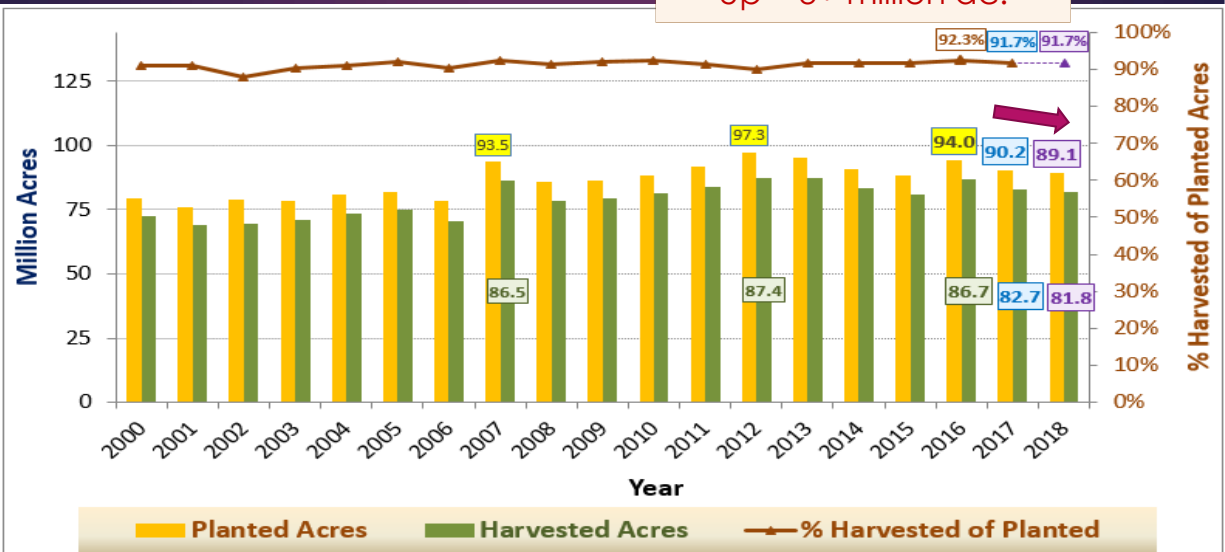
# Kansas Corn Seasonal Cash \$ Index

Monthly: 1999/00 thru 2016/17 + "Old Crop" MY 2017/18



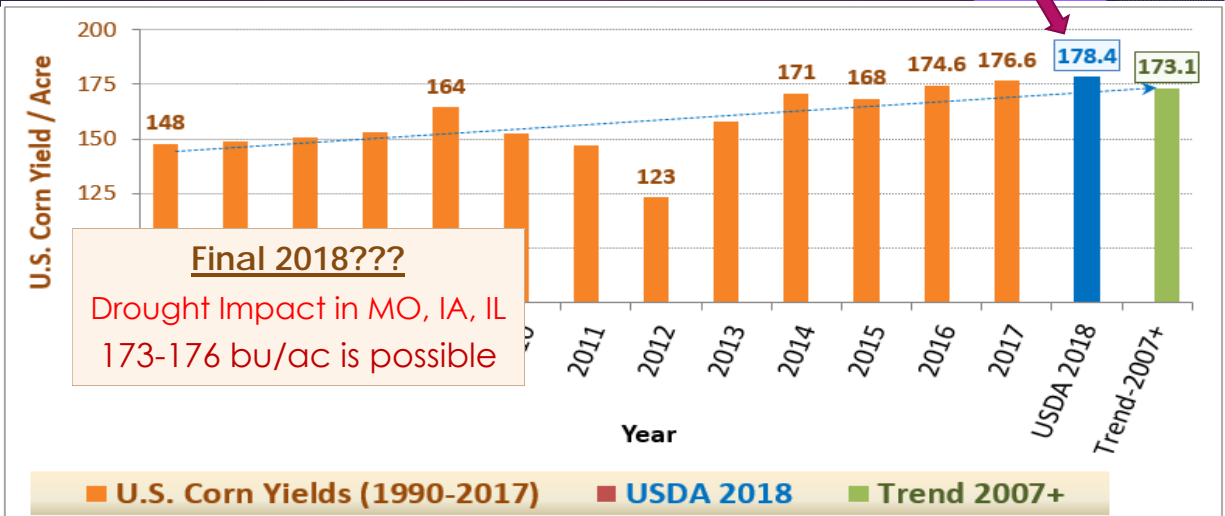
# U.S. Corn Acreage

For 2019???  
U.S. Corn Planted Acres  
Up ≈ 3+ million ac.



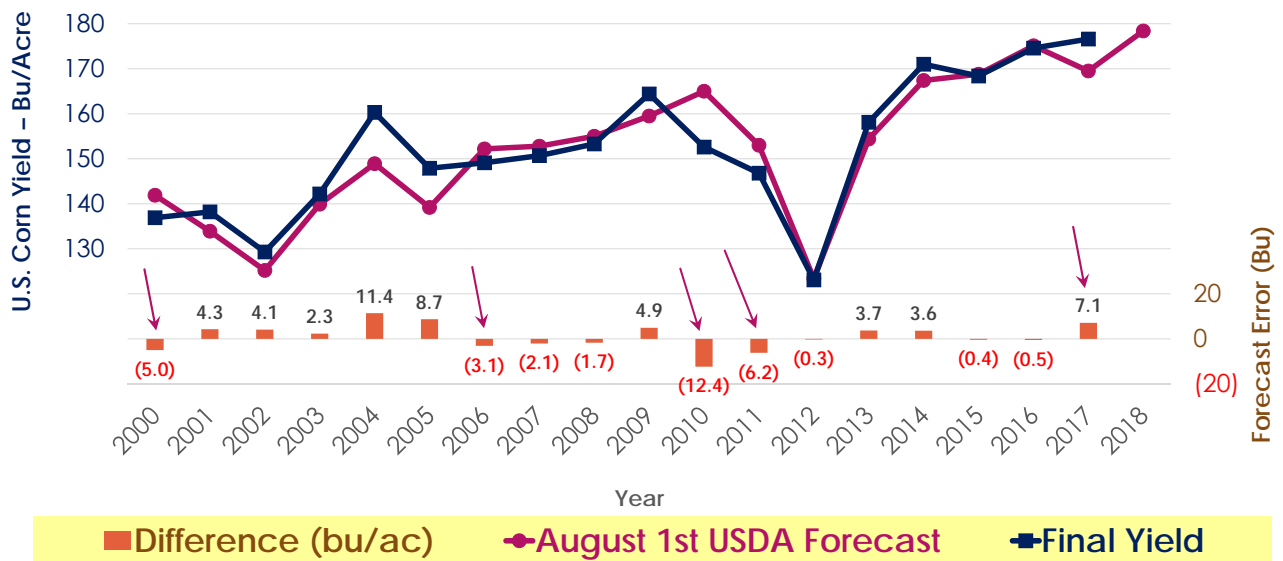
# U.S. Corn Yields

USDA 2017 USDA Forecast = 178.4 bu/ac

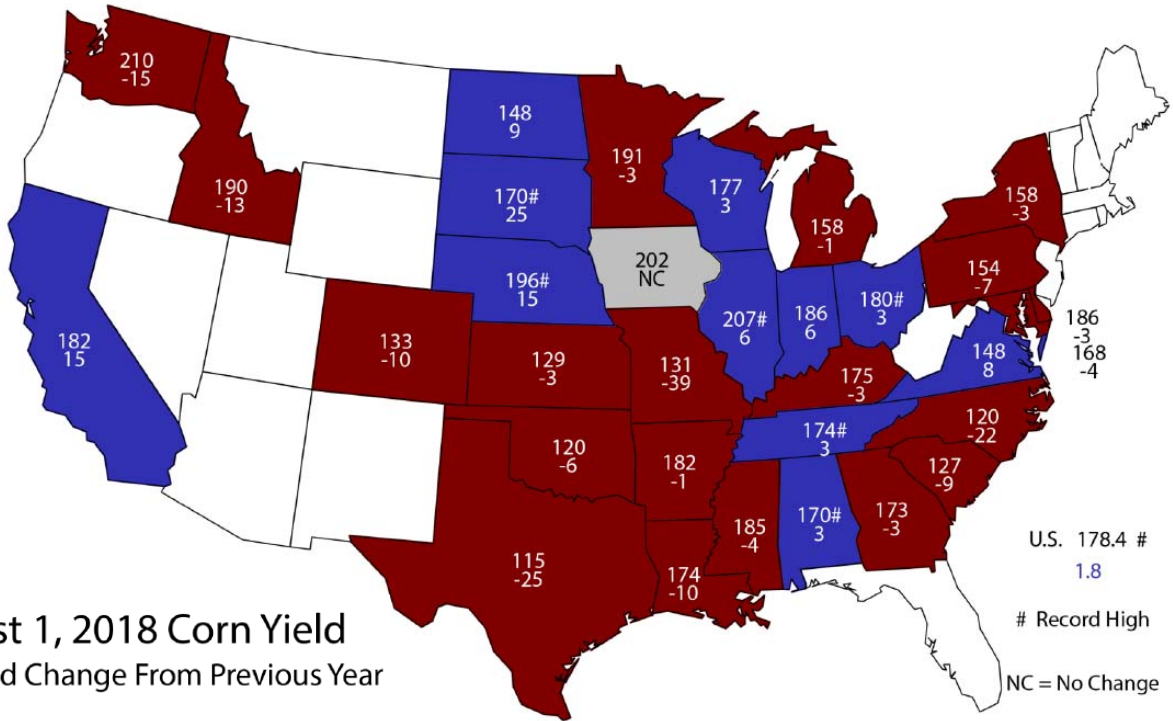


# U.S. Corn Yields: 2000-2018

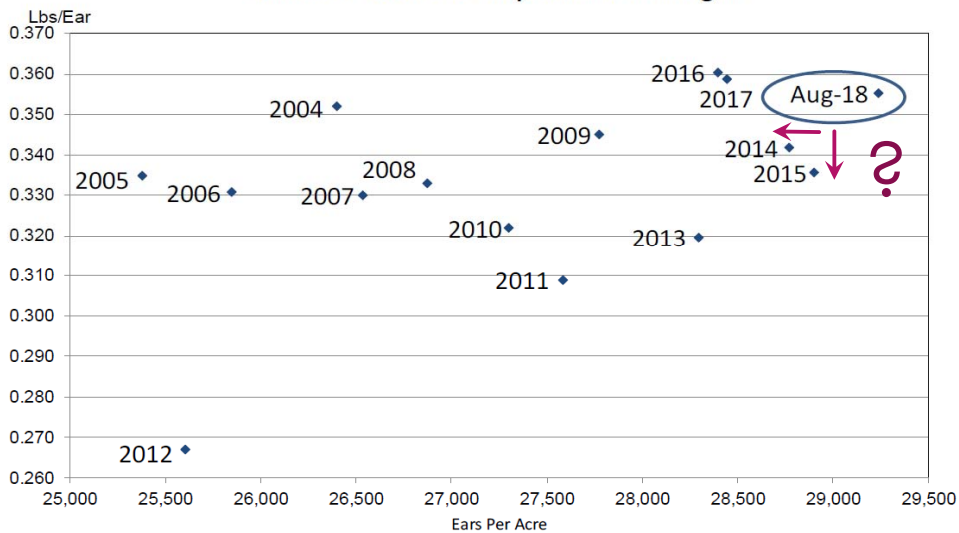
Accuracy of August 1<sup>st</sup> USDA Forecasts



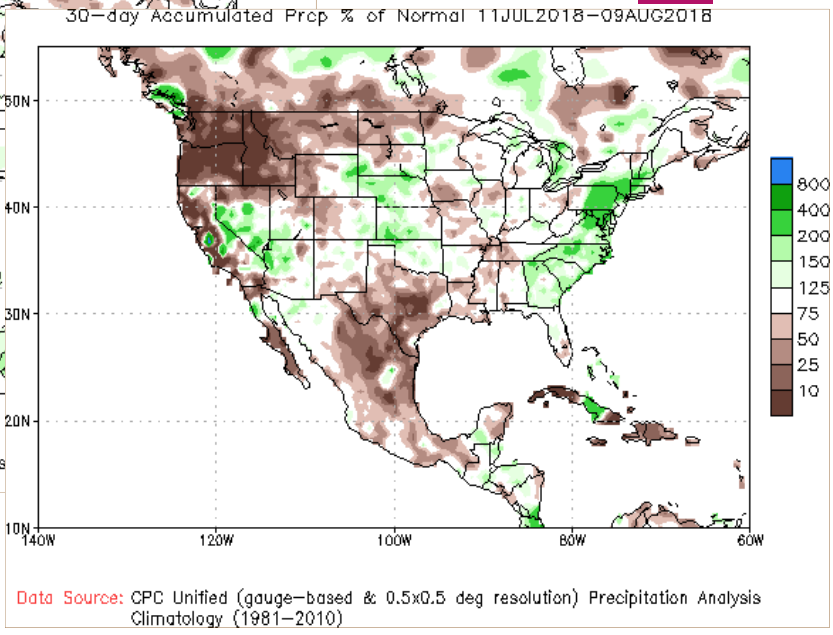
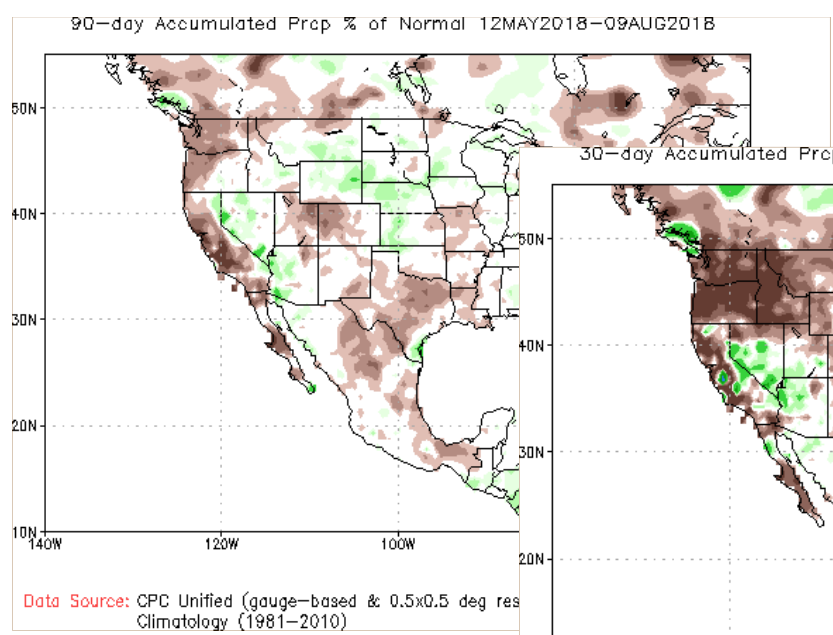
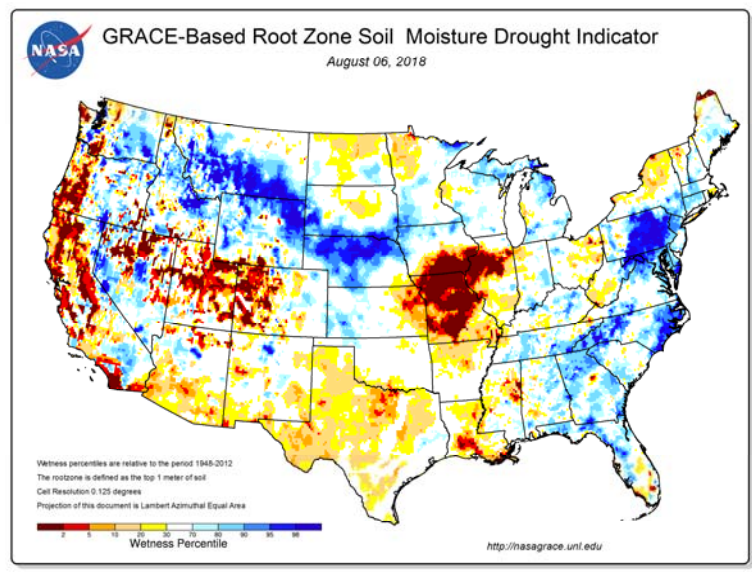
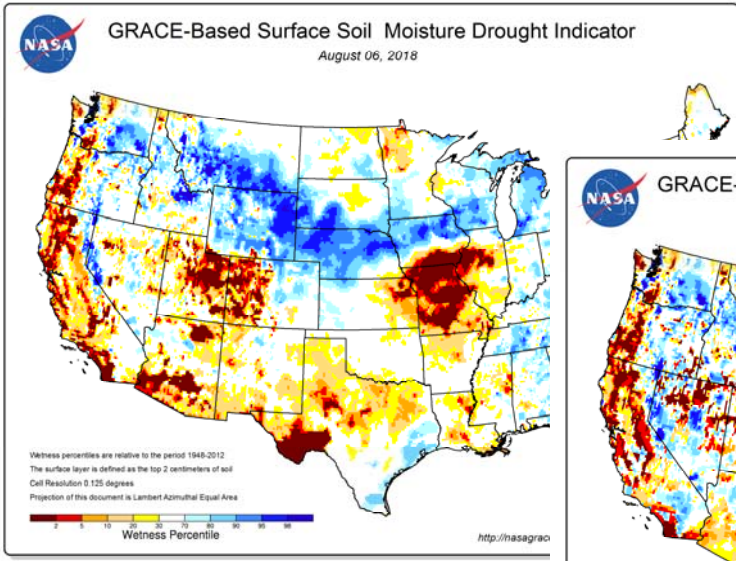




### Corn Objective Yield Region Ears Per Acre vs. Implied Ear Weight



Implied Ear Weight = (Published Yield \* 56) / Ears



## U.S. Corn Supply & Demand

| Items                        | MY 2017/18    | MY 2018/19    | Vs July 2018 | Vs Year Ago  |
|------------------------------|---------------|---------------|--------------|--------------|
| Beginning Stocks (mln bu)    | 2,293         | 2,027         |              |              |
| <b>Production</b>            | <b>14,604</b> | <b>14,586</b> | <b>+356</b>  | <b>(18)</b>  |
| <u>Imports</u>               | <u>40</u>     | <u>50</u>     |              | <u>+10</u>   |
| <b>Total Supply (mln bu)</b> | <b>16,937</b> | <b>16,664</b> | <b>+356</b>  | <b>(274)</b> |

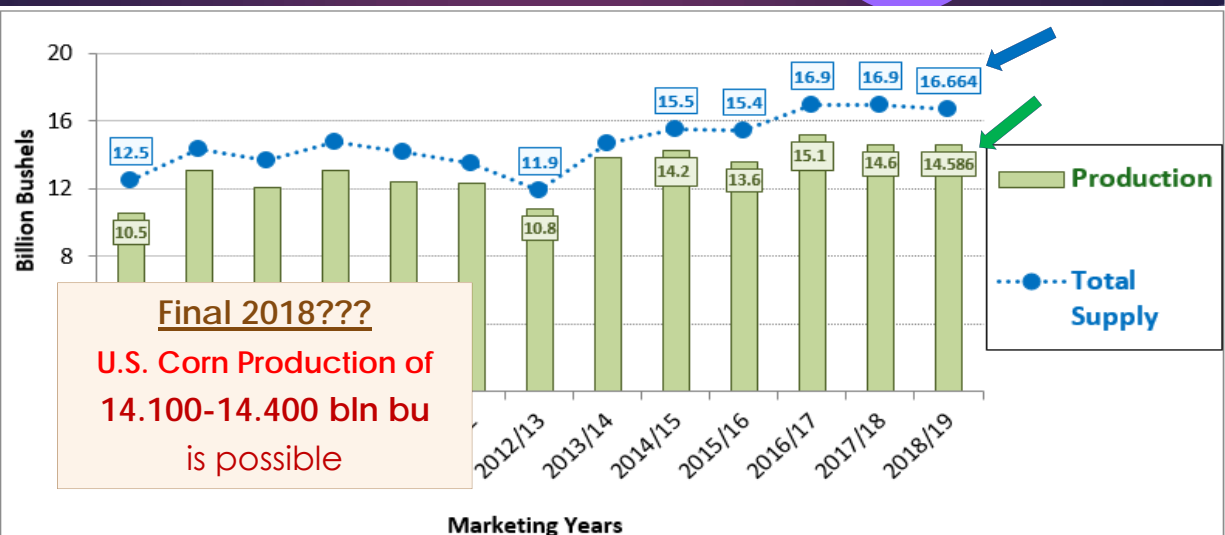
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| Ethanol Use                  | 5,600         | 5,625         |              | +25          |
| Other Food, Seed, Industrial | 1,460         | 1,480         |              | +20          |
| Exports                      | 2,400         | 2,350         |              | (50)         |
| <u>Feed &amp; Residual</u>   | <u>5,450</u>  | <u>5,525</u>  | <u>+100</u>  | <u>+75</u>   |
| <b>Total Use (mln bu)</b>    | <b>14,910</b> | <b>14,980</b> | <b>+225</b>  | <b>+70</b>   |

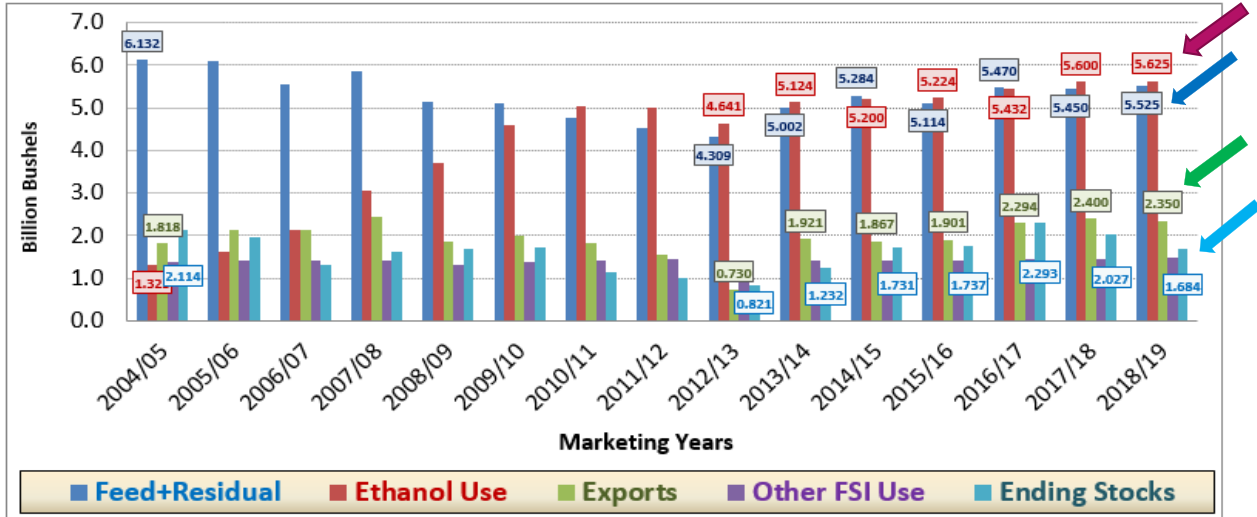
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| <b>Ending Stocks (mln bu)</b>    | <b>2,027</b>  | <b>1,684</b>  | <b>+131</b>     | <b>(344)</b>   |
| <b>% Ending Stocks-to-Use</b>    | <b>13.6%</b>  | <b>11.2%</b>  | <b>+0.7%</b>    | <b>(2.4%)</b>  |
| <b>U.S. Avg. Price\$ (\$/bu)</b> | <b>\$3.40</b> | <b>\$3.60</b> | <b>(\$0.20)</b> | <b>+\$0.20</b> |

