

Wheat Market Outlook

2019 Industry Outlook Conference

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Wheat Markets

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Wheat Market Outlook Topics

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A. Overall Market Situation

B. Wheat Futures & Cash Prices

C. U.S. Supply-Demand

D. USDA & KSU Wheat Price Forecasts

E. World Wheat S-D Trends

F. Questions & a “Vigorous” Discussion!



Unpredictable Grain Markets in 2019-20

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□ The “Ups & Downs” of U.S. Trade Tensions

- **U.S.-Japan Trade Agreement (+)**

- Likely positive impact on U.S. wheat exports vs TPP Countries

- **U.S. vs China (?)**

- Soybeans & Sorghum (*Working towards final resolution*)

- **USMCA Trade Agreement** U.S.-Mexico-Canada ⇒ *To be ratified (+)*

- **Mexico** grain purchases from the U.S.
- **Canada** grain export competition vs U.S. (Wheat, Oilseeds)

Grain Market Events to Come

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1) 2019 U.S. Corn & Soybean harvest (*Oct-Nov 2019*)

- **Corn²⁰¹⁹** < 13.8 bln bu? ➔ End Stocks < 2.000 bb?
- **Soybeans²⁰¹⁸** < 3.6 bln bu? ➔ End Stocks < 600 mb?

2) U.S. HRW Wheat Seedings (*Oct 2019*)

- **Dry soils & Fall Harvest** conflicts may ↓ HRW seedings in 2019
- *Struggling profitability for 2013-2018 HRW Wheat*

More Grain Market Events to Anticipate

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3) Production of “New Crop” MY 2019/20 Export Competitors

- **Soybeans** *So-Am 2020* Up 2-3% vs MY 2018/19 ➔ ‘China demand’
- **Corn** *So-Am + Ukraine 2020* UP 35% per year since MY 2015/16
- **Argentina** *politics / export taxes* & **Brazil - Ukraine** *domestic issues*

4) 2019 U.S. Spring Wheat Crop ➔ *Harvest Damage*

- *Wet conditions stopped harvest & damaged last 20-30%*
- *USDA to re-survey & for the November Crop Production report*

More Grain Market Events to Anticipate 7

5) 2020 U.S. Plantings of Fall Harvested Crop (April-May 2020)

- 1st determine U.S. crops in fall 2019 (Have short crops or not?)
- Soybeans ^{U.S. 2020} *Uncertain* ↻ ↑↓ ≈ U.S.-China Trade Status
- Corn ^{U.S. 2020} *Up* ↻ ↑ ≈ U.S. Ethanol & Feed Demand

6) 2020 U.S. HRW Crop Development (April-June 2020)

Q? What will the protein &/or quality condition of the 2020 crop be?

Q? What “cross over” HRS vs HRW wheat market impacts will occur?

U.S. Wheat Stocks.....

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- All U.S. Wheat: “Large & Moderating” Stocks
 - End Stocks ^{2019/20} ⇒ 1.043 bln bu (1.080 bb last year)
 - % Stocks/Use ^{2019/20} ⇒ 49.2% S/U (53.0% Stx/Use last year)
- U.S. HRW Wheat: “Still Large” Carryover (BUT declining)
 - End Stocks ^{2019/20} ⇒ 491 mln bu (732 mb last year)
 - % Stocks/Use ^{2019/20} ⇒ 56.9% S/U (70.5% Stx/Use last year)

U.S. Wheat Stocks.....

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- **U.S. HRS Wheat:** “*Uncertain S-D*” ⇒ **2019 Harvest Problems**

- **End Stocks** 2019/20 ⇒ 308 mln bu ? (263 bb last year)
- **% Stocks/Use** 2019/20 ⇒ 54.1% S/U ? (45.1% Stx/Use last year)

- **U.S. SRW Wheat:** “*Significant declines*” in forecast **Carryout**

- **End Stocks** 2019/20 ⇒ 110 mln bu (158 mb last year)
- **% Stocks/Use** 2019/20 ⇒ 37.7% S/U (46.9% Stx/Use last year)

U.S. Wheat Stocks.....