## U.S. Corn Production & Supplies



# U.S. Corn Use – By Category

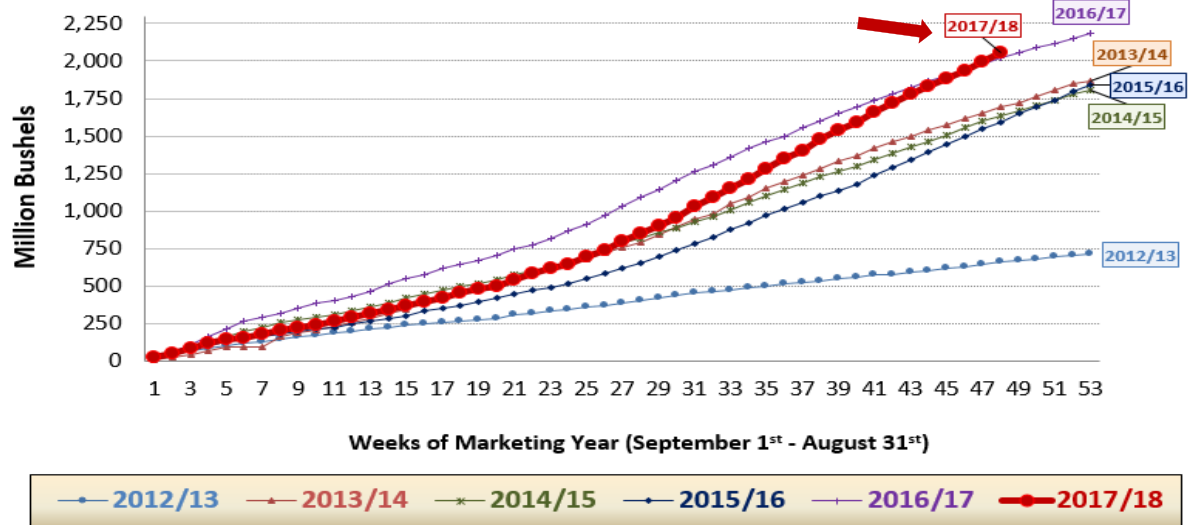


# U.S. Meat Production and Prices

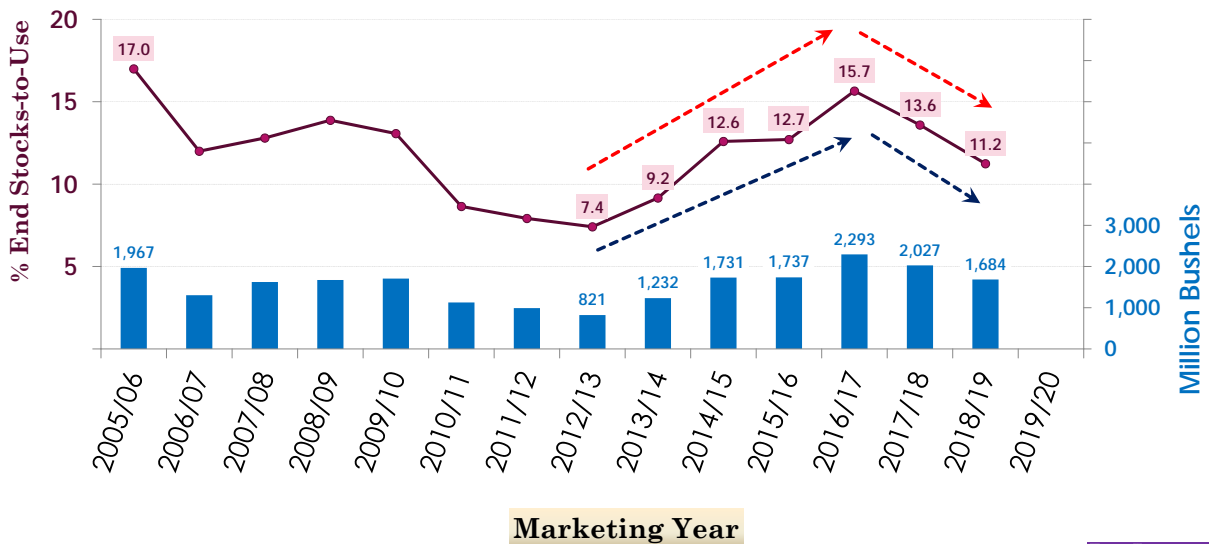
| Item  | 2018   |                     | 2019          |                     |                  |
|---|--|---------------------|---------------|---------------------|------------------|
|   | Estimate   | Change from July 12 | Forecast      | Change from July 12 | Change from 2018 |
| <b>Production</b> ----- <i>Billion Pounds</i> ----- |  |                     |               |                     |                  |
| Beef  | 27.09  | -0.06               | 27.72         | 0.03                | 0.63             |
| Pork  | 26.71  | -0.04               | 27.88         | 0.18                | 1.17             |
| Broilers  | 42.62  | 0.12                | 43.42         | 0.06                | 0.81             |
| Turkey  | 5.94   | **                  | 5.97          | --                  | 0.03             |
| <b>Total Meat</b>                                   | <b>103.12</b>  | <b>0.03</b>         | <b>105.75</b> | <b>0.26</b>         | <b>2.63</b>      |
| <b>Prices</b> ----- <i>Dollars per cwt</i> -----    |  |                     |               |                     |                  |
| Steers  | <b>2019 U.S. Meat Production</b><br><b>Quantity of Beef, Pork, &amp; Broilers are all projected to be higher in 2019</b> |                     | 117.75        | --                  | 1.92             |
| Hogs  |  |                     | 40.75         | -1.25               | -3.51            |
| <i>Cents per pound</i> -----                        |  |                     |               |                     |                  |
| Broilers  |  |                     | 99.8          | -1.3                | -0.4             |
| Turkey  |  |                     | 87.5          | --                  | 5.3              |

-- No change. \*\* Rounds to zero.

# U.S. Corn Exports - Weekly thru August 10, 2017

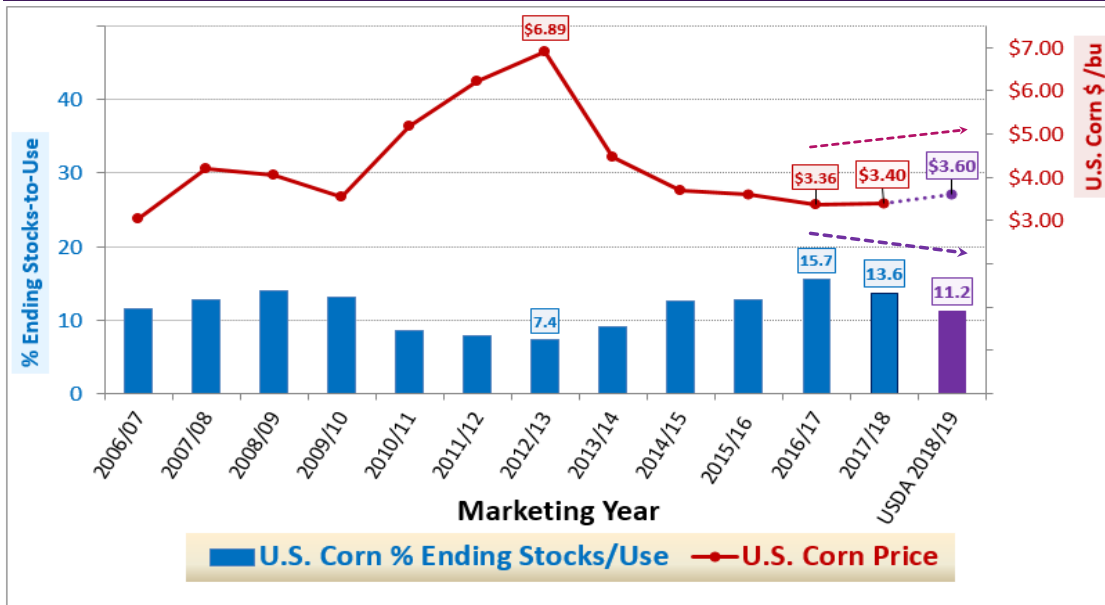


# U.S. Corn Ending Stocks & % Stx/Use

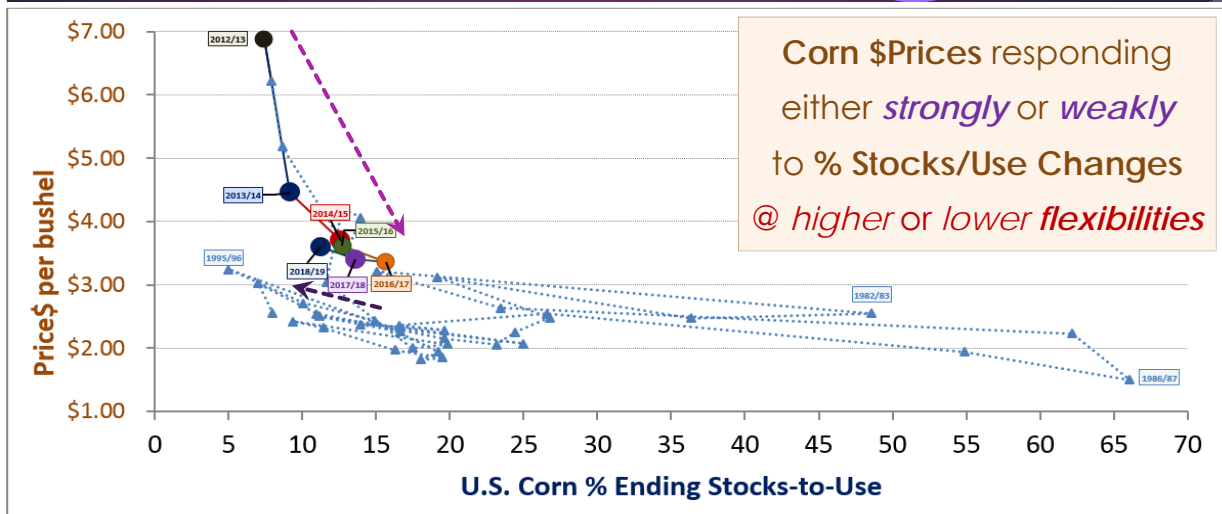




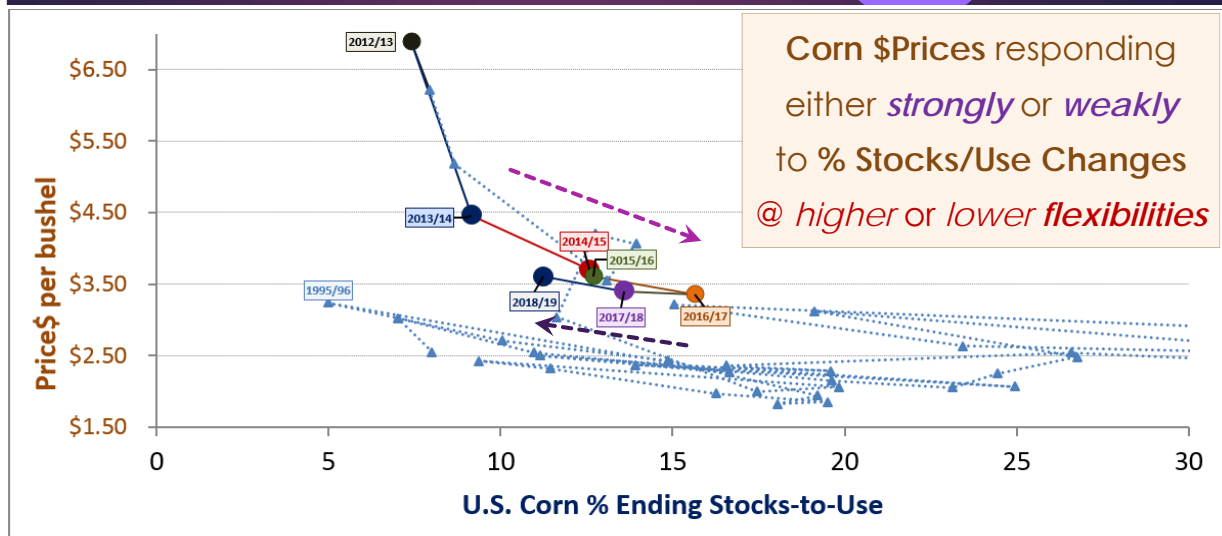
# U.S. Corn % Stocks/Use vs Price\$



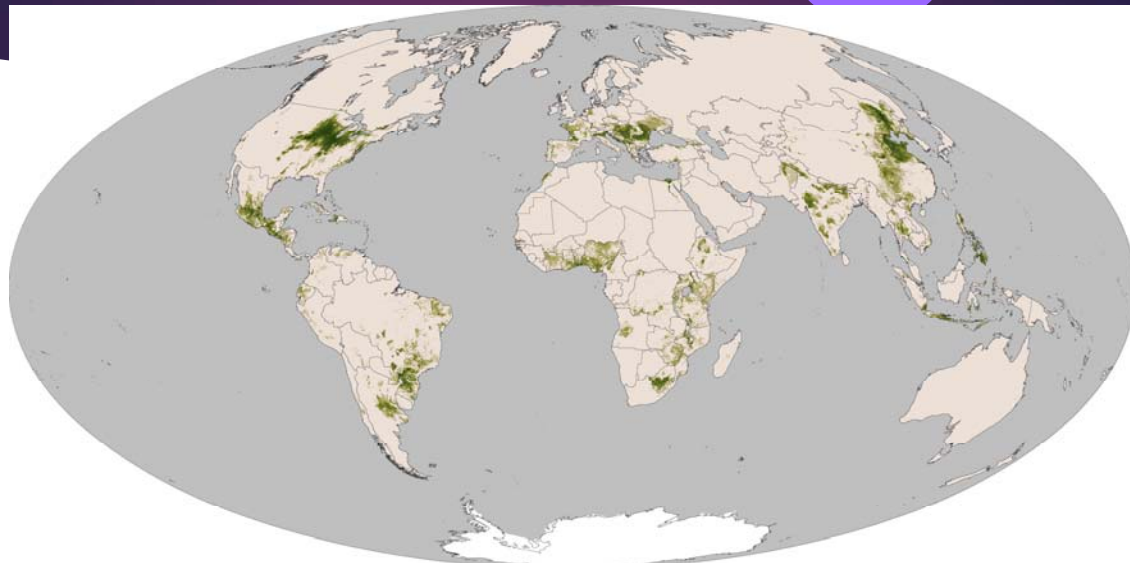
# U.S. Corn % Stocks/Use vs Price\$



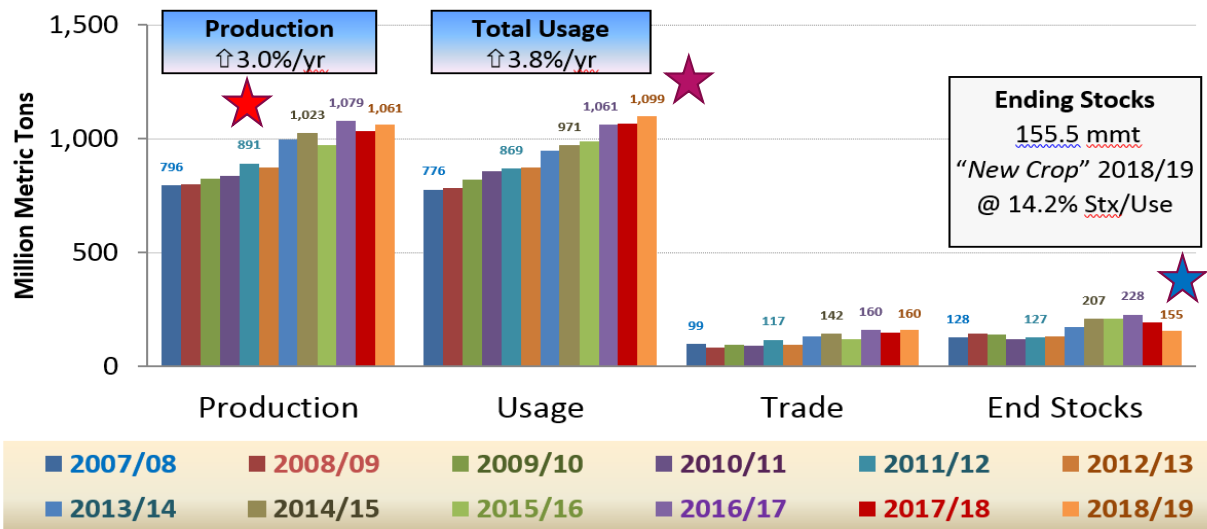
# U.S. Corn % Stocks/Use vs Price\$



# World Corn (Maize) Production Regions



# World Corn Supply, Use & Stocks



# World Corn Production

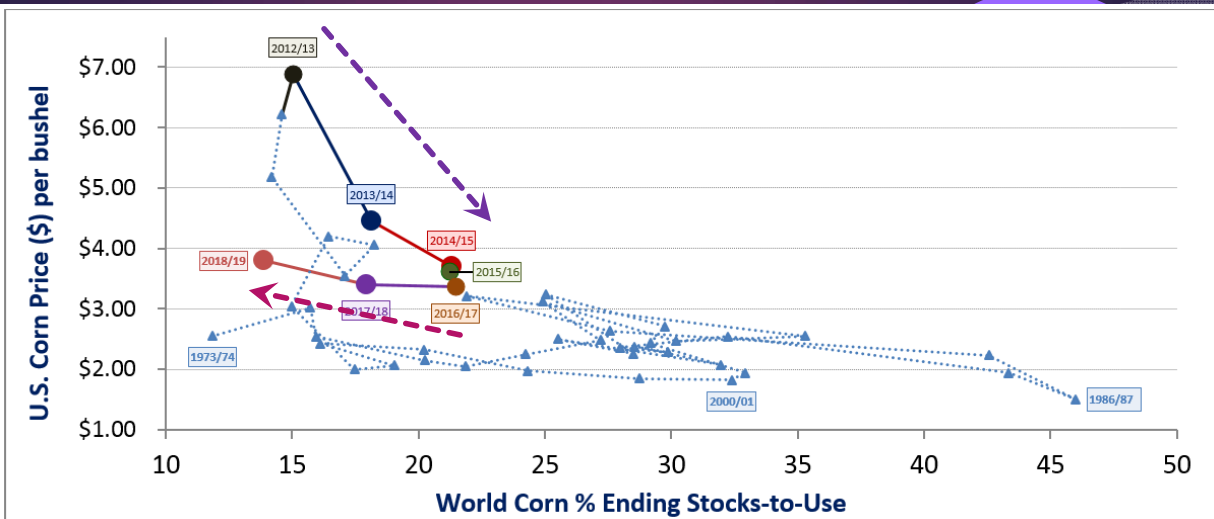
| Country or Region        | 2017/2018 |                     | 2018/2019 |                     |                       |
|--------------------------|-----------|---------------------|-----------|---------------------|-----------------------|
|                          | Estimate  | Change from July 12 | Forecast  | Change from July 12 | Change from 2017/2018 |
| ----- Million Tons ----- |           |                     |           |                     |                       |
| World                    | 1,033.3   | -0.4                | 1,061.1   | 6.8                 | 27.8                  |
| United States            | 371.0     | --                  | 370.5     | 9.1                 | -0.4                  |
| Foreign                  | 662.3     | -0.4                | 690.5     | -2.3                | 28.2                  |
| Argentina                | 33.0      | --                  | 41.0      | --                  | 8.0                   |
| Brazil                   | 83.0      | -0.5                | 94.5      | -1.5                | 11.5                  |
| Mexico                   | 26.8      | --                  | 26.0      | --                  | -0.8                  |
| Canada                   | 14.1      | --                  | 14.8      | --                  | 0.7                   |
| European Union           | 62.3      | 0.1                 | 59.8      | -1.7                | -2.5                  |
| Serbia                   | 4.0       | --                  | 6.6       | 0.6                 | 2.6                   |
| FSU-12                   | 42.1      | --                  | 47.7      | 1.2                 | 5.6                   |
| Ukraine                  | 24.1      | --                  | 31.0      | 1.0                 | 6.9                   |
| Russia                   | 13.2      | --                  | 12.0      | --                  | -1.2                  |
| South Africa             | 13.8      | --                  | 13.5      | -0.5                | -0.3                  |
| China                    | 215.9     | --                  | 225.0     | --                  | 9.1                   |
| India                    | 26.9      | --                  | 26.0      | --                  | -0.9                  |

# World Corn Supply and Use

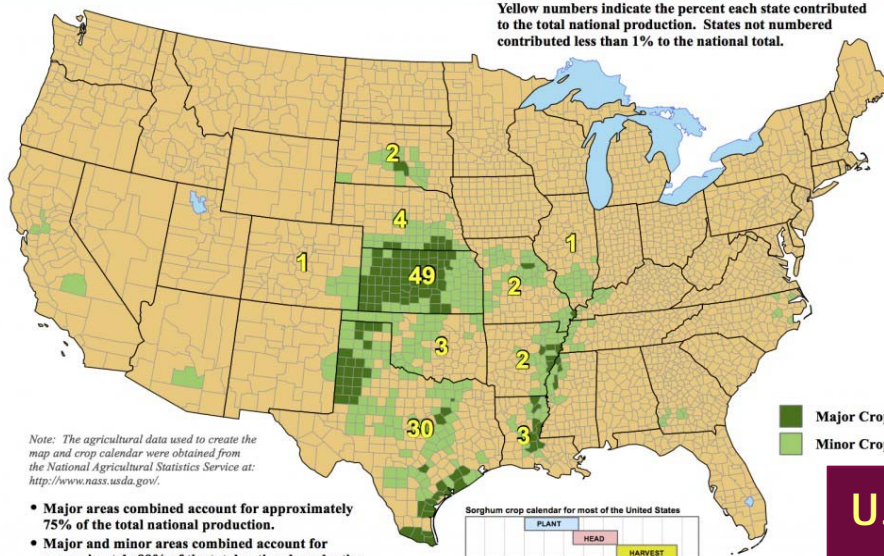
| Item                     | 2017/2018 |                     | 2018/2019 |                     |                       |
|--------------------------|-----------|---------------------|-----------|---------------------|-----------------------|
|                          | Estimate  | Change from July 12 | Forecast  | Change from July 12 | Change from 2017/2018 |
| ----- Million Tons ----- |           |                     |           |                     |                       |
| Beginning stocks         | 227.8     | 0.2                 | 193.3     | 1.6                 | -34.5                 |
| Production               | 1,033.3   | -0.4                | 1,061.1   | 6.8                 | 27.8                  |
| Total Supply             | 1,261.1   | -0.3                | 1,254.4   | 8.3                 | -6.7                  |
| Feed use                 | 650.7     | 1.3                 | 671.4     | 4.7                 | 20.7                  |
| Total use                | 1,067.8   | -1.9                | 1,098.9   | 4.8                 | 31.1                  |
| Trade                    | 147.5     | -3.0                | 159.6     | 1.8                 | 12.1                  |
| Ending Stocks            | 193.3     | 1.6                 | 155.5     | 3.5                 | -37.8                 |

## U.S. Corn Price\$ vs World % Stocks-to-Use

MY 1973/74 through "New Crop" MY 2018/19

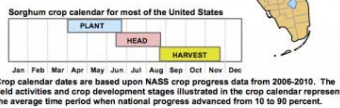


## United States: Sorghum



Note: The agricultural data used to create the map and crop calendar were obtained from the National Agricultural Statistics Service at: <http://www.nass.usda.gov/>.

- Major areas combined account for approximately 75% of the total national production.
- Major and minor areas combined account for approximately 99% of the total national production.
- Major and minor areas and state production percentages are derived from NASS county- and state-level production data from 2006-2010.