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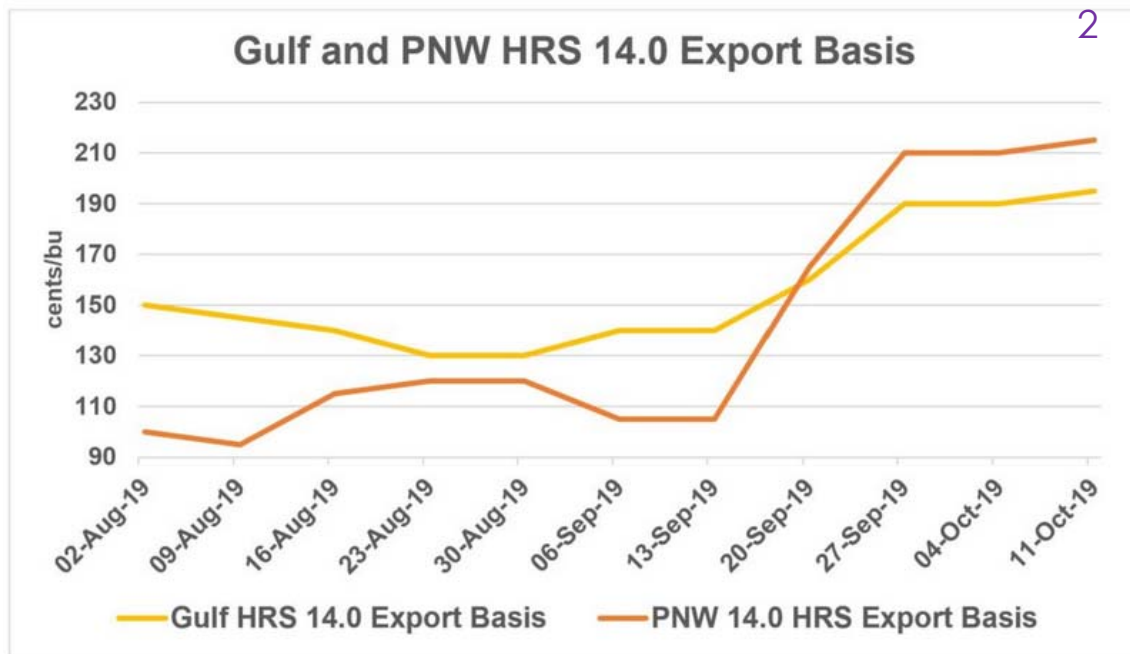
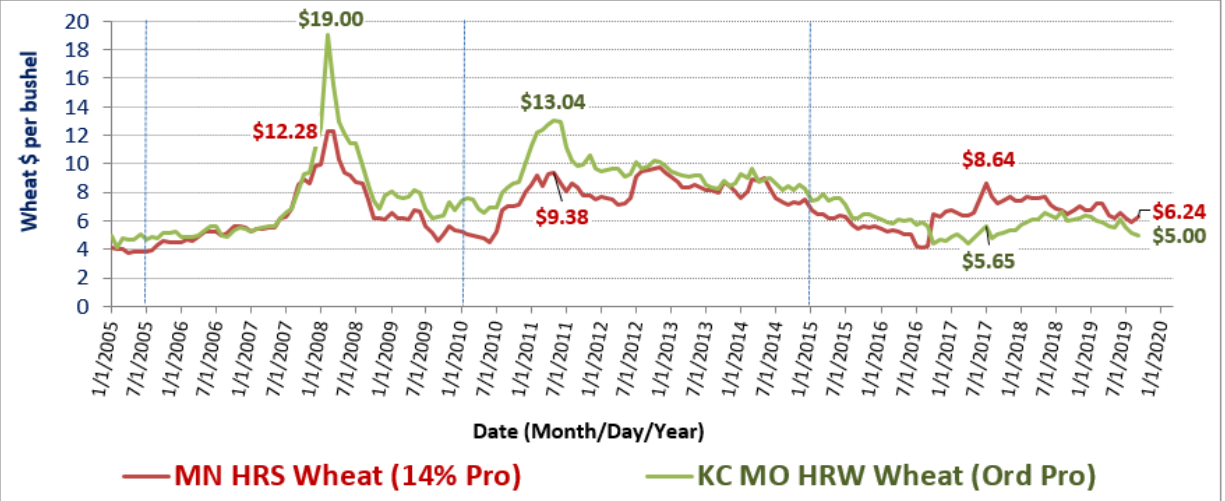
- **U.S. White Wheat:** “*Positive Export news for Asia Markets*”