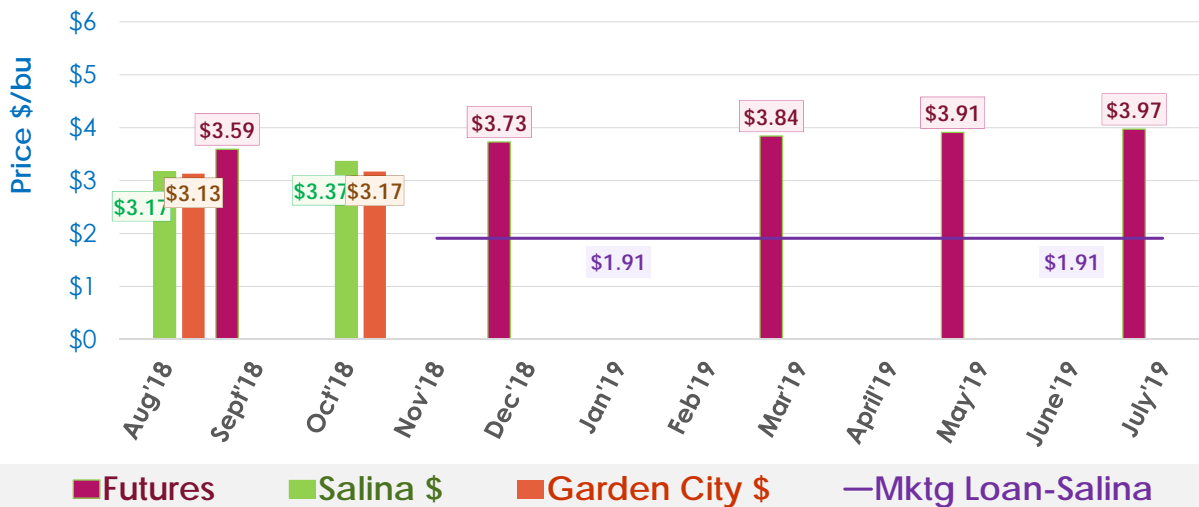


USDA Agricultural Weather Assessments  
World Agricultural Outlook Board

## U.S. Grain Sorghum Production Regions

## Sorghum Cash & Futures \$'s

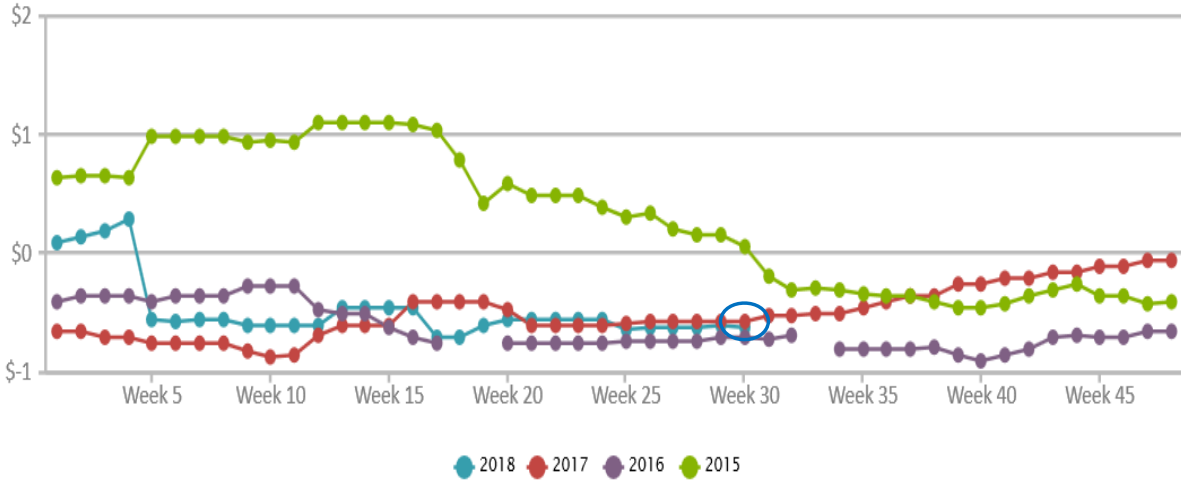
Salina & Garden City, KS Local Elevators - August 10, 2018





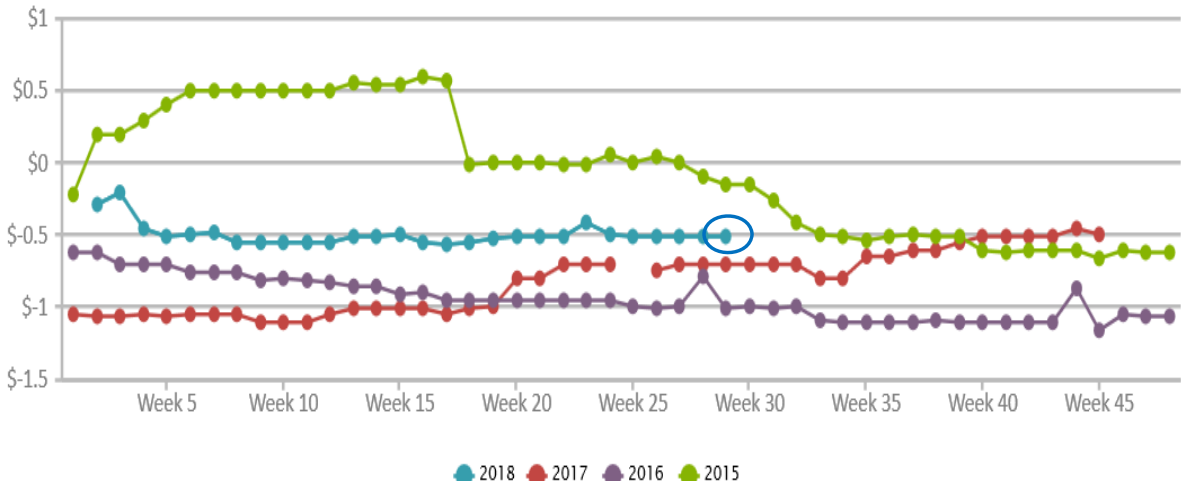
### SALINA, KS: Grain Sorghum Basis - CARGILL

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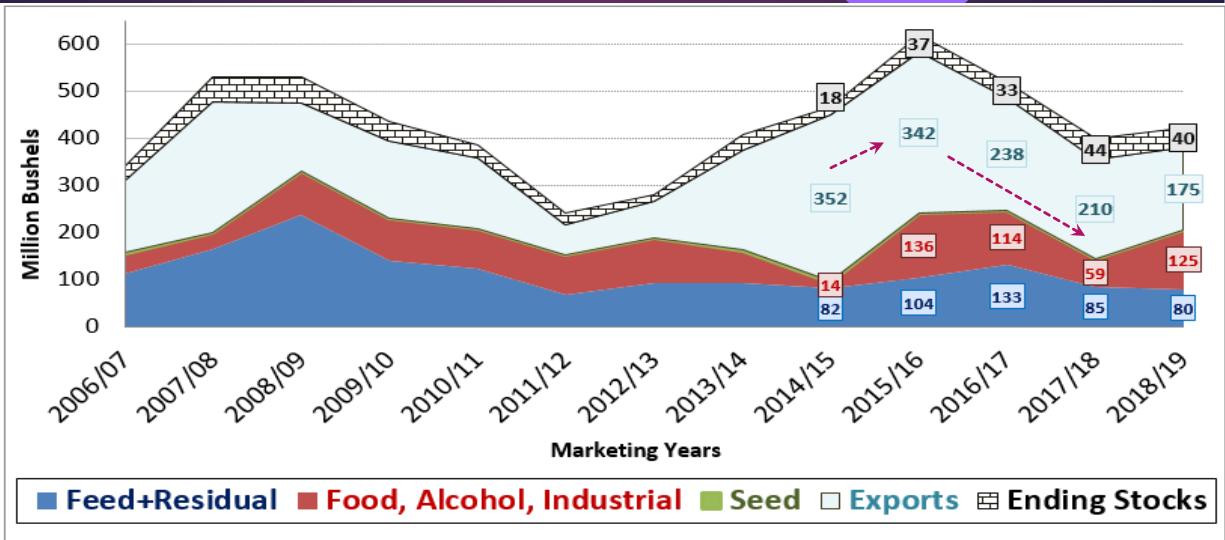
### GARDEN CITY, KS: Grain Sorghum Basis - GARDEN CITY COOP

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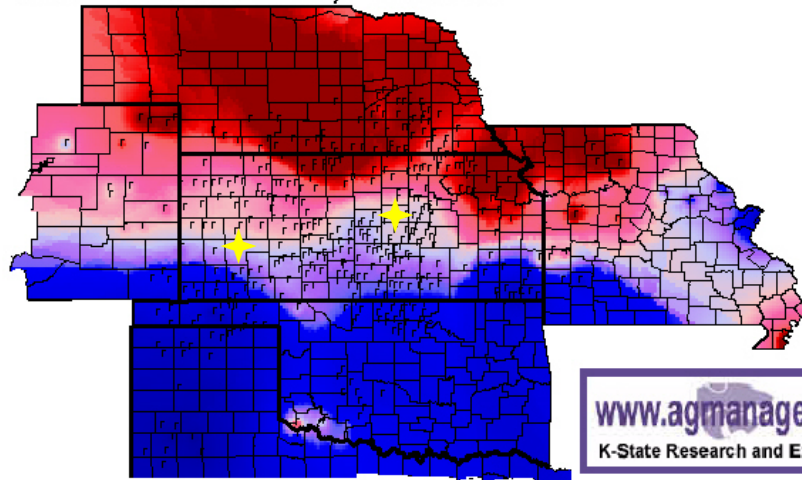
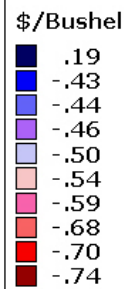
# U.S. Sorghum Use & End Stocks



## Grain Sorghum Basis, 08-08-2018

Basis = Cash Price - Nearby Futures Price

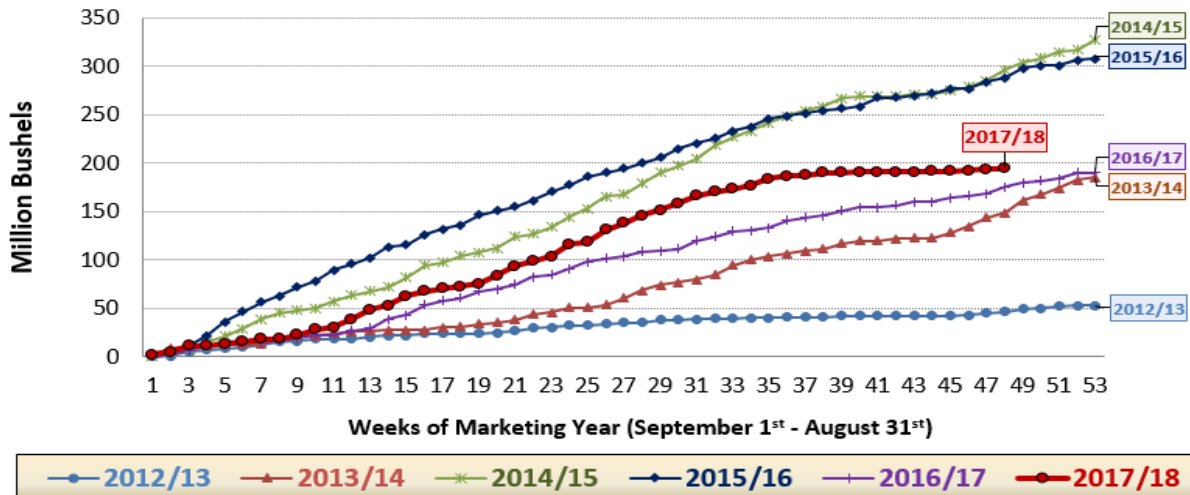
CBT Corn  
Sept Futures  
Price: \$3.71



[www.agmanager.info](http://www.agmanager.info)  
K-State Research and Extension

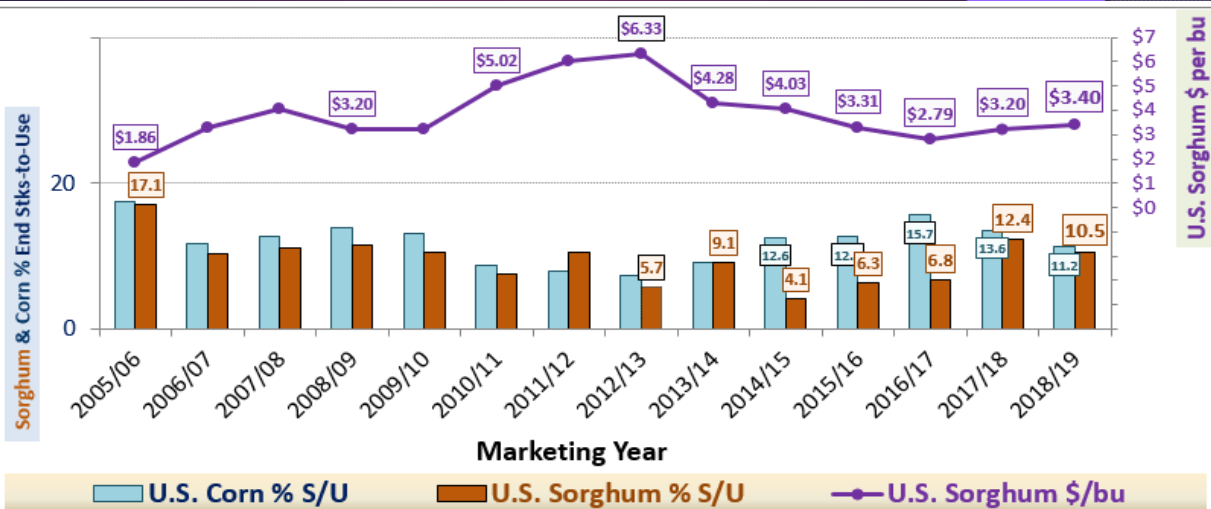
# U.S. Sorghum Exports

Marketing Years 2012/13 thru 2017/18 (as of August 2, 2018)



# U.S. Sorghum Stks/Use & Price\$

Marketing Years 2005/06 thru 2018/19



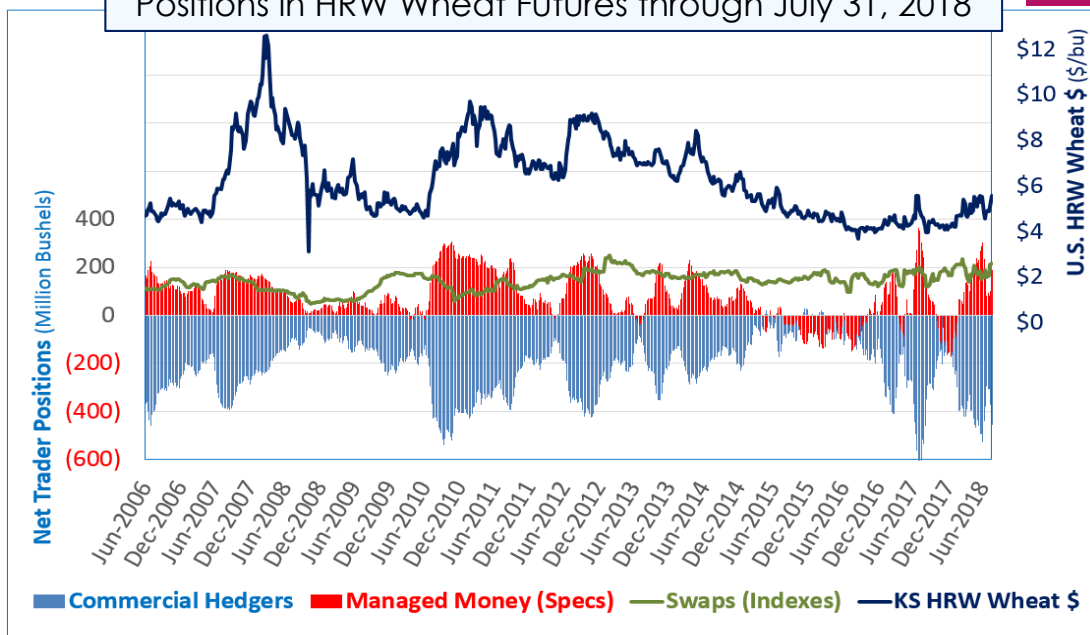
# Wheat Markets



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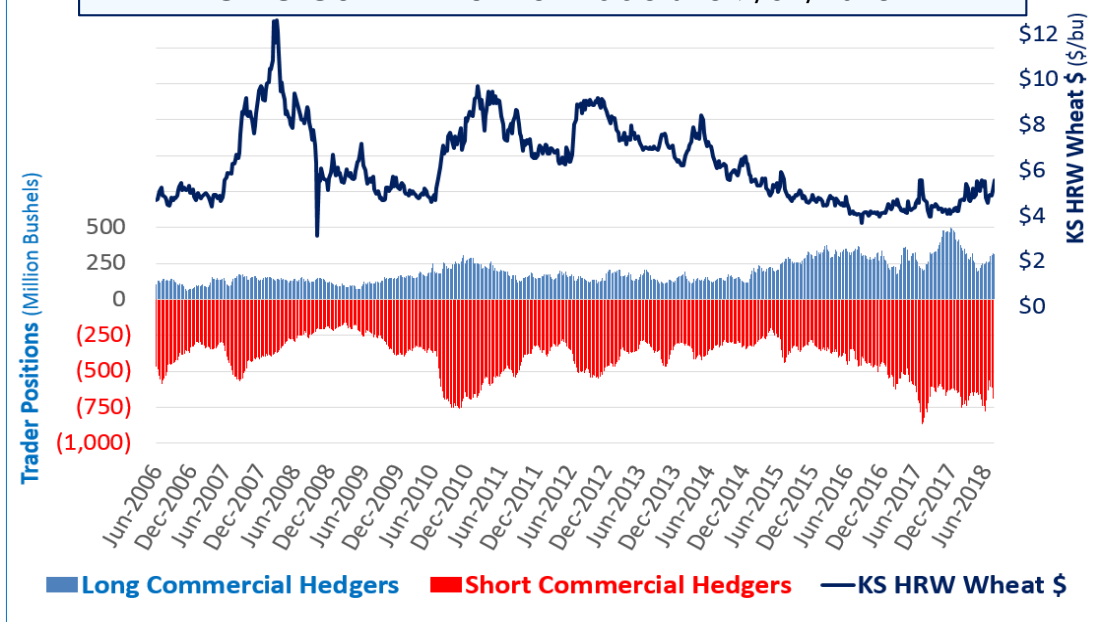


## CFTC Commitment of Traders Report Positions in HRW Wheat Futures through July 31, 2018



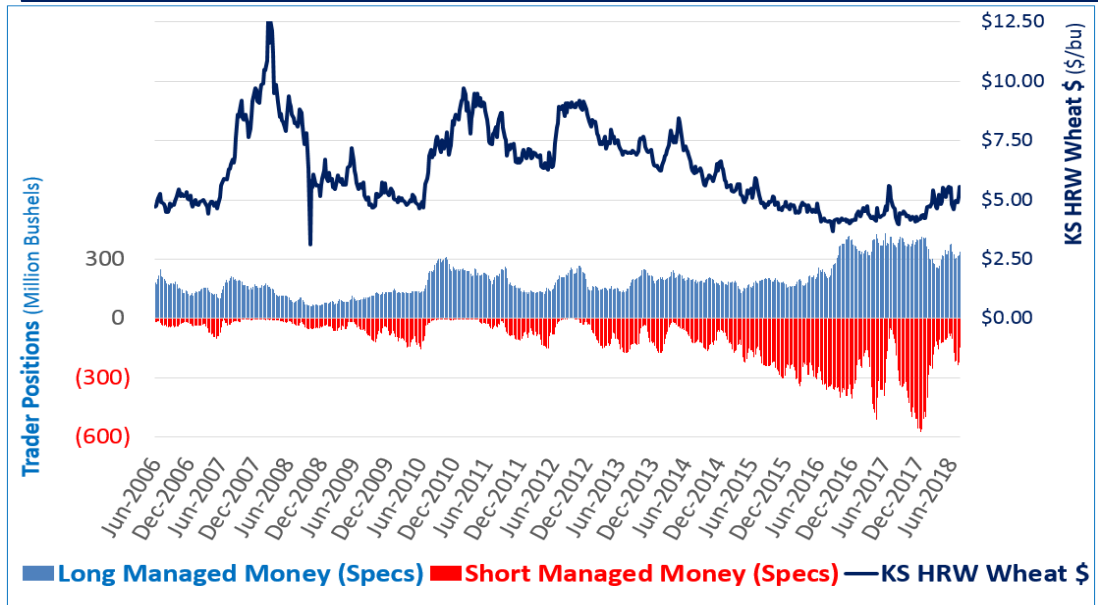
# Commercial Hedge Positions in HRW Wheat

CFTC Commitment of Traders to 7/31/2018



# Managed Money (Spec) Positions in HRW Wheat

CFTC Commitment of Traders to 7/31/2018



## U.S. Wheat Supply-Use

- Market support from **World crop problems & higher protein** in the **2018 U.S. HRW crop**
  - Anticipating *lower* U.S. & World **Wheat Stocks**
- Markets expect **U.S. Wheat Exports to increase**
  - **Exports** 2018/19 = 1.025 bln bu (*778 mb – 1.291 bb range since 2008/09*)
  - **Food Use** 2018/19 = 970 mln bu (*Level Use since MY 2012/13*)
  - **Feed Use** 2018/19 = 120 mln bu (*Down from 228-365 mb in 2012 - 2013*)
  - **HRW Exports** 2018/19 = 395 mln bu (*vs 371 mb & 455 mb last 2 years*)

## U.S. Wheat Stocks.....

- **All U.S. Wheat: “Declining” Stocks**
  - **End Stocks** 2018/19 ⇒ 935 mln bu (*1.100 bb last year*)
  - **% Stocks/Use** 2018/19 ⇒ 43.0% S/U (*55.6% Stx/Use last year*)
- **U.S. HRW Wheat: “Still Large” Carryover (also declining)**
  - **End Stocks** 2018/19 ⇒ 391 mln bu (*581 mb last year*)
  - **% Stocks/Use** 2017/18 ⇒ 66.9% S/U (*76.0% Stx/Use last year*)

## 2018 U.S. Wheat Quality & Grades



- HRW Wheat <sup>2018</sup> ⇒ **12.5% protein**, 60.7 lb test, 1.5% defects
  - *Versus 11.4% protein, 60.8 lb test wt, 1.1% defects in 2017*
- SRW Wheat <sup>2018</sup> ⇒ **10.1% protein**, 57.5 lb test, 1.3% defects
  - *Versus 9.5% protein, 58.8 lb test wt, 1.7% defects in 2017*
- Soft White Wheat <sup>2018</sup> ⇒ **9.3% protein**, 61.7 lb test, 0.6% defects
  - *Versus 9.6% protein, 60.9 lb test wt, 0.6% defects in 2017*
- HRS Wheat <sup>2018</sup> ⇒ **\_\_\_% protein**, \_\_\_ lb test, \_\_\_% defects
  - *Versus 14.6% protein, 61.2 lb test wt, 1.0% defects in 2017*

## World Wheat Market Prospects:



Large Supplies ⇒ Less of a “*Buyer’s Market*”

- Lower Supplies & Record Usage Forecast for 2018/19
  - 4 consecutive record high World wheat crops
- **Poorer 2018 crops:** E.U. France-Germany, Australia, & Russia
- More “*competitive buying pressure*” in World Trade
  - “Tight” supplies among Top 7 World Wheat Exporters
  - *NOT MUCH evidence of “strong” U.S. wheat exports “YET”*



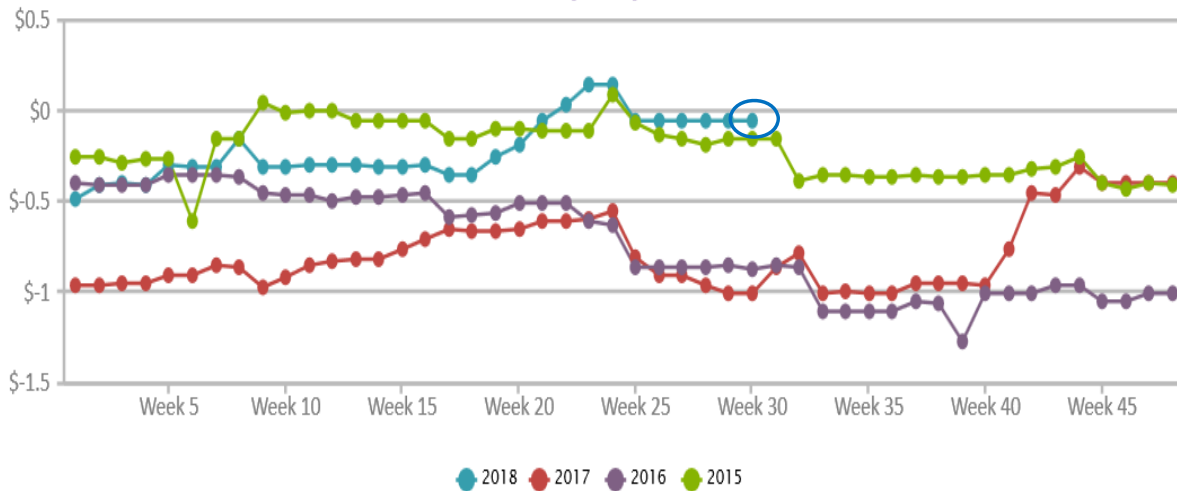
# CME Kansas Hard Red Winter Wheat

Monthly Chart: July 2009 – July 2018 + 8/10/2018



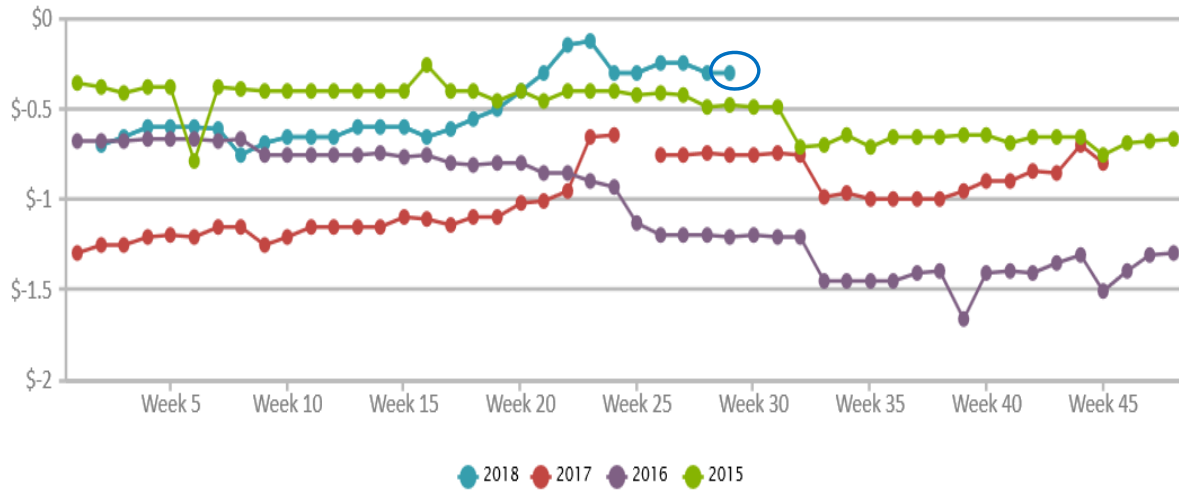
## SALINA, KS: Hard Red Winter Wheat Basis - CARGILL

www.AgManager.info



# GARDEN CITY, KS: Hard Red Winter Wheat Basis - GARDEN CITY COOP

www.AgManager.info

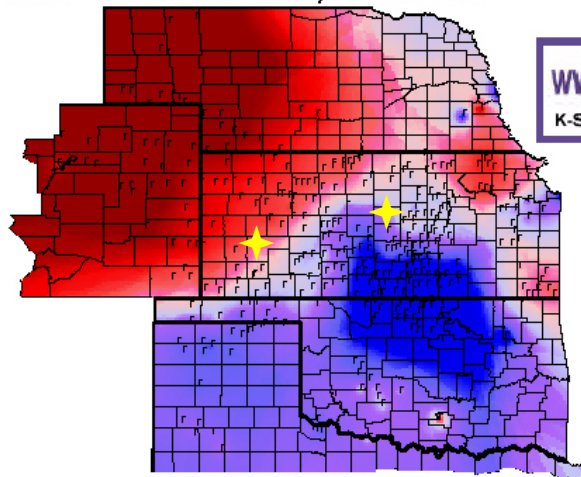


# Wheat Basis, 08-08-2018

Basis = Cash Price - Nearby Futures Price

KCBT Sept Futures Price: \$5.84

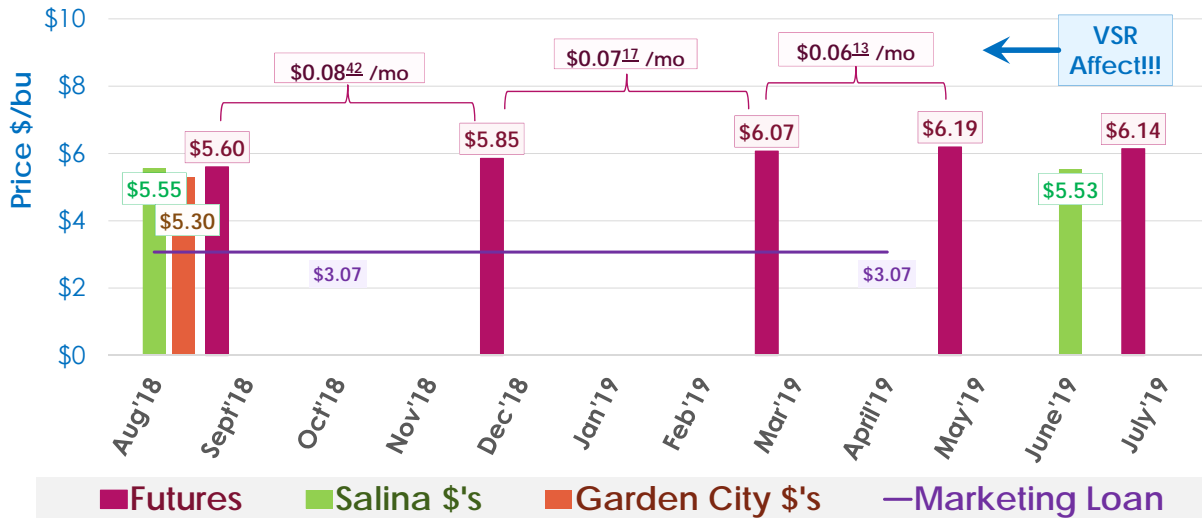
| \$/Bushel       |      |
|-----------------|------|
| Dark Blue       | .45  |
| Blue            | -.04 |
| Light Blue      | -.08 |
| Very Light Blue | -.16 |
| White           | -.19 |
| Light Pink      | -.24 |
| Pink            | -.27 |
| Red             | -.29 |
| Dark Red        | -.39 |
| Black           | -.48 |



www.agmanager.info  
K-State Research and Extension

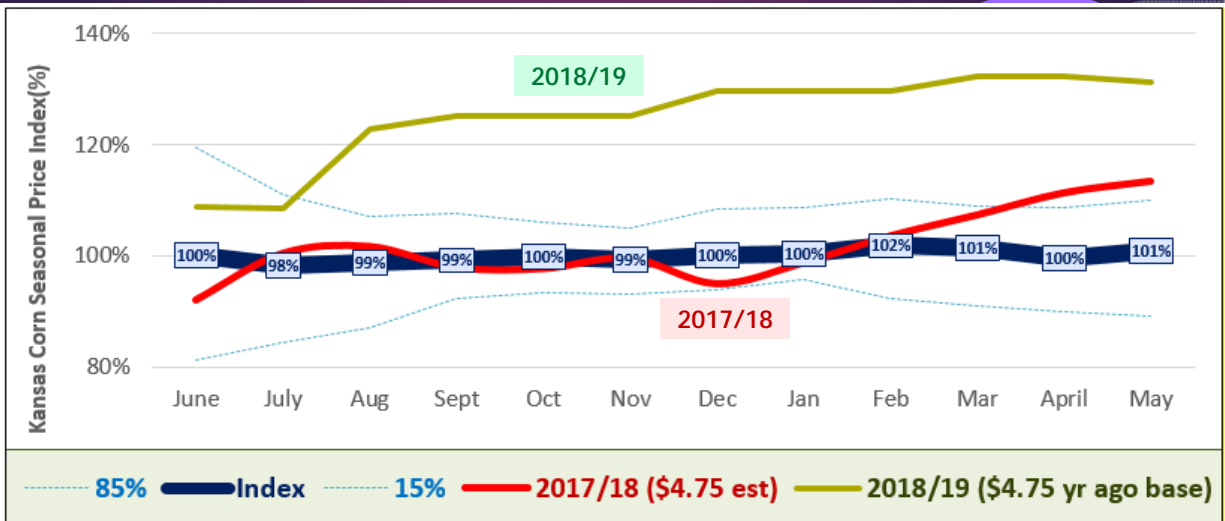
# Wheat Cash & HRW Wheat Futures

Salina & Garden City, KS Local Elevators - August 10, 2018

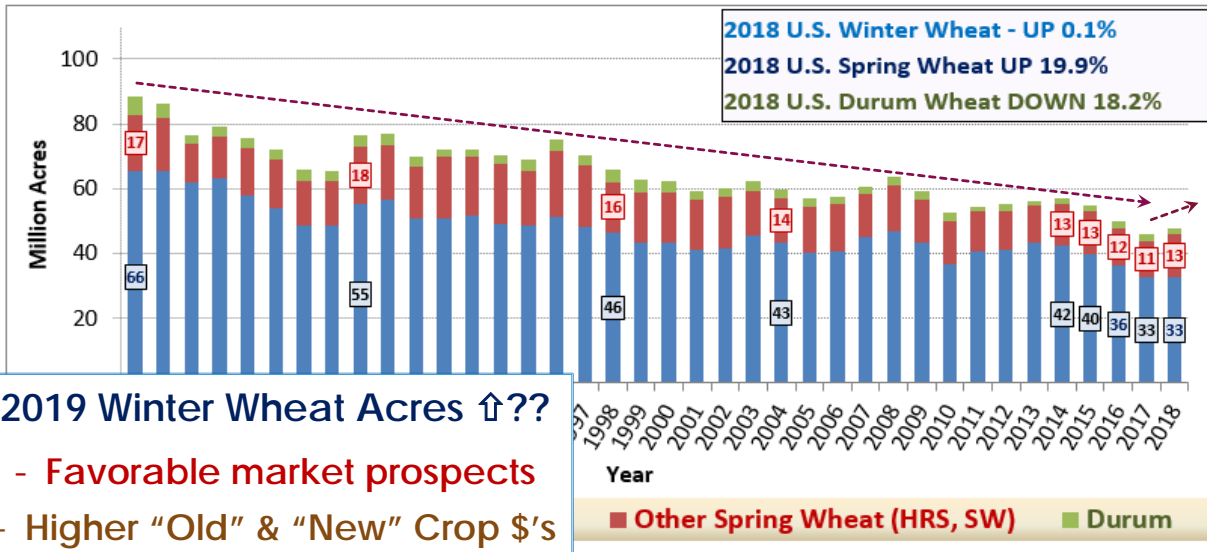


# Kansas Wheat Seasonal Cash \$ Index

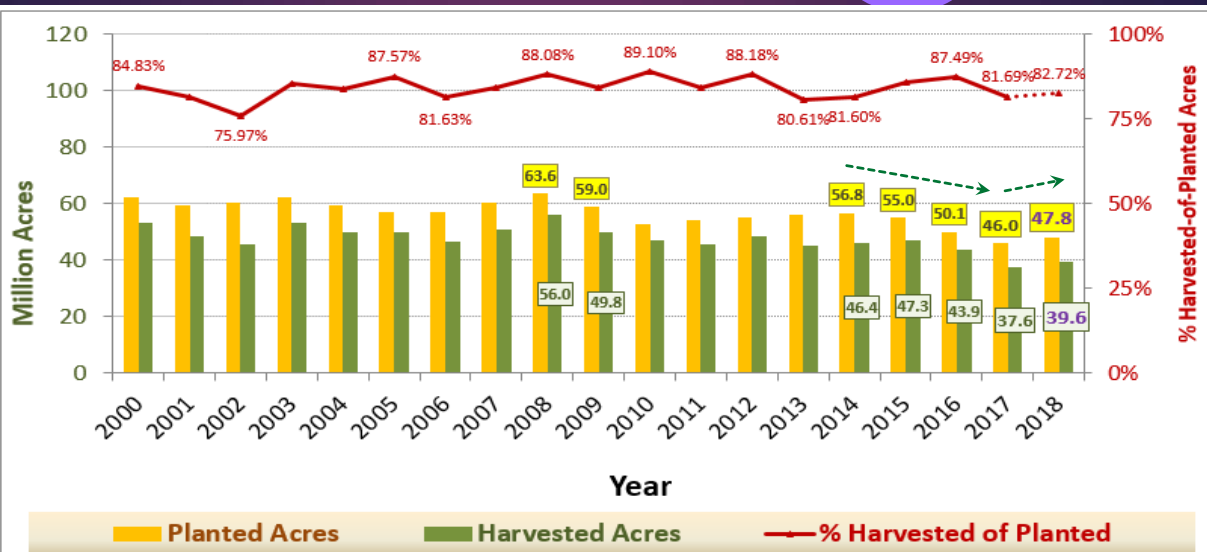
Monthly: 17 yr Avg thru 2015/16 + MY 2016/17 & MY2017/18



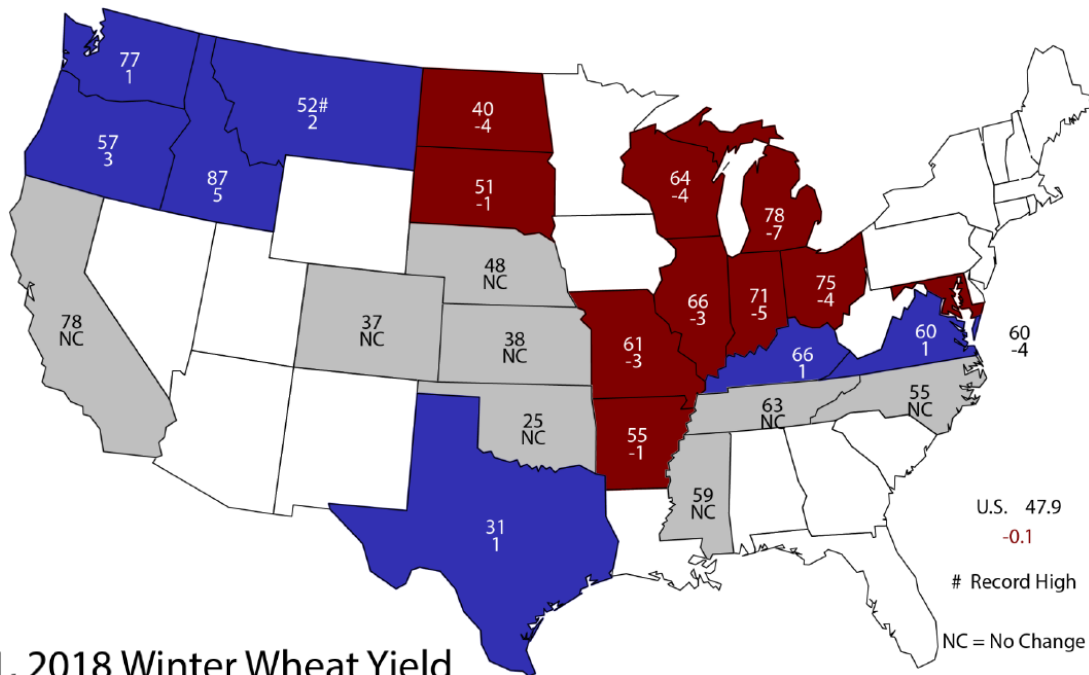
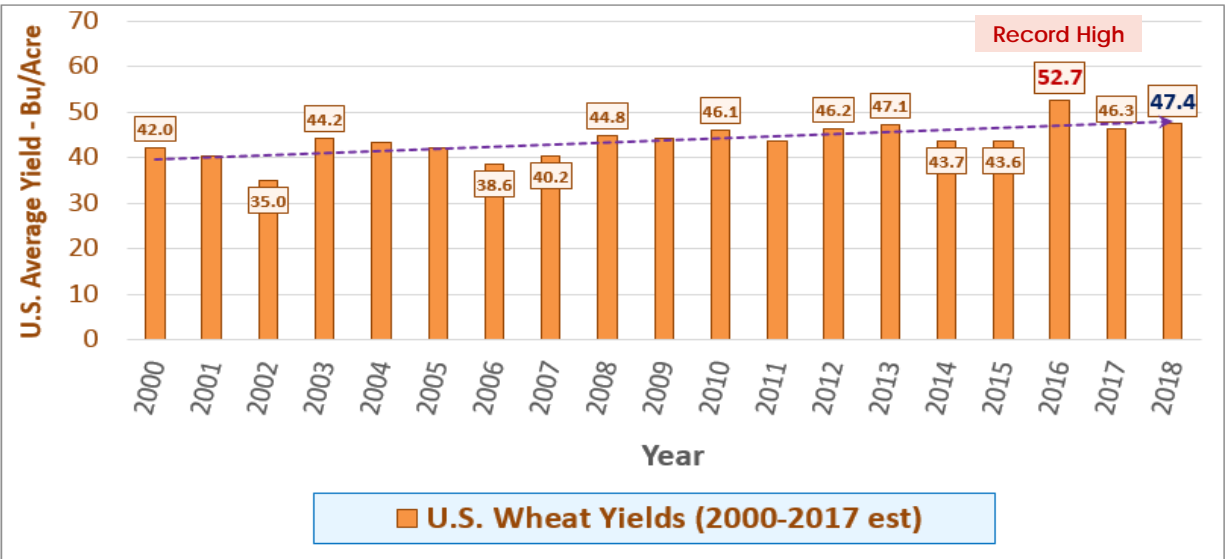
# U.S. Wheat Seeded Acreage



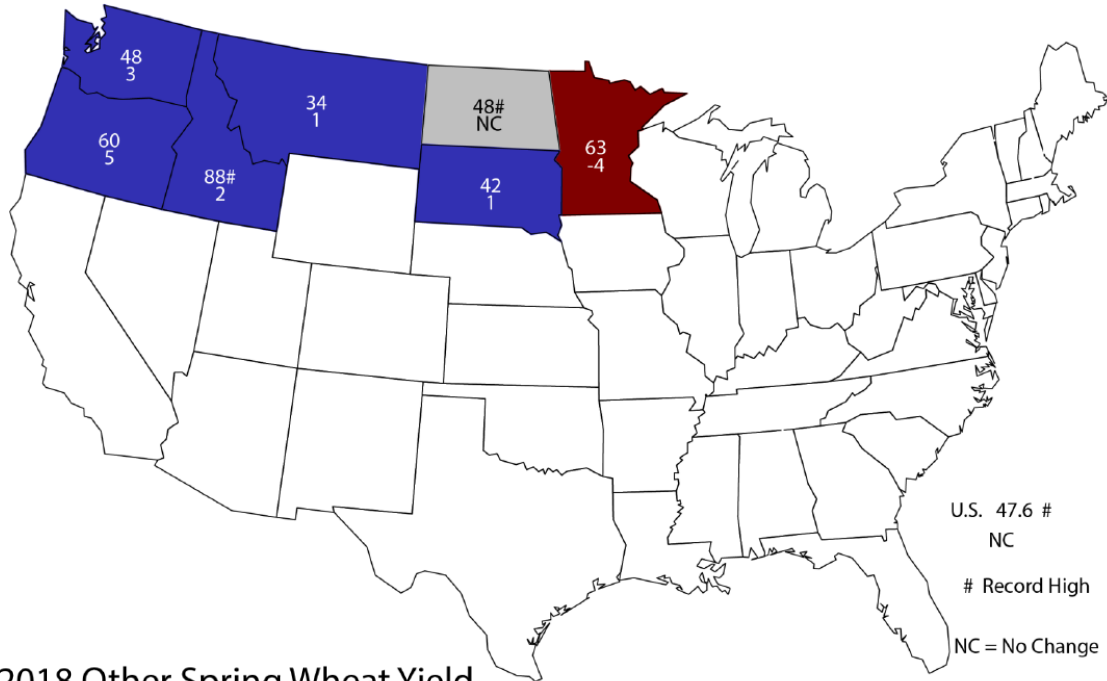
# U.S. Wheat Acreage



# U.S. Wheat Yields



August 1, 2018 Winter Wheat Yield  
Bushels and Change From Previous Estimate

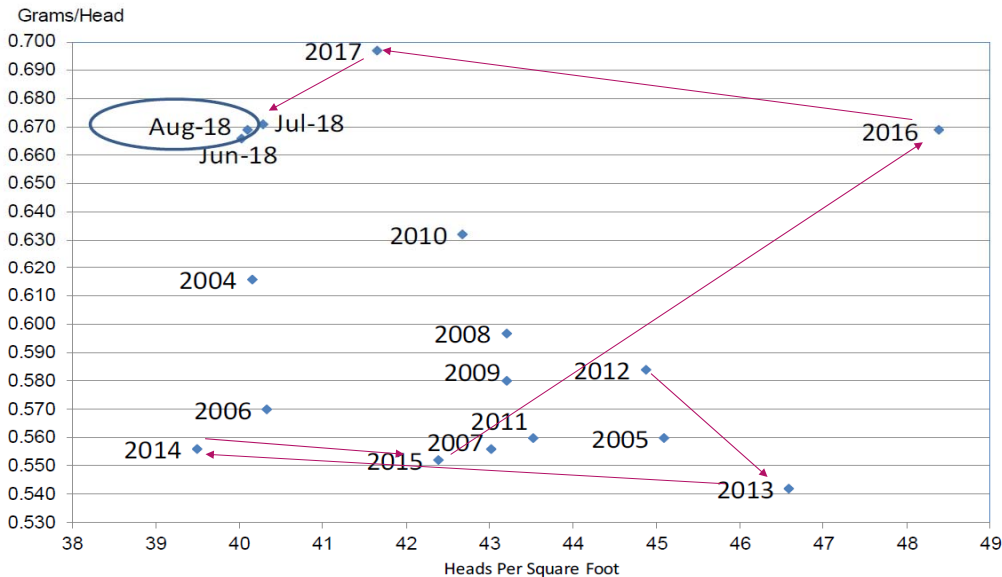


**August 1, 2018 Other Spring Wheat Yield**  
Bushels and Change From Previous Estimate

USDA-NASS  
8-10-18



### Wheat Objective Yield Region Heads Per Square Foot vs. Implied Head Weight



Implied Head Weight = Published Yield / (Heads\*1.6006)

USDA-NASS  
8-10-18

## U.S. Wheat Supply & Demand

| Items                        | MY 2017/18   | MY 2018/19   | Vs July 2018 | Vs Year Ago |
|------------------------------|--------------|--------------|--------------|-------------|
| Beginning Stocks (mln bu)    | 1,181        | 1,100        |              | (80)        |
| <b>Production</b>            | <b>1,741</b> | <b>1,877</b> | (5)          | +136        |
| <u>Imports</u>               | <u>157</u>   | <u>135</u>   |              | <u>(22)</u> |
| <b>Total Supply (mln bu)</b> | <b>3,079</b> | <b>3,112</b> | (5)          | +33         |

## U.S. Wheat Supply & Demand

| Items                        | MY 2017/18   | MY 2018/19   | Vs July 2018 | Vs Year Ago |
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| <u>Imports</u>               | <u>157</u>   | <u>135</u>   |              | <u>(22)</u> |
| <b>Total Supply (mln bu)</b> | <b>3,079</b> | <b>3,112</b> | (5)          | +33         |
| Food Use                     | 964          | 970          | +5           | +625        |
| Seed Use                     | 64           | 62           |              | (2)         |
| <b>Exports</b>               | <b>901</b>   | <b>1,025</b> | +50          | +124        |
| <u>Feed &amp; Residual</u>   | <u>48</u>    | <u>120</u>   | <u>(10)</u>  | <u>+72</u>  |
| <b>Total Use (mln bu)</b>    | <b>1,978</b> | <b>2,177</b> | +45          | +199        |