- **End Stocks** 2019/20 ⇒ 85 mln bu (88 bb last year)
- **% Stocks/Use** 2019/20 ⇒ 30.4% S/U (31.8% Stx/Use last year)

- **U.S. Durum Wheat:** “*Uncertain S-D*” ⇒ **2019 Harvest Problems**

- **End Stocks** 2019/20 ⇒ 49 mln bu (55 mb last year)
- **% Stocks/Use** 2019/20 ⇒ 43.4% S/U (50.0% Stx/Use last year)

Prices for HRS Wheat 14% Protein (Minneapolis, MN) vs HRW Wheat – Ordinary Protein (Kansas City, MO)



Source: U.S. Wheat Associates Price Report, Oct. 4, 2019

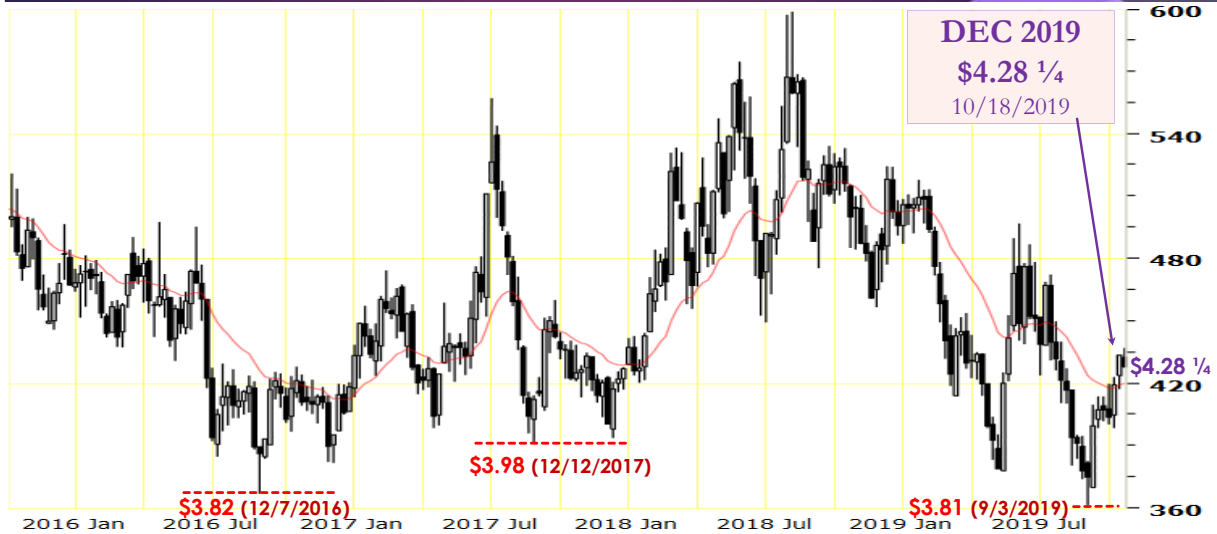
CME Kansas Hard Red Winter Wheat

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Weekly Chart: March 2015 – October 18, 2019