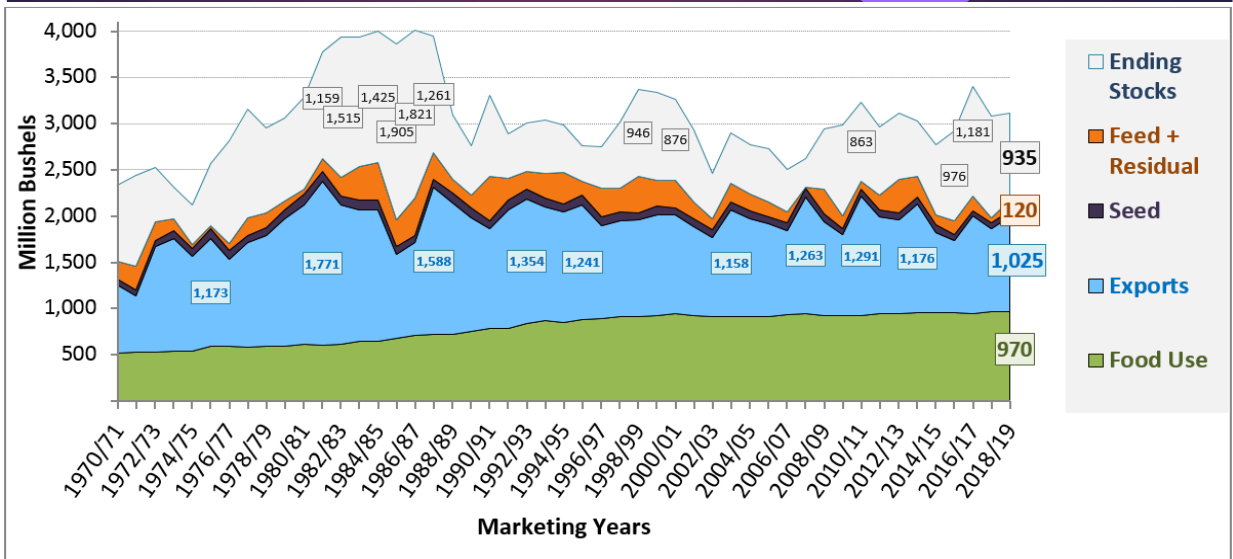
# U.S. Wheat Supply & Demand

| Items                            | MY 2017/18    | MY 2018/19    | Vs July 2018 | Vs Year Ago |
|----------------------------------|---------------|---------------|--------------|-------------|
| Beginning Stocks (mln bu)        | 1,181         | 1,100         |              | (80)        |
| <b>Production</b>                | <b>1,741</b>  | <b>1,877</b>  | (5)          | +136        |
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| <b>Total Use (mln bu)</b>        | <b>1,978</b>  | <b>2,177</b>  | +45          | +199        |
| <b>Ending Stocks (mln bu)</b>    | <b>1,100</b>  | <b>935</b>    | (50)         | (165)       |
| <b>% Ending Stocks-to-Use</b>    | <b>55.6%</b>  | <b>43.0%</b>  | (3.2%)       | (12.7%)     |
| <b>U.S. Avg. Price\$ (\$/bu)</b> | <b>\$4.73</b> | <b>\$5.10</b> | +\$0.10      | +\$0.37     |

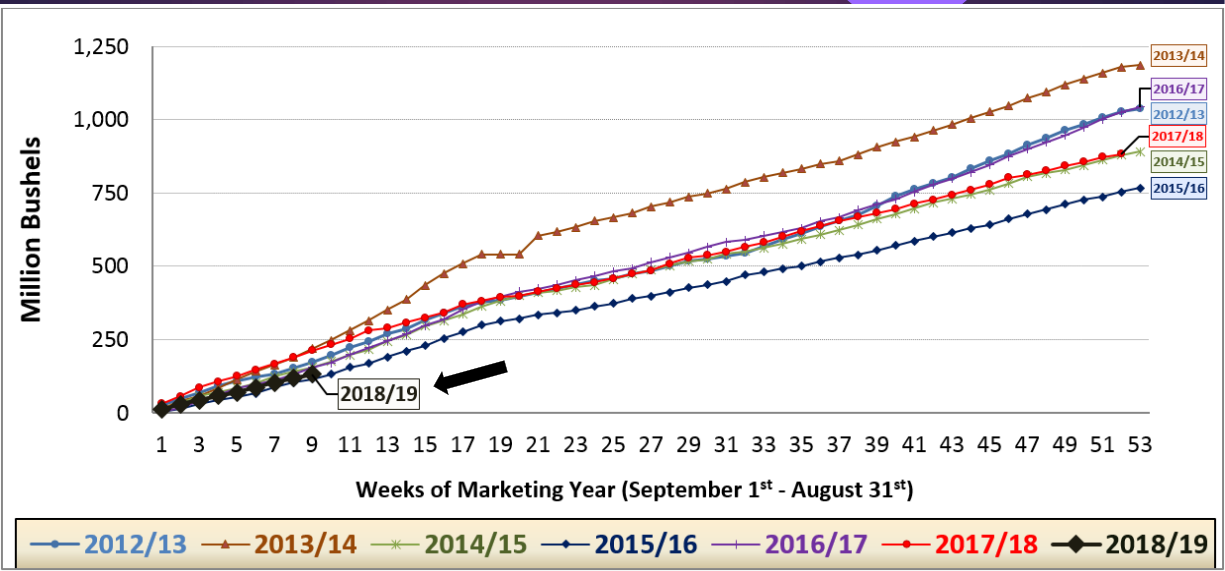
# U.S. Wheat Production & Supplies



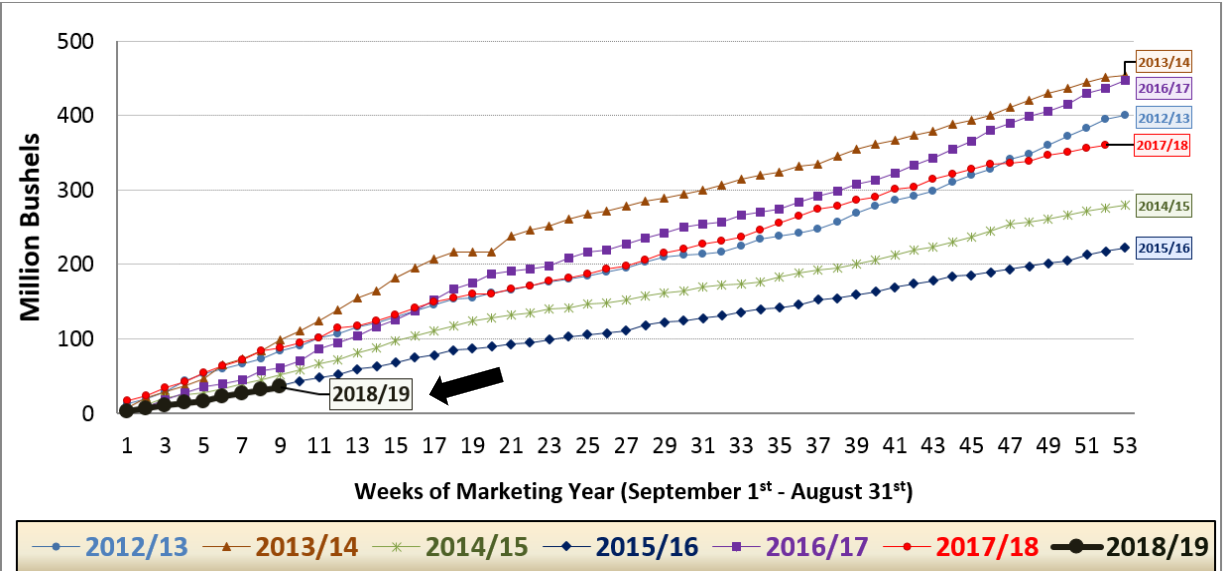
# U.S. Wheat Use by Category



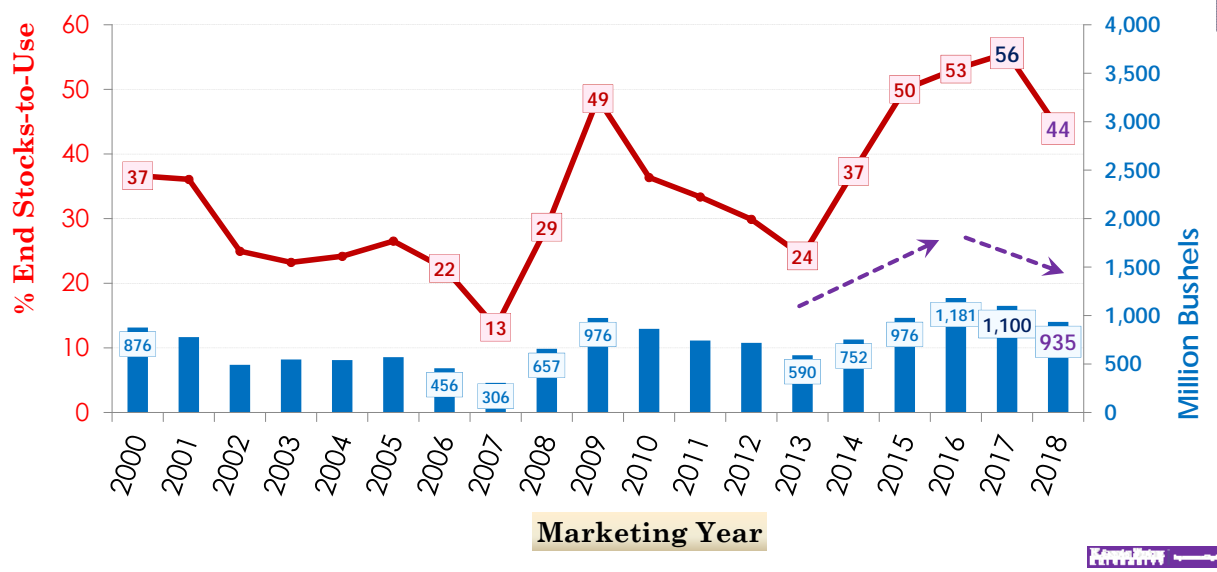
# U.S. All Wheat Exports - Weekly thru August 2, 2018



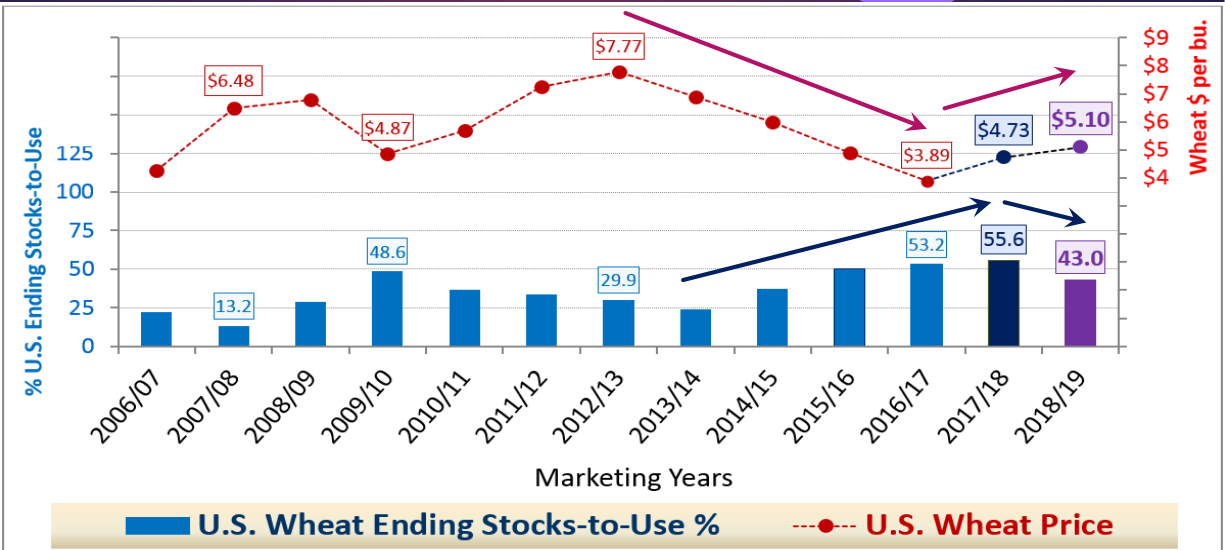
# U.S. Hard Red Winter Wheat Exports - Weekly



# U.S. Wheat Ending Stocks & % Stx/Use

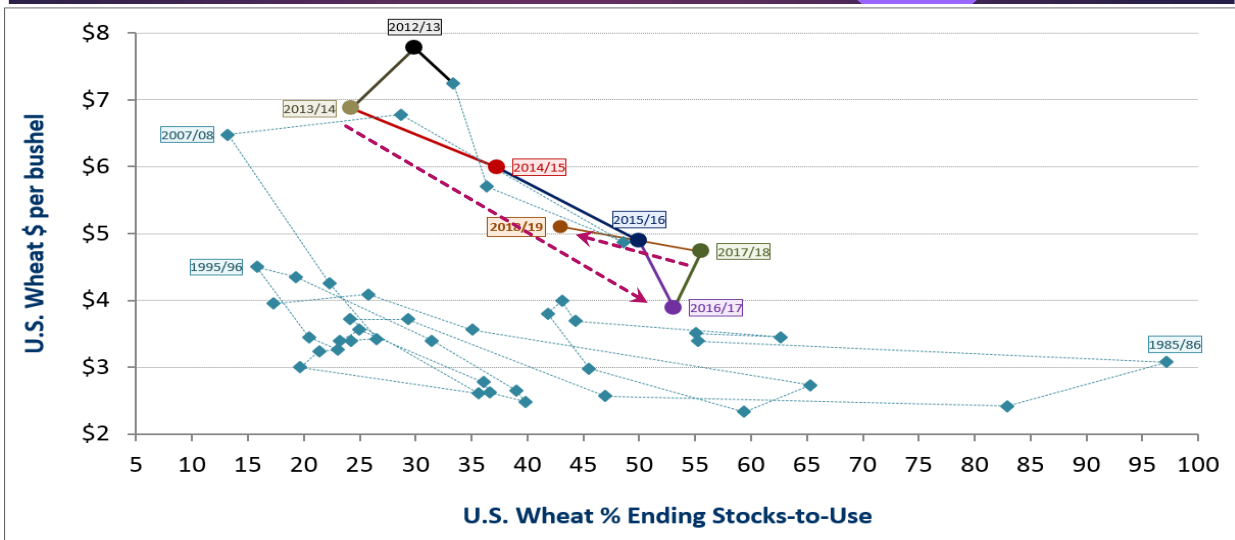


# U.S. Wheat Ending Stocks & Prices

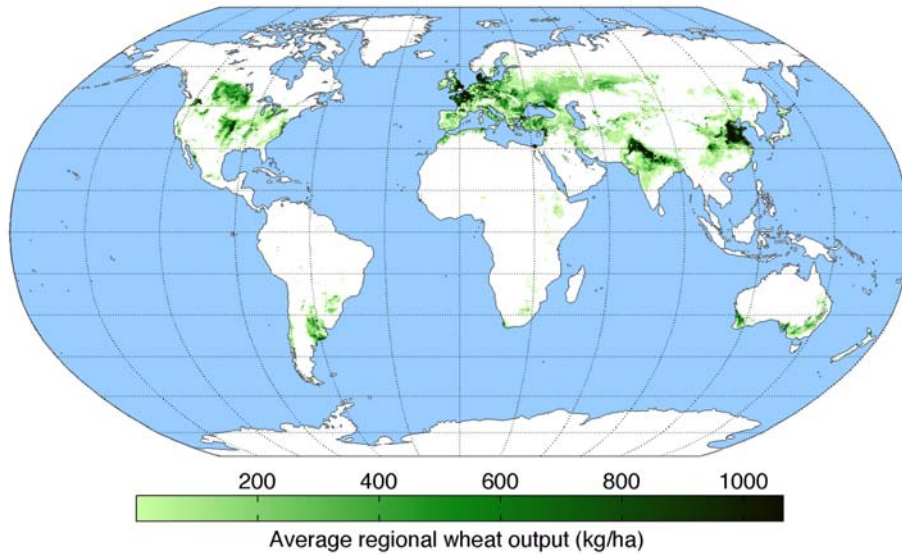


U.S. Wheat Price

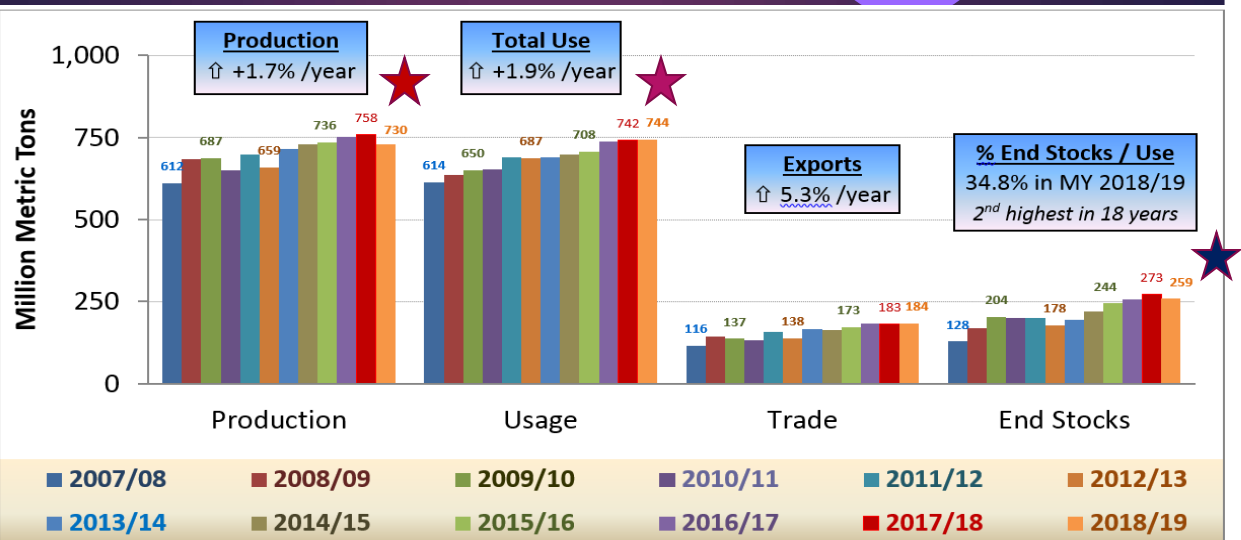
# U.S. Wheat Price vs U.S. Stocks-to-Use



# World Wheat Production Regions



# World Wheat Supply, Use & Stocks



# World Wheat Production

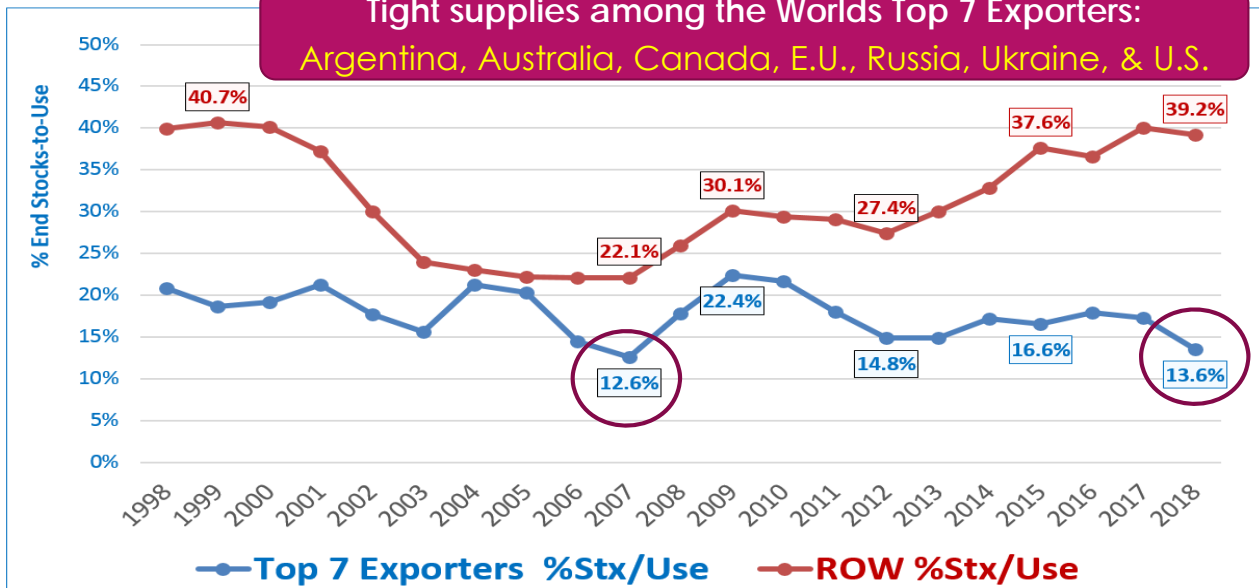
| Country or Region        | 2017/2018 |                     | 2018/2019 |                     |                       |
|--------------------------|-----------|---------------------|-----------|---------------------|-----------------------|
|                          | Estimate  | Change from July 12 | Forecast  | Change from July 12 | Change from 2017/2018 |
| ----- Million Tons ----- |           |                     |           |                     |                       |
| World                    | 758.0     | 0.1                 | 729.6     | -6.6                | -28.4                 |
| United States            | 47.4      | --                  | 51.1      | -0.1                | 3.7                   |
| Foreign                  | 710.6     | 0.1                 | 678.5     | -6.5                | -32.1                 |
| Argentina                | 18.0      | --                  | 19.5      | --                  | 1.5                   |
| Canada                   | 30.0      | --                  | 32.5      | --                  | 2.5                   |
| Australia                | 21.3      | --                  | 22.0      | --                  | 0.7                   |
| European Union           | 151.7     | 0.1                 | 137.5     | -7.5                | -14.2                 |
| Turkey                   | 21.0      | --                  | 19.0      | -1.0                | -2.0                  |
| Russia                   | 85.0      | --                  | 68.0      | 1.0                 | -17.0                 |
| Ukraine                  | 27.0      | --                  | 25.5      | --                  | -1.5                  |
| Kazakhstan               | 14.8      | --                  | 14.5      | 0.5                 | -0.3                  |
| China                    | 129.8     | --                  | 128.0     | --                  | -1.8                  |
| India                    | 98.5      | --                  | 97.0      | --                  | -1.5                  |
| Northwest Africa         | 10.6      | --                  | 12.4      | --                  | 1.9                   |

# World Wheat Supply and Use

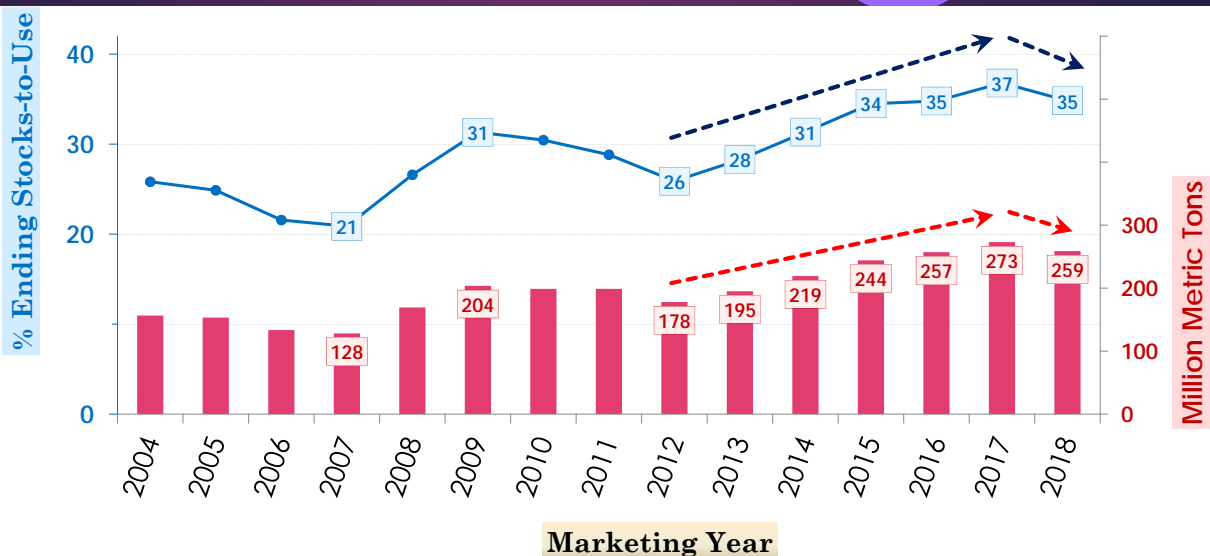
| Item                     | 2017/2018 |                     | 2018/2019 |                     |                       |
|--------------------------|-----------|---------------------|-----------|---------------------|-----------------------|
|                          | Estimate  | Change from July 12 | Forecast  | Change from July 12 | Change from 2017/2018 |
| ----- Million Tons ----- |           |                     |           |                     |                       |
| Beginning stocks         | 257.2     | -0.1                | 273.1     | -0.4                | 15.9                  |
| Production               | 758.0     | 0.1                 | 729.6     | -6.6                | -28.4                 |
| Total Supply             | 1,015.2   | **                  | 1,002.7   | -7.1                | -12.5                 |
| Feed use                 | 145.2     | 0.6                 | 138.5     | -3.9                | -6.7                  |
| Total use                | 742.1     | 0.4                 | 743.7     | -5.1                | 1.6                   |
| Trade                    | 182.6     | 0.8                 | 183.9     | -1.6                | 1.2                   |
| Ending Stocks            | 273.1     | -0.4                | 259.0     | -1.9                | -14.1                 |

# Wheat Stx/Use: Top 7 Exporters vs ROW

Tight supplies among the Worlds Top 7 Exporters:  
Argentina, Australia, Canada, E.U., Russia, Ukraine, & U.S.