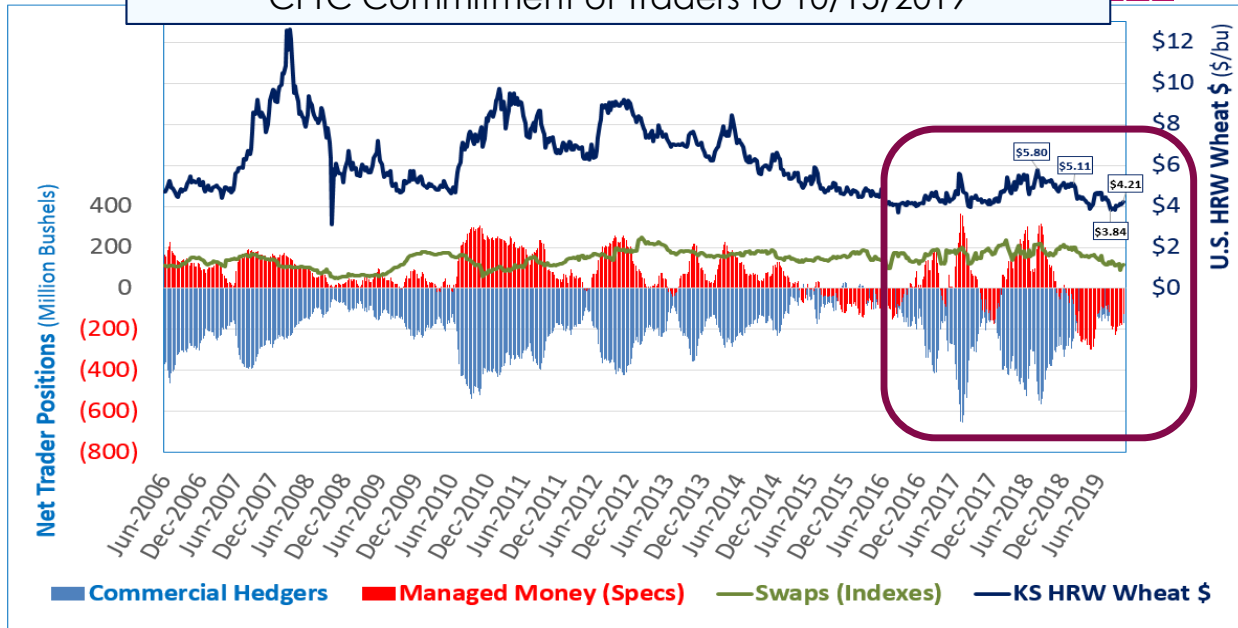
TFC Commodity Charts



Net Position of Traders in CME KS HRW Wheat

14

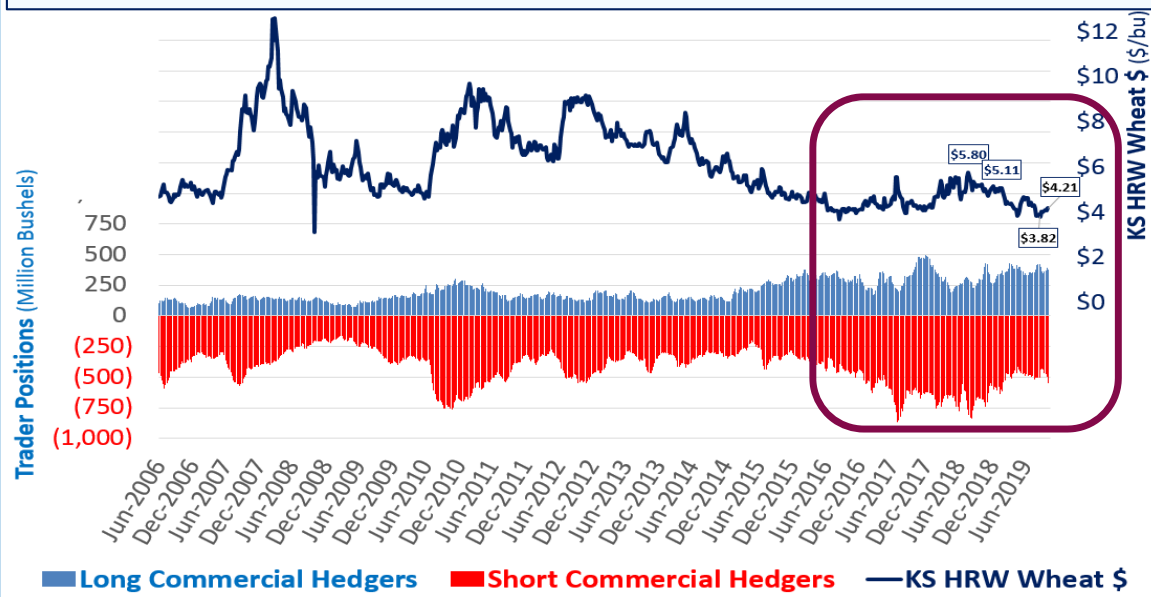
CFTC Commitment of Traders to 10/15/2019