# World Wheat Ending Stocks & % Stx/Use



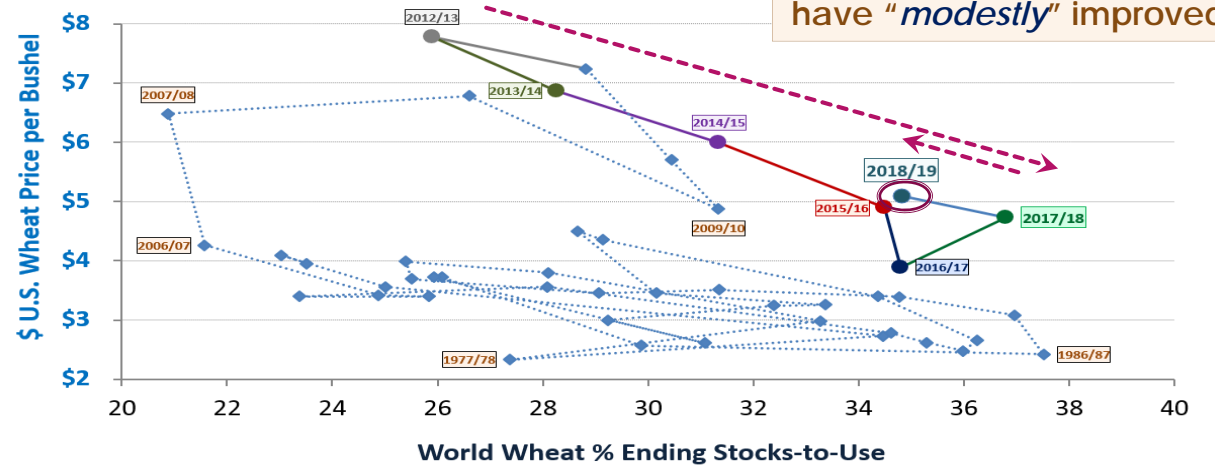


# U.S. Wheat Price (\$) vs World % Stx/Use

MY 1973/74 – “New Crop” MY 2017/18



World Wheat % S/U  
have “modestly” improved

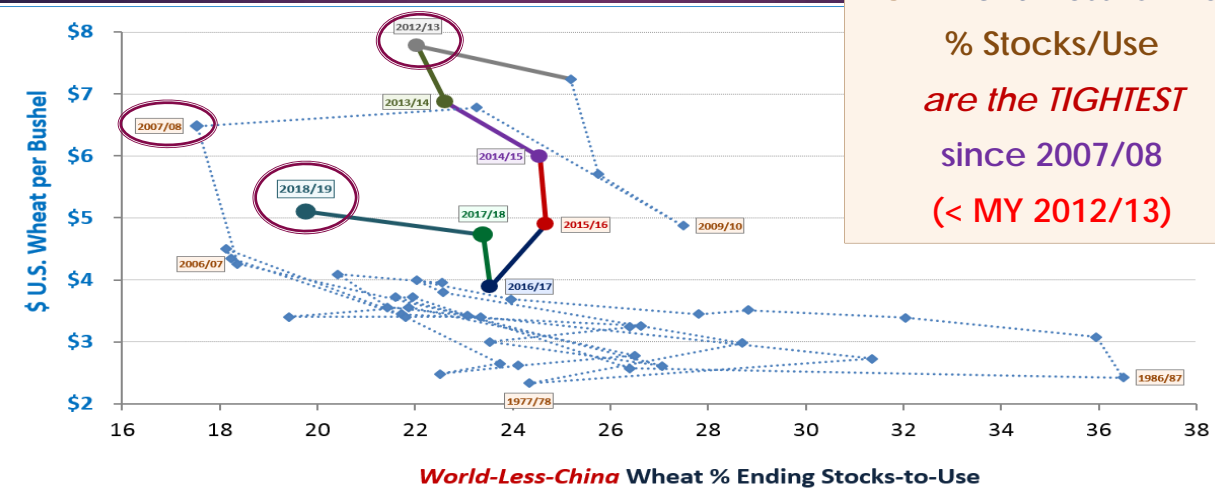


# U.S. Wheat \$ vs Non-China % Stx/Use

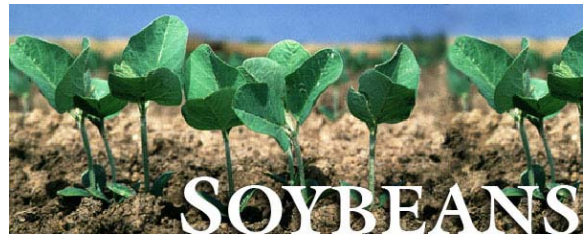
MY 1973/74 – “New Crop” MY 2017/18



BUT “World-Less-China”  
% Stocks/Use  
are the **TIGHTEST**  
since 2007/08  
( < MY 2012/13 )



# Soybean & Cotton Markets

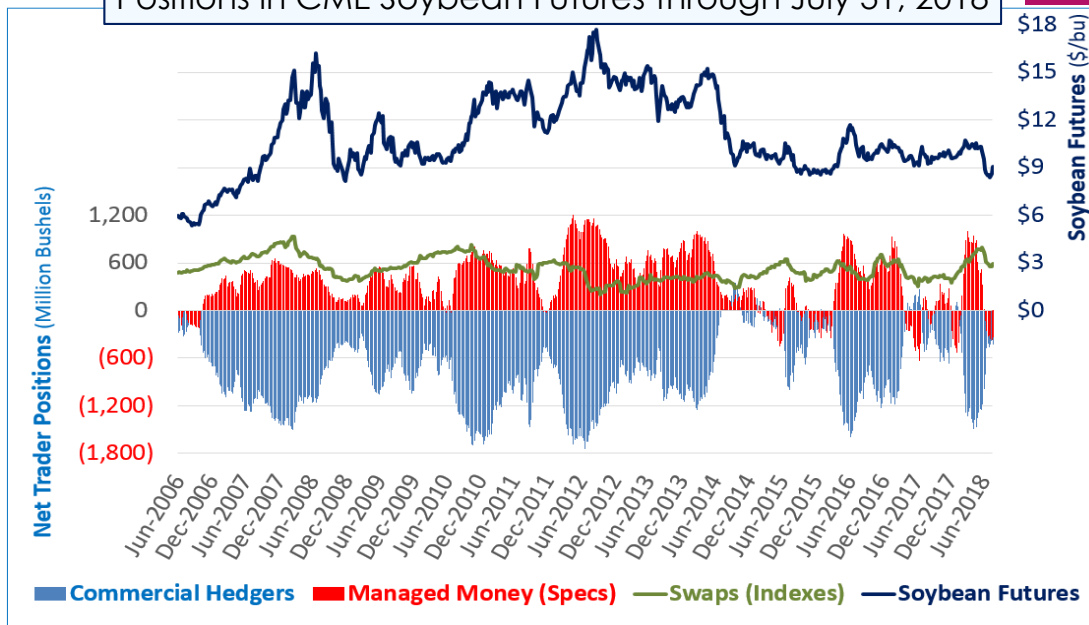


**KANSAS STATE UNIVERSITY**

Department of Agricultural Economics

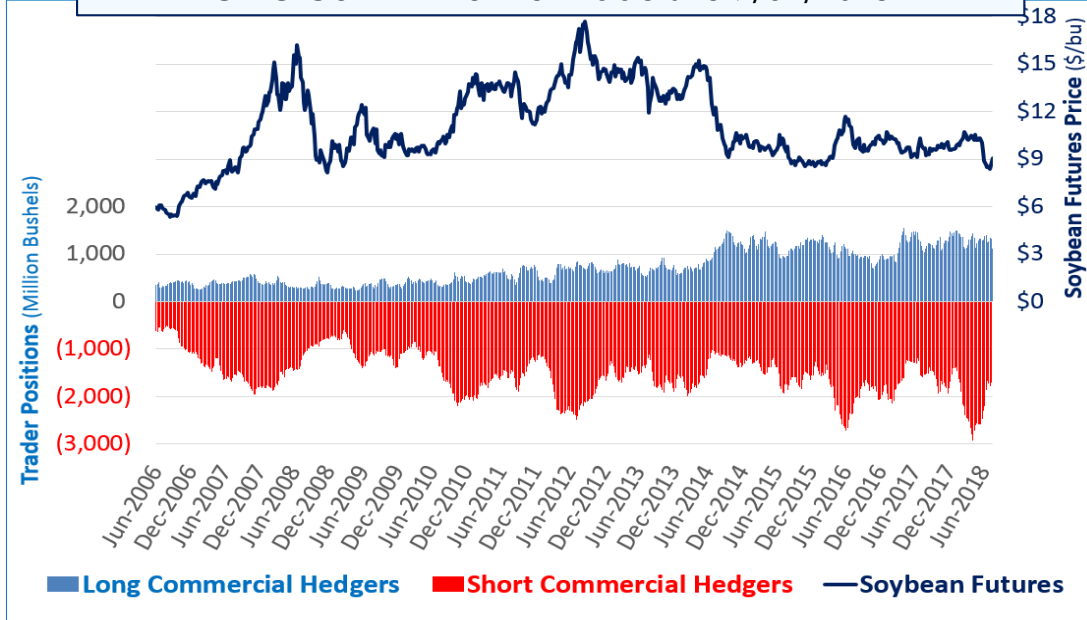
## CFTC Commitment of Traders Report

Positions in CME Soybean Futures through July 31, 2018



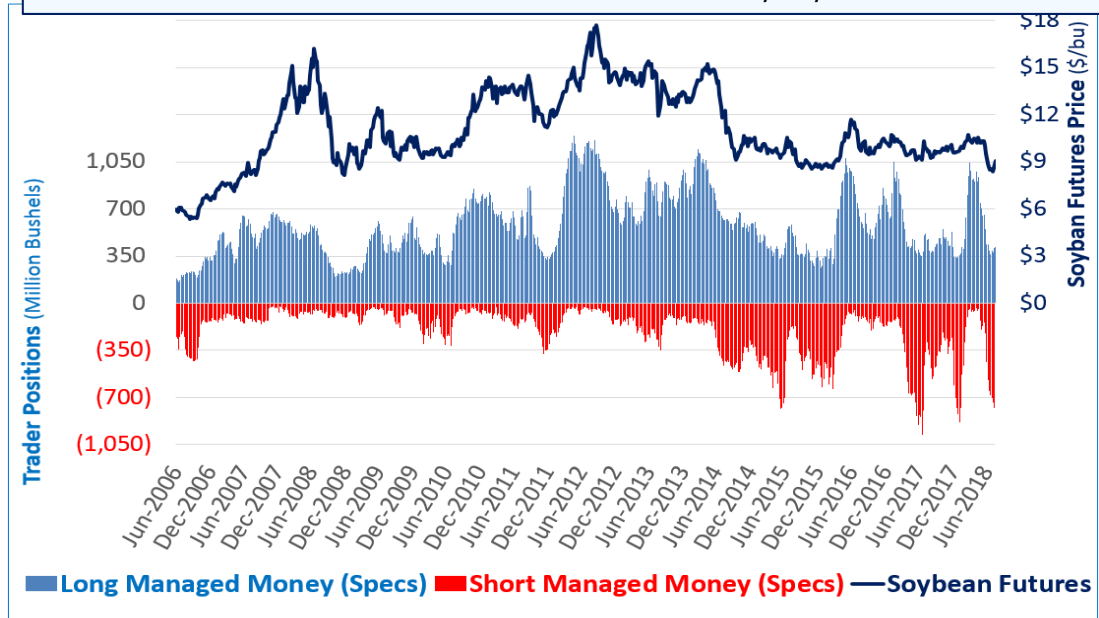
# Commercial Hedge Positions in Soybeans

CFTC Commitment of Traders to 7/31/2018



# Managed Money (Spec) Positions in Soybeans

CFTC Commitment of Traders to 7/31/2018



# U.S. Soybean Market Prospects in 2018-19

## A. U.S.-China Trade Dispute

- *HAS* affected U.S. Soybean prices, but *so far* NO EFFECT on U.S. export shipments & forward purchases

## B. USDA forecasts U.S. Exports to be *large despite* Tariffs

- Foreign buyers "*switching*" between *U.S.* & *South America*

## C. Market Focus in Fall-Winter 2018-19

- *So. America* crop prospects – their response to high 2018 \$'s

# U.S. Soybean Supply-Use

- Soybean "*issues*" in the August Crop Production Report?

- Large Global Soybean Stocks limit Price\$'s

- Low Price\$'s DO support "New Crop" MY 2018/19 Use \*\*\*

- Soy Crush <sup>2018/19</sup> = 1.940 bln bu (*Record* – vs 1.890 bb last year)
- Exports <sup>2017/18</sup> = 2.225 bln bu (*Record* – vs 2.150 bb last year)
- Total Use <sup>2017/18</sup> = 4.301 bln bu (*Record* – vs 4.158 bb last year)
- SBM Use <sup>2017/18</sup> = 22.750 bln lbs (vs 22.0 bb in 2016/17 & 22.4 bb in 2015/16)

# U.S. Soybean & Cotton Stocks.....

- Soybean: "Large" Stocks & % S/U
  - End Stocks <sup>2017/18</sup> ⇒ 475 mln bu (High vs 574 mb in 2006/07)
  - % Stocks/Use <sup>2017/18</sup> ⇒ 11.0% S/U (High vs 18.6% in 2006/07)
  
- Cotton: "Large" 2017 Crop & "Growing" Stocks
  - Production <sup>2017/18</sup> ⇒ 20.6 mln bales (12.9 & 17.2 mb last 2 years)
  - End Stocks <sup>2017/18</sup> ⇒ 5.8 mln bales (3.8 & 2.8 mb last 2 years)
  - % Stocks/Use <sup>2017/18</sup> ⇒ 33.0% S/U (30.2% & 15.4% last 2 years)



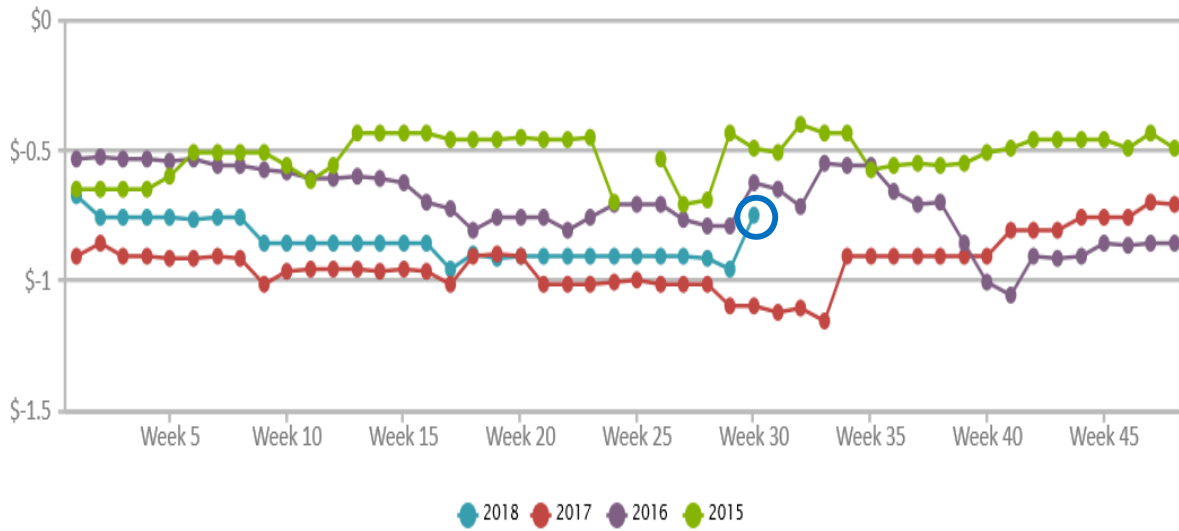
## CME Soybean Futures

Monthly Chart: June 2009 through July 2018 + 8/10/2018



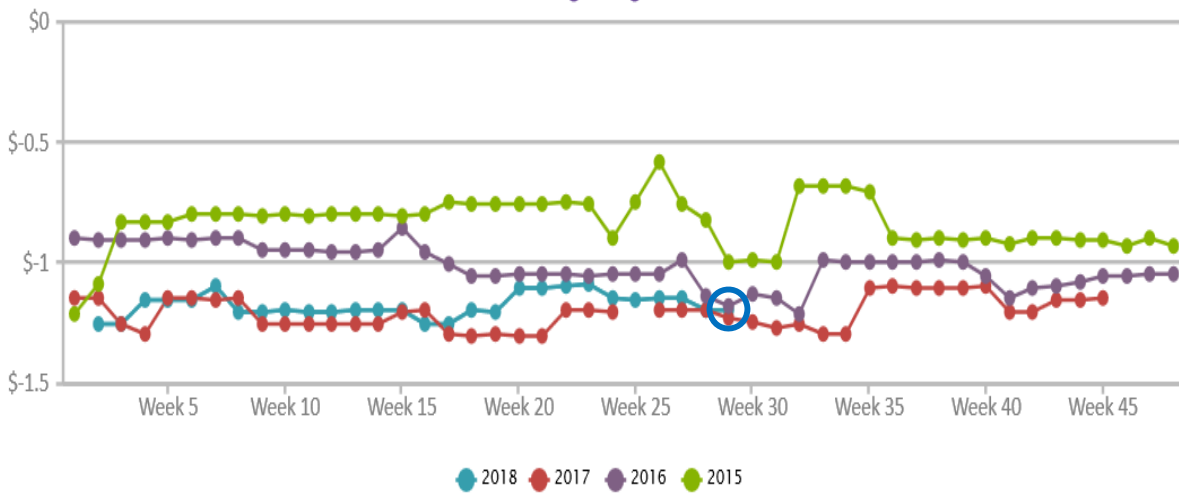
# SALINA, KS: Soybeans Basis - CARGILL

www.AgManager.info



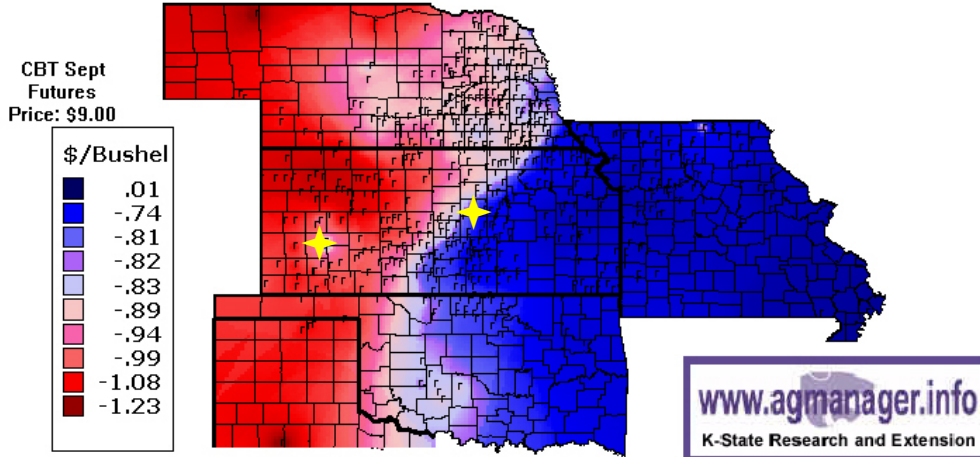
# GARDEN CITY, KS: Soybeans Basis - GARDEN CITY COOP

www.AgManager.info



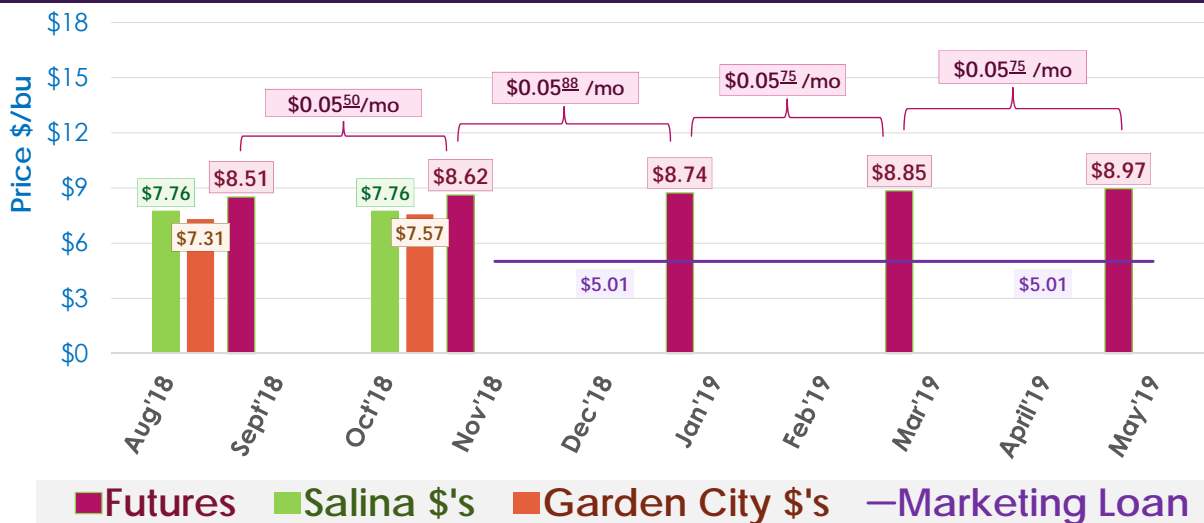
## Soybean Basis, 08-08-2018

Basis = Cash Price - Nearby Futures Price



## Soybean Cash & Futures Price\$'s

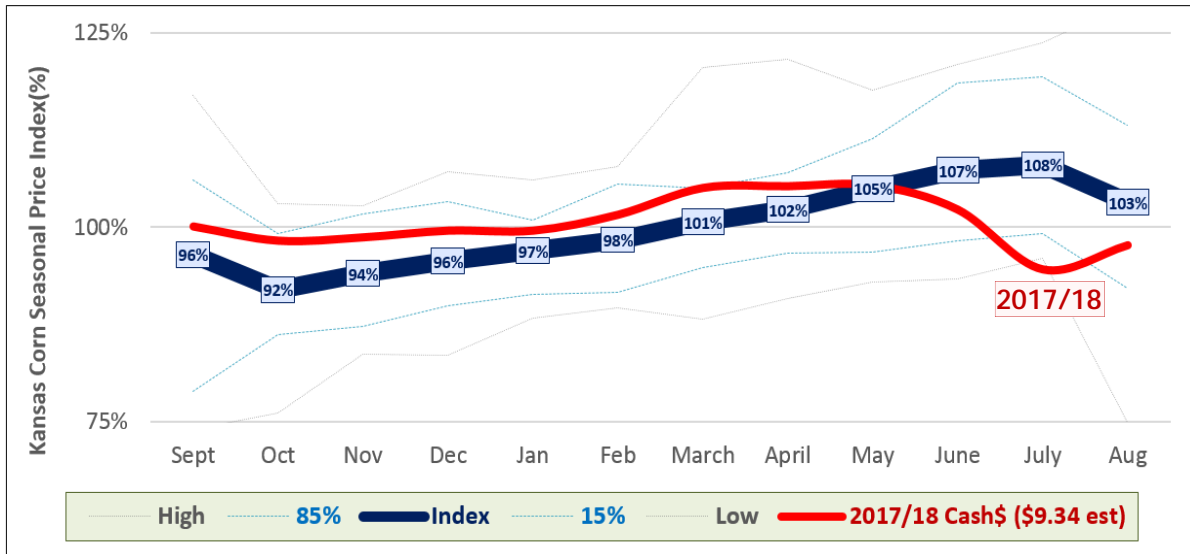
Salina & Garden City, KS Local Elevators - August 10, 2018



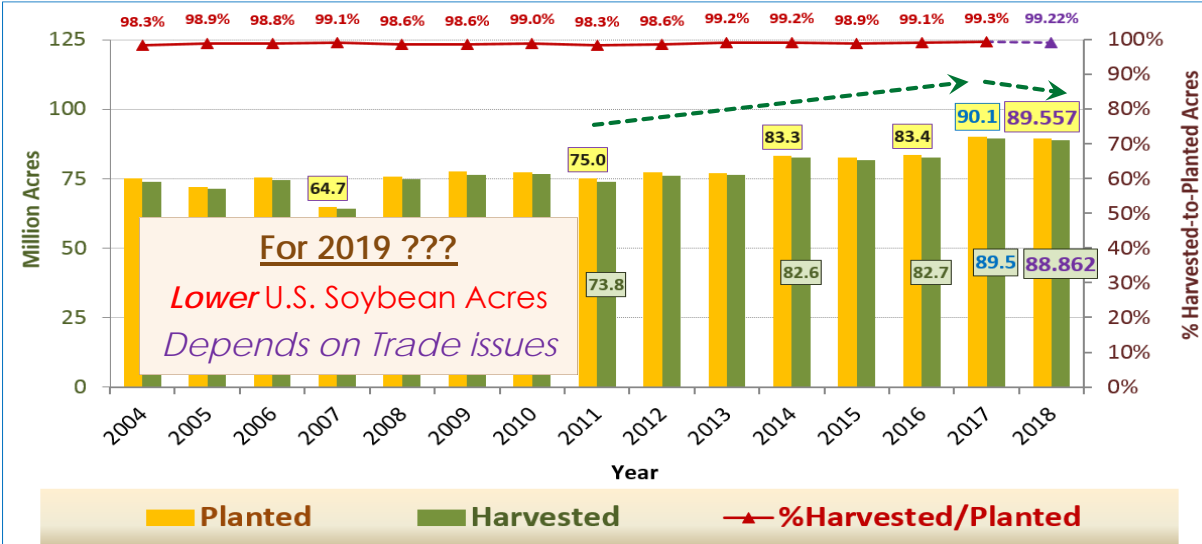


# Kansas Soybean Seasonal Cash \$ Index

Monthly Prices: 1999/00 – 2016/17 + “Old Crop” MY 2017/18



# U.S. Soybean Acreage



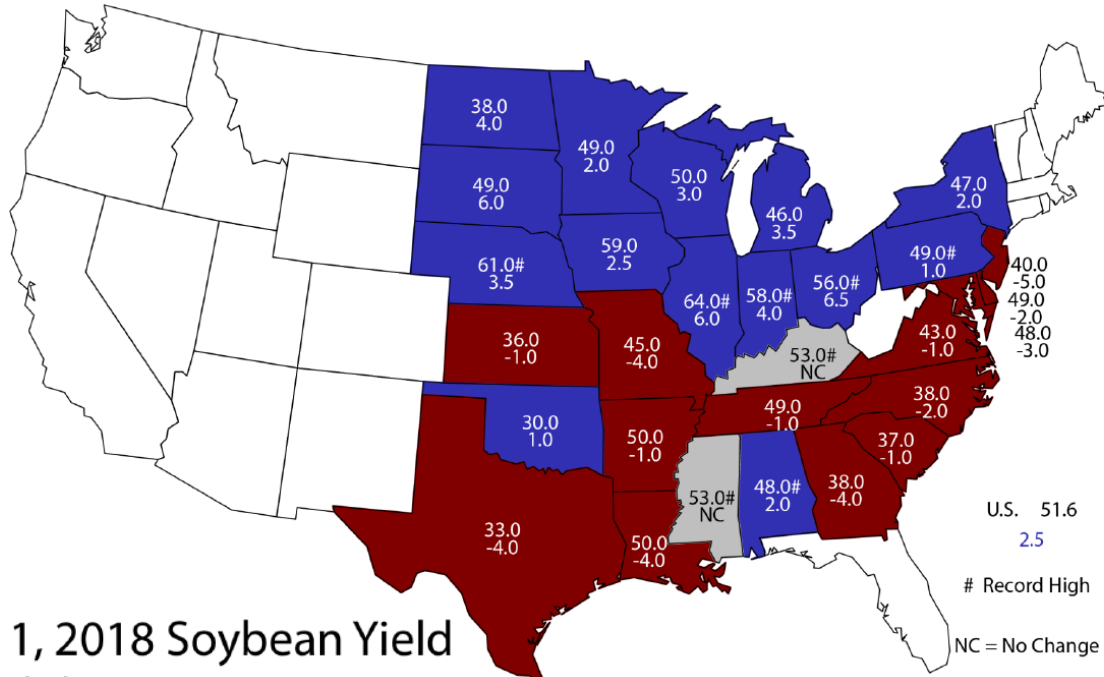
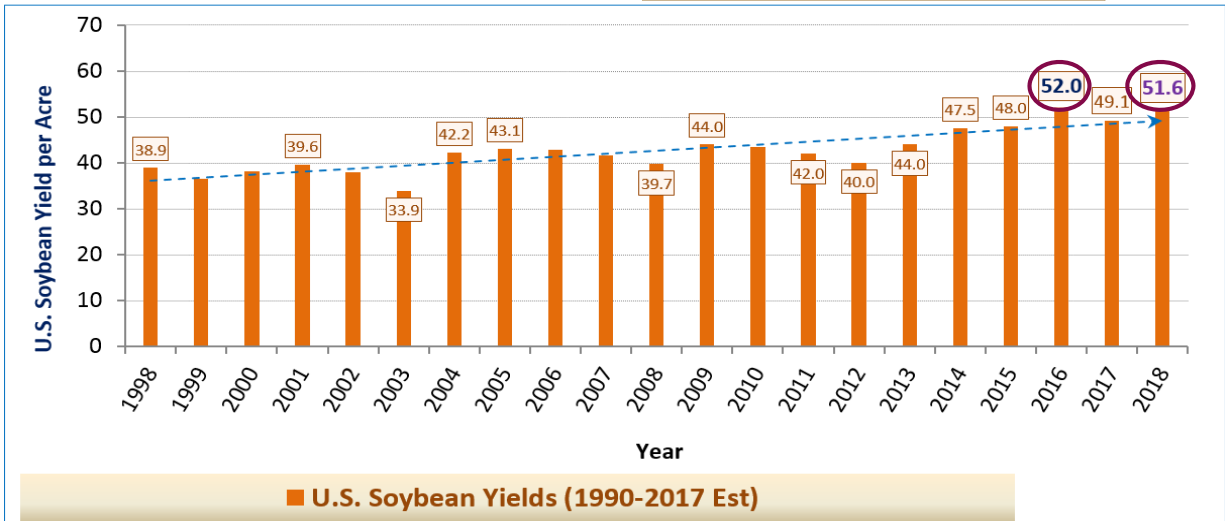
# U.S. Soybean Yields

USDA 2018 = 51.6 bu/ac

Final 2018???

Impact of Dry Conditions???

48-50 bu/ac is still possible

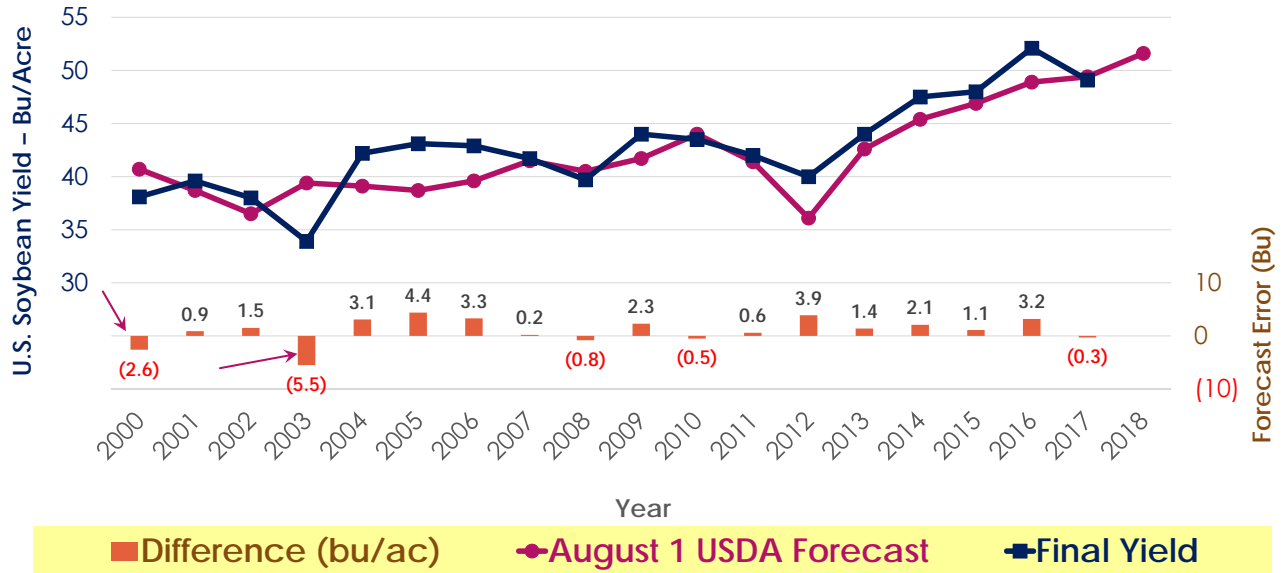


August 1, 2018 Soybean Yield Bushels and Change From Previous Year

U.S. 51.6  
2.5  
# Record High  
NC = No Change

# U.S. Soybean Yields: 2000-2018

## Accuracy of August 1<sup>st</sup> USDA Forecasts



# U.S. Soybean Supply & Demand

| Items                        | MY 2017/18   | MY 2018/19   | Vs July 2018 | Vs Year Ago |
|------------------------------|--------------|--------------|--------------|-------------|
| Beginning Stocks (mln bu)    | 302          | 460          | (35)         | +128        |
| <b>Production</b>            | <b>4,392</b> | <b>4,856</b> | <b>+276</b>  | <b>+194</b> |
| Imports                      | 22           | 25           |              | +3          |
| <b>Total Supply (mln bu)</b> | <b>4,715</b> | <b>5,040</b> | <b>+241</b>  | <b>+325</b> |

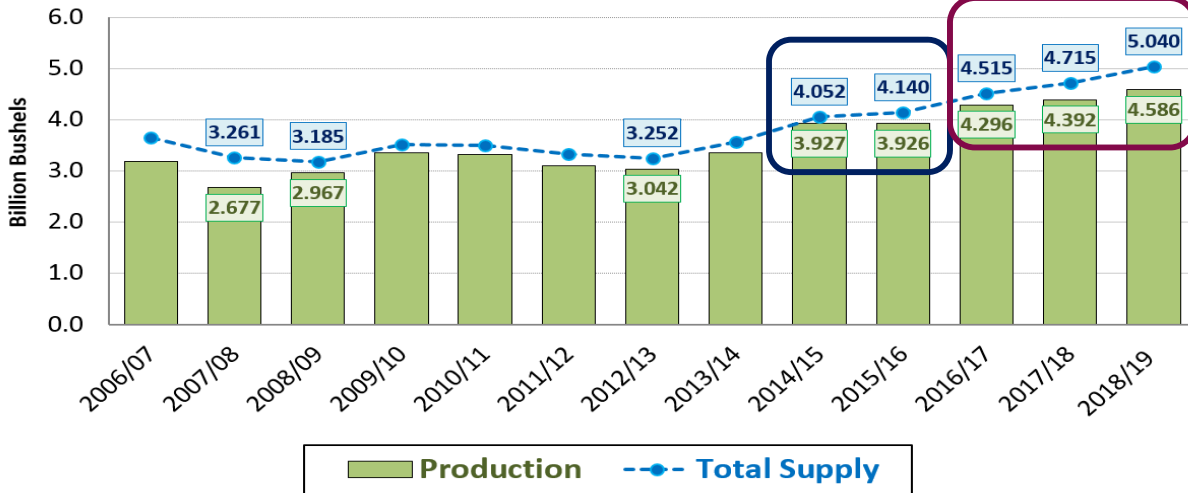
## U.S. Soybean Supply & Demand

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| <u>Imports</u>               | <u>22</u>    | <u>25</u>    |              | <u>+3</u>   |
| <b>Total Supply (mln bu)</b> | <b>4,715</b> | <b>5,040</b> | <b>+241</b>  | <b>+325</b> |
| <b>Domestic Crush</b>        | <b>2,040</b> | <b>2,060</b> | <b>+15</b>   | <b>+20</b>  |
| <b>Exports</b>               | <b>2,110</b> | <b>2,060</b> | <b>+20</b>   | <b>(50)</b> |
| <u>Seed &amp; Residual</u>   | <u>136</u>   | <u>136</u>   | <u>+1</u>    |             |
| <b>Total Use (mln bu)</b>    | <b>4,286</b> | <b>4,256</b> | <b>+36</b>   | <b>(30)</b> |

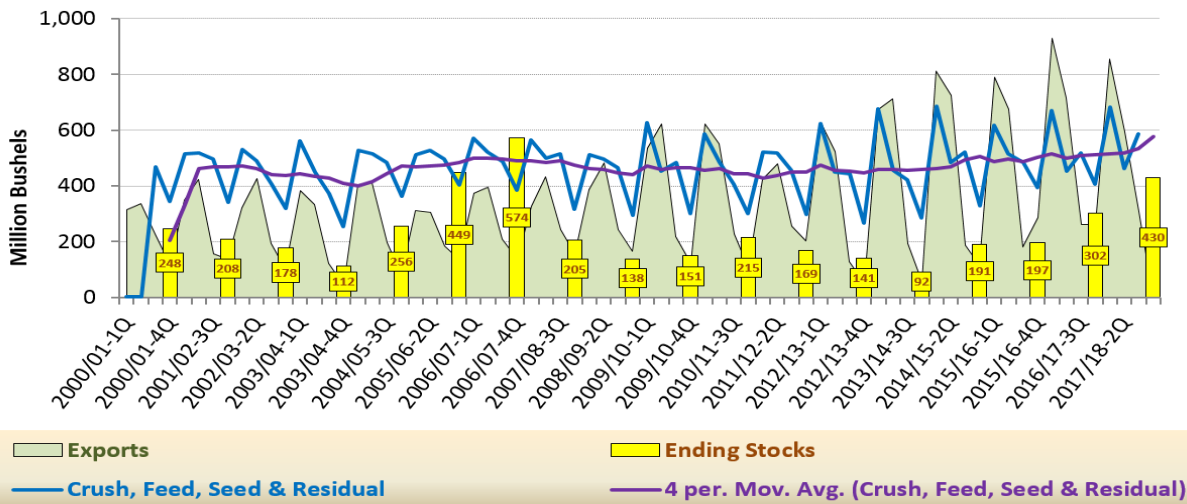
## U.S. Soybean Supply & Demand

| Items                            | MY 2017/18    | MY 2018/19    | Vs July 2018    | Vs Year Ago     |
|----------------------------------|---------------|---------------|-----------------|-----------------|
| Beginning Stocks (mln bu)        | 302           | 460           | (35)            | +128            |
| <b>Production</b>                | <b>4,392</b>  | <b>4,856</b>  | <b>+276</b>     | <b>+194</b>     |
| <u>Imports</u>                   | <u>22</u>     | <u>25</u>     |                 | <u>+3</u>       |
| <b>Total Supply (mln bu)</b>     | <b>4,715</b>  | <b>5,040</b>  | <b>+241</b>     | <b>+325</b>     |
| <b>Domestic Crush</b>            | <b>2,040</b>  | <b>2,060</b>  | <b>+15</b>      | <b>+20</b>      |
| <b>Exports</b>                   | <b>2,110</b>  | <b>2,060</b>  | <b>+20</b>      | <b>(50)</b>     |
| <u>Seed &amp; Residual</u>       | <u>136</u>    | <u>136</u>    | <u>+1</u>       |                 |
| <b>Total Use (mln bu)</b>        | <b>4,286</b>  | <b>4,256</b>  | <b>+36</b>      | <b>(30)</b>     |
| <b>Ending Stocks (mln bu)</b>    | <b>430</b>    | <b>785</b>    | <b>+205</b>     | <b>+355</b>     |
| <b>% Ending Stocks-to-Use</b>    | <b>10.0%</b>  | <b>18.4%</b>  | <b>+4.7%</b>    | <b>+8.4%</b>    |
| <b>U.S. Avg. Price\$ (\$/bu)</b> | <b>\$9.35</b> | <b>\$8.90</b> | <b>(\$0.35)</b> | <b>(\$0.45)</b> |

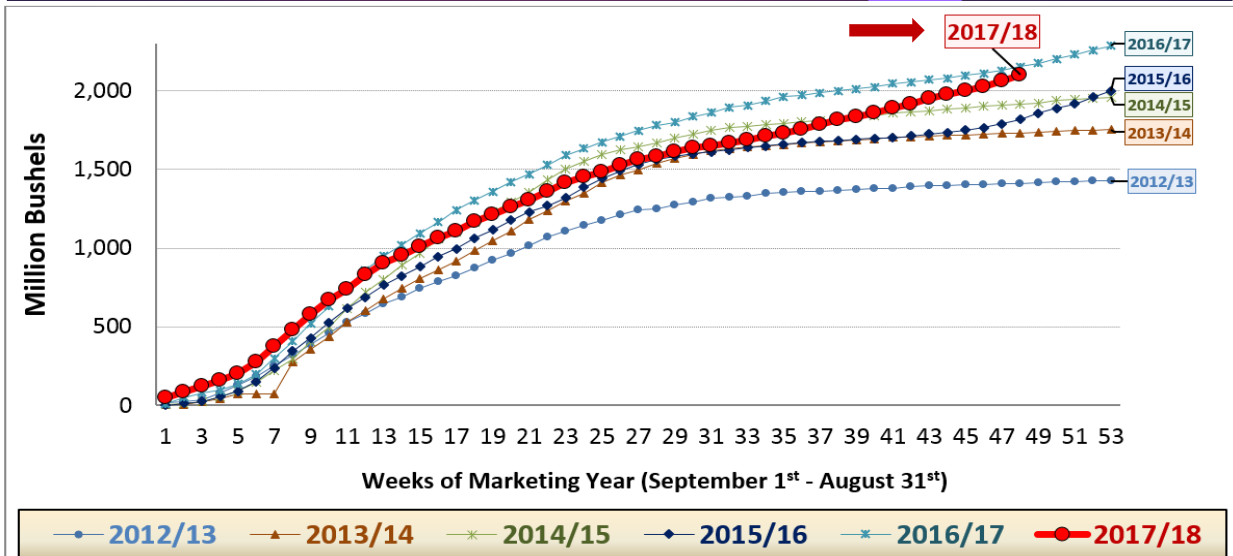
# U.S. Soybean Production & Supplies



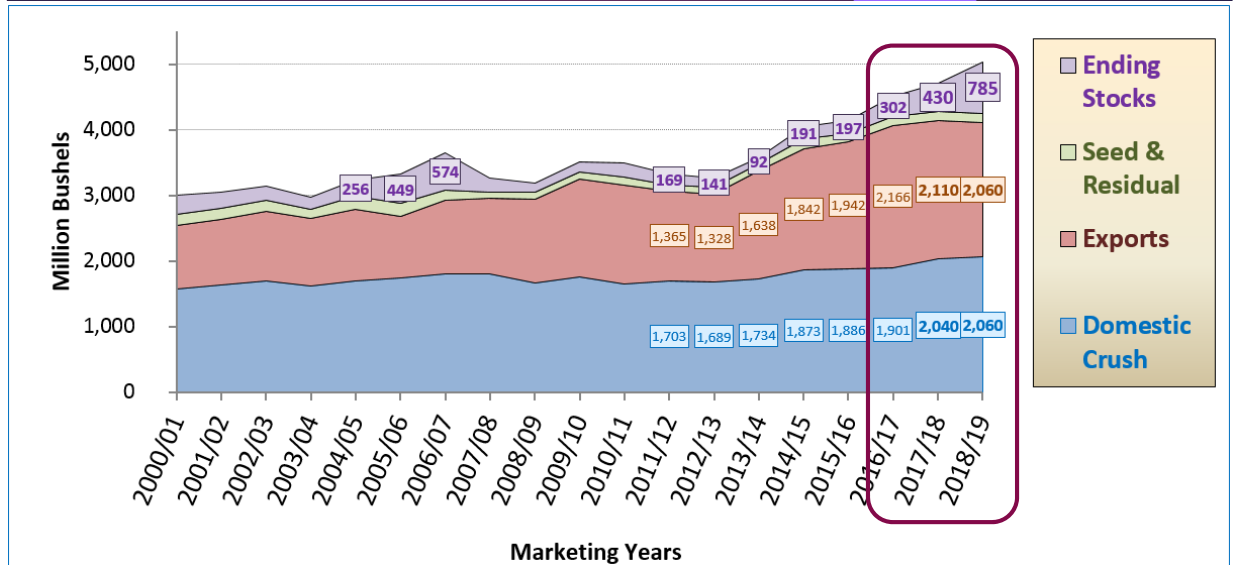
# U.S. Soybean Quarterly Use & End Stocks