Commercial Hedge Positions in CME KS HRW Wheat

CFTC Commitment of Traders to 10/15/2019

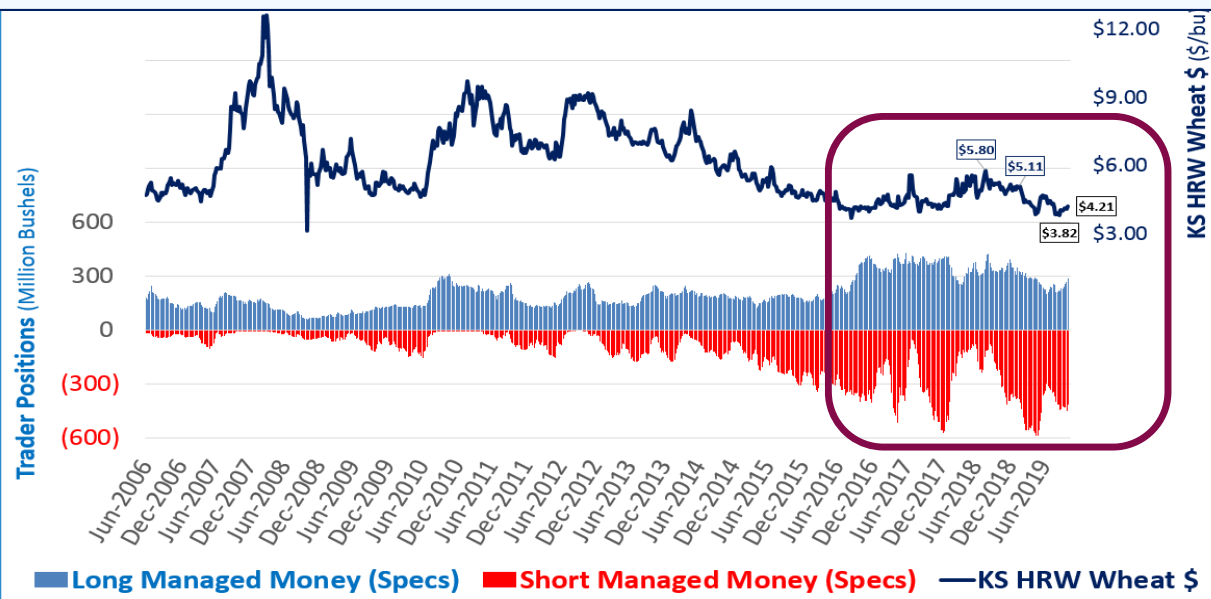
15



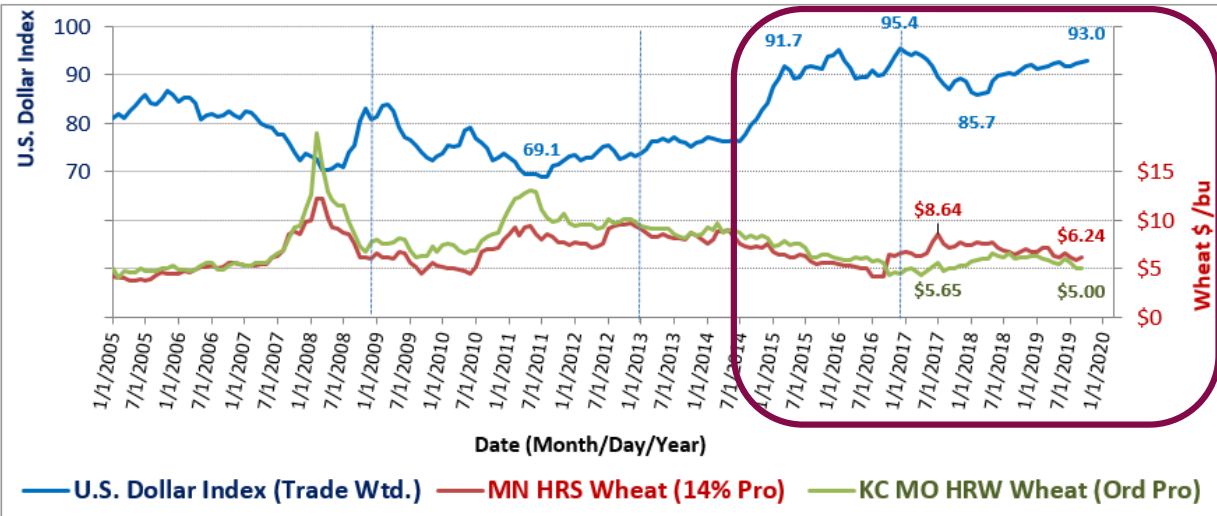
Managed Money (Spec) Positions in CME KS HRW Wheat

CFTC Commitment of Traders to 10/15/2019

16



U.S. Trade Weighted Dollar Index vs HRS & HRW Cash Prices (St. Louis Fed/FRED & USDA)