# U.S. Soybean Exports - Cumulative Weekly



# U.S. Soybean Use & End Stocks

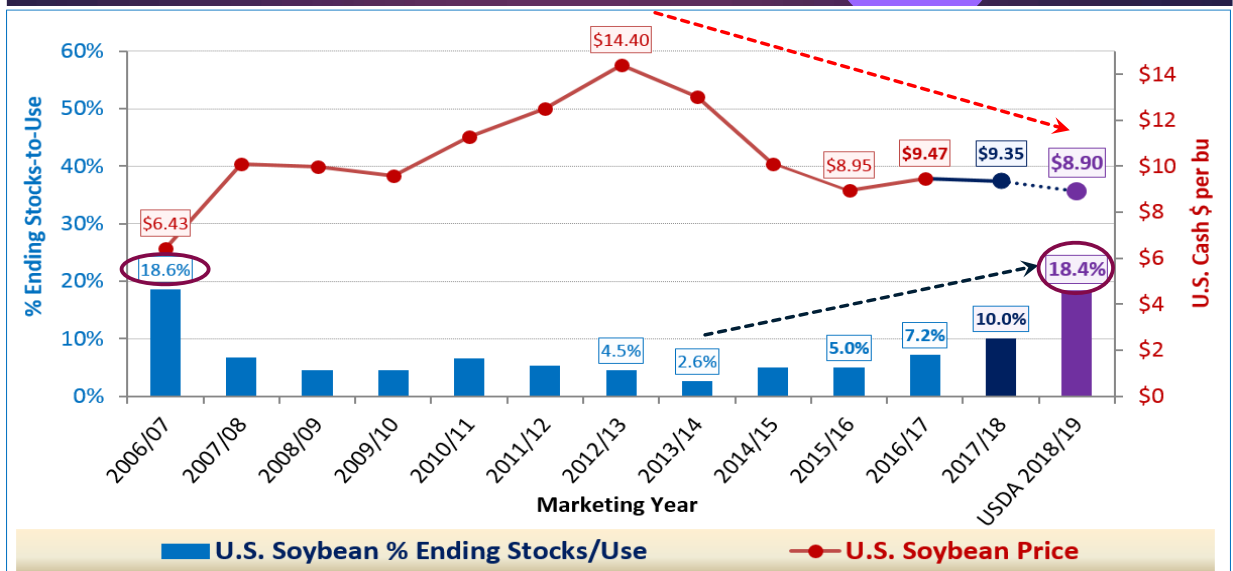


# U.S. Soybean Ending Stocks & % Stx/Use



Ernst & Young

# U.S. Soybean % Stocks/Use vs Price\$

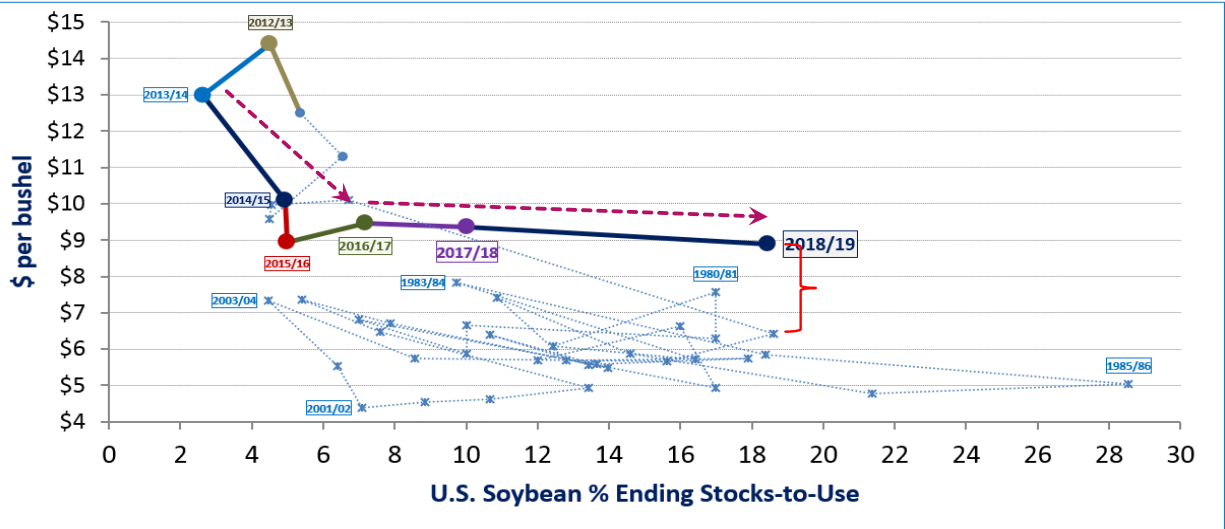




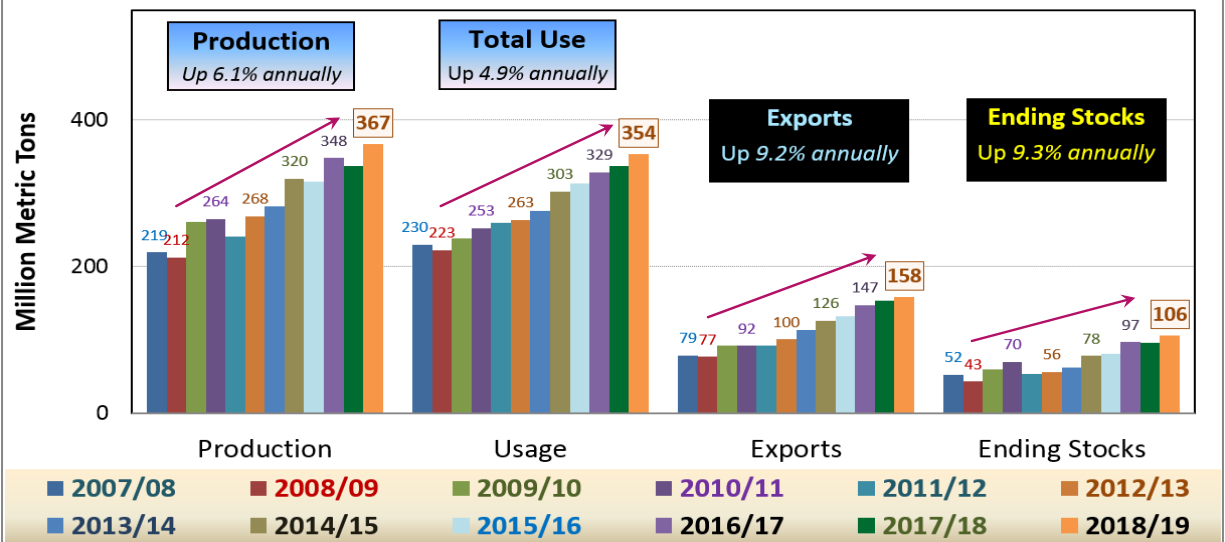
# U.S. Soybean \$ vs U.S. Stx-to-Use



MY 1973/74 through "New Crop" MY 2018/19



# World Soybean Supply, Use & Stocks



# World Soybean Production

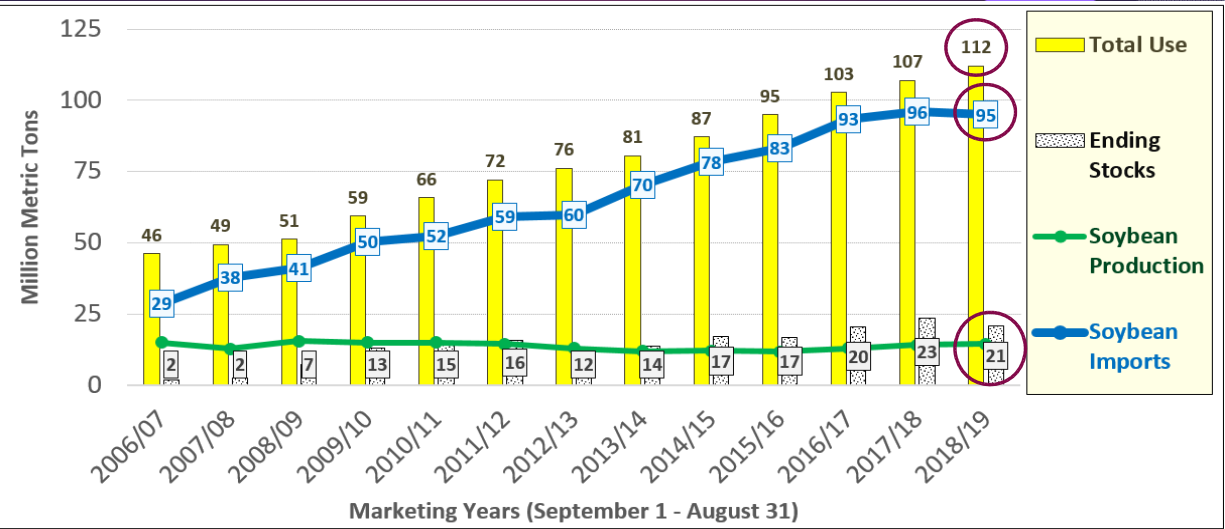
| Country or Region        | 2017/2018 |                     | 2018/2019 |                     |                       |
|--------------------------|-----------|---------------------|-----------|---------------------|-----------------------|
|                          | Estimate  | Change from July 12 | Forecast  | Change from July 12 | Change from 2017/2018 |
| ----- Million Tons ----- |           |                     |           |                     |                       |
| World                    | 336.7     | --                  | 367.1     | 7.6                 | 30.4                  |
| United States            | 119.5     | --                  | 124.8     | 7.5                 | 5.3                   |
| Foreign                  | 217.2     | --                  | 242.3     | 0.1                 | 25.1                  |
| Argentina                | 37.0      | --                  | 57.0      | --                  | 20.0                  |
| Brazil                   | 119.5     | --                  | 120.5     | --                  | 1.0                   |
| Paraguay                 | 10.0      | --                  | 9.8       | --                  | -0.2                  |
| Canada                   | 8.0       | --                  | 7.3       | --                  | -0.7                  |
| India                    | 8.4       | --                  | 10.8      | --                  | 2.5                   |
| China                    | 14.2      | --                  | 14.5      | --                  | 0.3                   |

# World Soybean Supply and Use

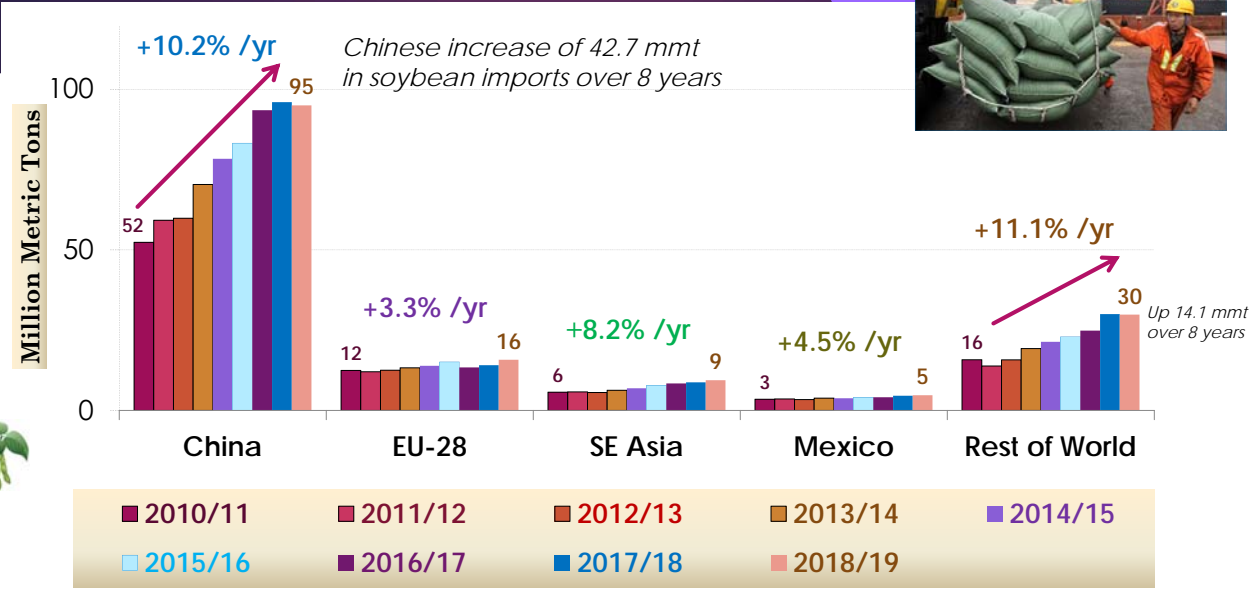
| Item                     | 2017/2018 |                     | 2018/2019 |                     |                       |
|--------------------------|-----------|---------------------|-----------|---------------------|-----------------------|
|                          | Estimate  | Change from July 12 | Forecast  | Change from July 12 | Change from 2017/2018 |
| ----- Million Tons ----- |           |                     |           |                     |                       |
| Beginning stocks         | 96.7      | --                  | 95.6      | -0.4                | -1.1                  |
| Production               | 336.7     | --                  | 367.1     | 7.6                 | 30.4                  |
| Total Supply             | 433.4     | --                  | 462.7     | 7.2                 | 29.3                  |
| Crush                    | 294.4     | -1.9                | 308.7     | -0.6                | 14.3                  |
| Total use                | 337.5     | -1.9                | 353.6     | -0.6                | 16.1                  |
| Trade                    | 153.7     | 1.5                 | 158.0     | 0.6                 | 4.3                   |
| Ending Stocks            | 95.6      | -0.4                | 105.9     | 7.7                 | 10.3                  |
| <b>Addendum</b>          |           |                     |           |                     |                       |
| Beginning stocks         |           |                     |           |                     |                       |
| Argentina plus Brazil    | 61.9      | --                  | 55.0      | 0.6                 | -7.0                  |
| Imports*                 |           |                     |           |                     |                       |
| China                    | 96.0      | -1.0                | 95.0      | --                  | -1.0                  |

# China Soybean Supply-Demand

2006/07 through "New Crop" MY 2018/19



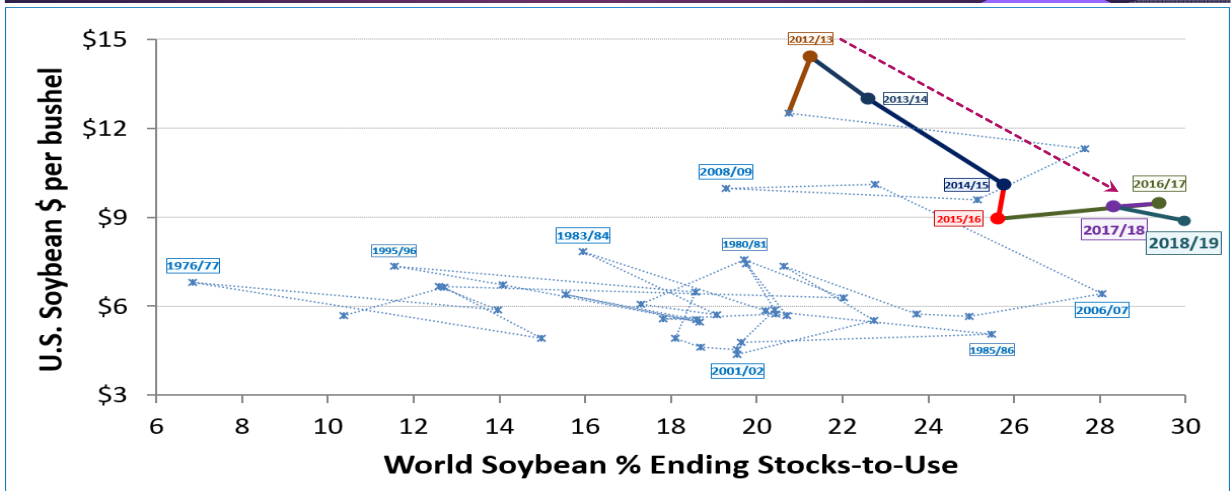
# Soybean Importer Purchases



# U.S. Soybean \$ vs World %Stx/Use



MY 1973/74 through "New Crop" MY 2018/19



# 2018 U.S. Cotton Production

August 2018 USDA Reports

| Crop       | Unit    | August 2018 | % Change From Previous Forecast | % Change From Previous Season |
|------------|---------|-------------|---------------------------------|-------------------------------|
| All Cotton |         |             |                                 |                               |
| Planted    | Mil Ac  | 13.5        | NC                              | +7.2                          |
| Harvested  | Mil Ac  | 10.1        | NA                              | -8.7                          |
| Yield      | Lb/Ac   | 911         | NA                              | +0.7                          |
| Production | Mil Bls | 19.2        | NA                              | -8.1                          |



## All Cotton Acres United States

Million Acres



USDA-NASS  
8-10-18



## All Cotton Production United States

Million Bales

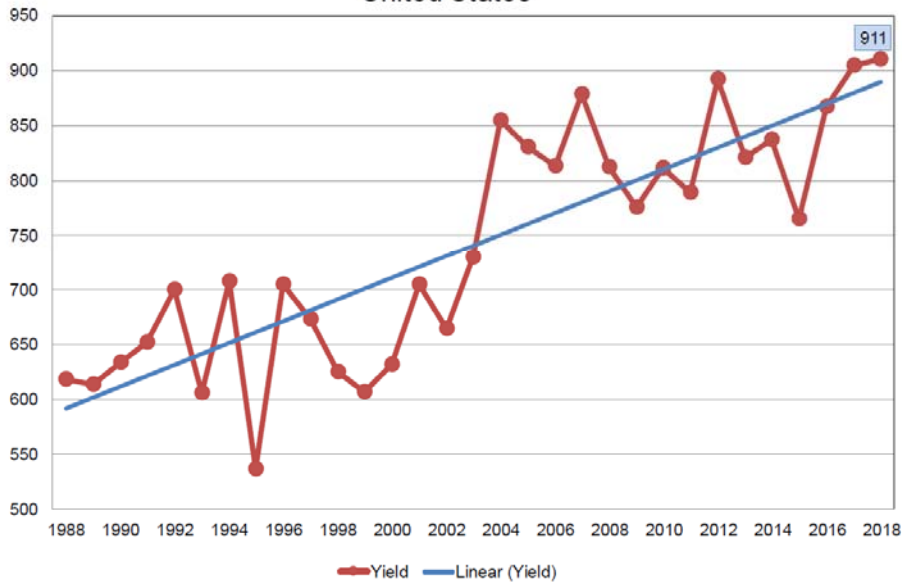


USDA-NASS  
8-10-18



## All Cotton Yield United States

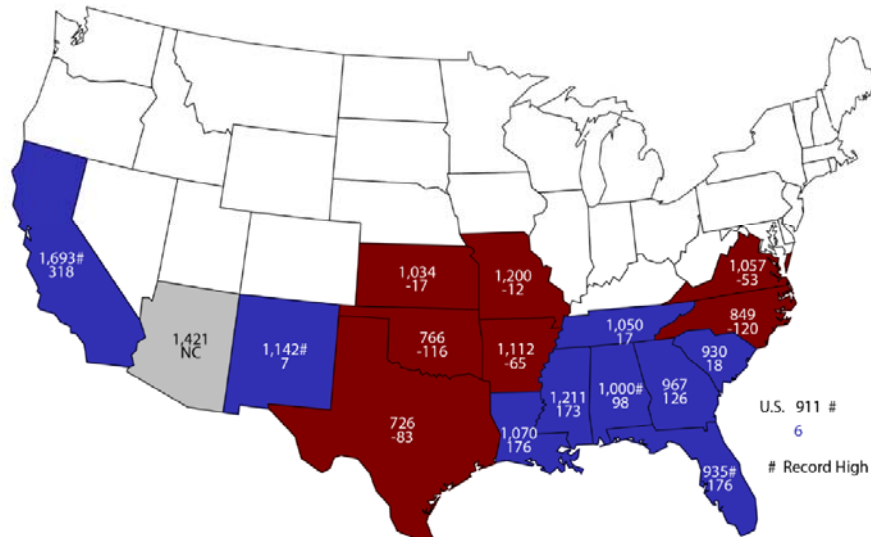
Pounds per Acre



USDA-NASS  
8-10-18



## August 1, 2018 All Cotton Yield Pounds and Change From Previous Year



U.S. 911 #  
6  
# Record High

USDA-NASS  
8-10-18

## U.S. Cotton Supply and Demand

| Item                           | 2017/2018 |                     | 2018/2019   |                     |                       |
|--------------------------------|-----------|---------------------|-------------|---------------------|-----------------------|
|                                | Estimate  | Change from July 12 | Forecast    | Change from July 12 | Change from 2017/2018 |
| Planted area (million acres)   | 12.61     | --                  | 13.52       | --                  | 0.91                  |
| Harvested area (million acres) | 11.10     | --                  | 10.14       | -0.37               | -0.96                 |
| Yield (pounds per acre)        | 905       | --                  | 911         | 66                  | 6                     |
| ----- Million bales -----      |           |                     |             |                     |                       |
| Beginning stocks               | 2.75      | --                  | 4.40        | 0.40                | 1.65                  |
| Production                     | 20.92     | --                  | 19.24       | 0.73                | -1.69                 |
| Imports                        | 0.01      | --                  | 0.01        | --                  | --                    |
| Total supply                   | 23.68     | --                  | 23.64       | 1.14                | -0.04                 |
| Mill use                       | 3.25      | -0.10               | 3.40        | **                  | 0.15                  |
| Exports                        | 15.85     | -0.35               | 15.50       | 0.50                | -0.35                 |
| Total use                      | 19.10     | -0.45               | 18.90       | 0.50                | -0.20                 |
| Unaccounted                    | 0.18      | 0.05                | 0.14        | 0.04                | -0.04                 |
| Ending stocks                  | 4.40      | 0.40                | 4.60        | 0.60                | 0.20                  |
| ----- Percent -----            |           |                     |             |                     |                       |
| Stocks to use ratio            | 23.0      | 2.6                 | 24.3        | 2.6                 | 1.3                   |
| ----- Cents per pound -----    |           |                     |             |                     |                       |
| Average market price           | 68.00     | --                  | 70.00/80.00 | --                  | 7.00                  |

## World Cotton Production

| Country or Region         | 2017/2018 |                     | 2018/2019 |                     |                       |
|---------------------------|-----------|---------------------|-----------|---------------------|-----------------------|
|                           | Estimate  | Change from July 12 | Forecast  | Change from July 12 | Change from 2017/2018 |
| ----- Million bales ----- |           |                     |           |                     |                       |
| World                     | 123.5     | -0.2                | 120.5     | 0.4                 | -3.0                  |
| United States             | 20.9      | --                  | 19.2      | 0.7                 | -1.7                  |
| Foreign                   | 102.6     | -0.2                | 101.3     | -0.3                | -1.3                  |
| Argentina                 | 0.8       | --                  | 1.0       | 0.2                 | 0.2                   |
| Brazil                    | 9.2       | --                  | 9.5       | --                  | 0.3                   |
| Turkey                    | 4.0       | --                  | 4.5       | 0.2                 | 0.5                   |
| Australia                 | 4.7       | -0.2                | 3.6       | -0.2                | -1.2                  |
| China                     | 27.5      | --                  | 26.5      | --                  | -1.0                  |
| India                     | 29.0      | --                  | 28.7      | --                  | -0.3                  |
| Pakistan                  | 8.2       | --                  | 8.5       | --                  | 0.3                   |
| Uzbekistan                | 4.0       | --                  | 3.3       | -0.5                | -0.7                  |
| Turkmenistan              | 1.4       | --                  | 1.3       | -0.1                | -0.1                  |
| African Franc Zone        | 5.2       | --                  | 5.3       | --                  | 0.1                   |



# World Cotton Supply and Demand

| Item                      | 2017/2018 |                     | 2018/2019 |                     |                       |
|---------------------------|-----------|---------------------|-----------|---------------------|-----------------------|
|                           | Estimate  | Change from July 12 | Forecast  | Change from July 12 | Change from 2017/2018 |
| ----- Million bales ----- |           |                     |           |                     |                       |
| Beginning stocks          | 84.1      | -0.3                | 84.5      | -0.4                | 0.4                   |
| Production                | 123.5     | -0.2                | 120.5     | 0.4                 | -3.0                  |
| Total Supply              | 207.6     | -0.4                | 205.0     | **                  | -2.6                  |
| Consumption               | 122.7     | 0.5                 | 127.6     | 0.7                 | 4.9                   |
| Trade                     | 40.8      | 0.1                 | 41.8      | 0.6                 | 1.0                   |
| Ending Stocks             | 84.5      | -0.4                | 77.1      | -0.7                | -7.4                  |
| <b>Addendum</b>           |           |                     |           |                     |                       |
| China ending stocks       | 37.8      | 0.1                 | 28.6      | 0.1                 | -9.2                  |



## Questions?

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