MGE HRS Wheat

TFC Commodity Charts

Weekly Chart: March 2015 – October 21, 2019

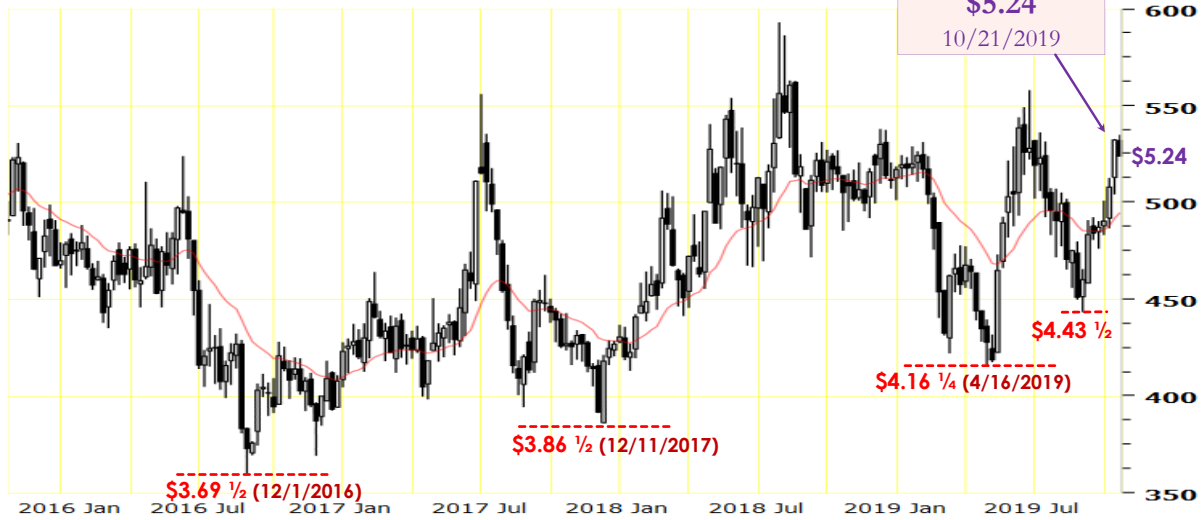


CME Chicago Wheat

TFC Commodity Charts

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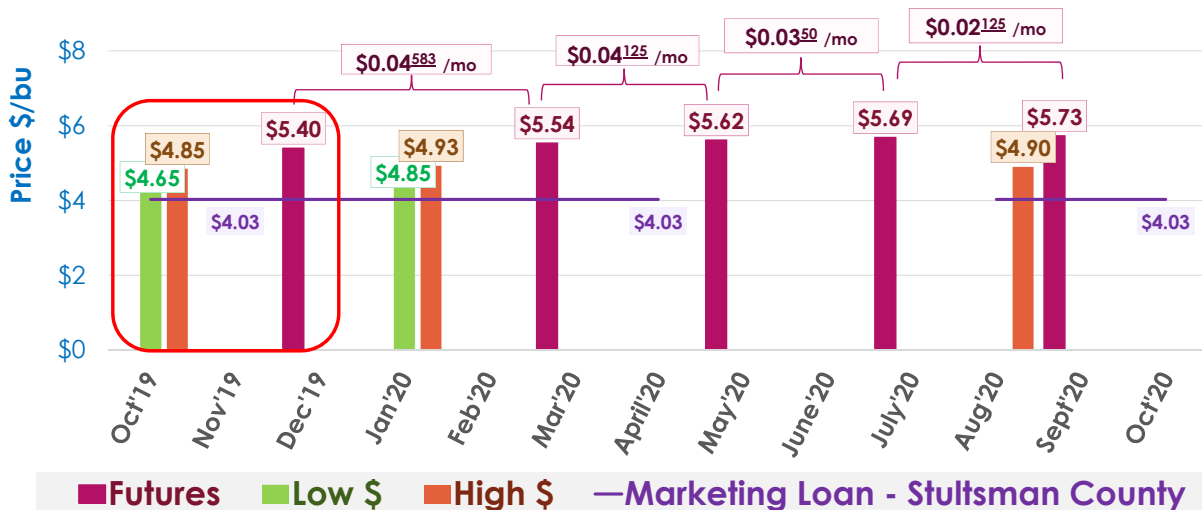
Weekly Chart: March 2015 – October 21, 2019



Wheat Cash & HRS Wheat Futures

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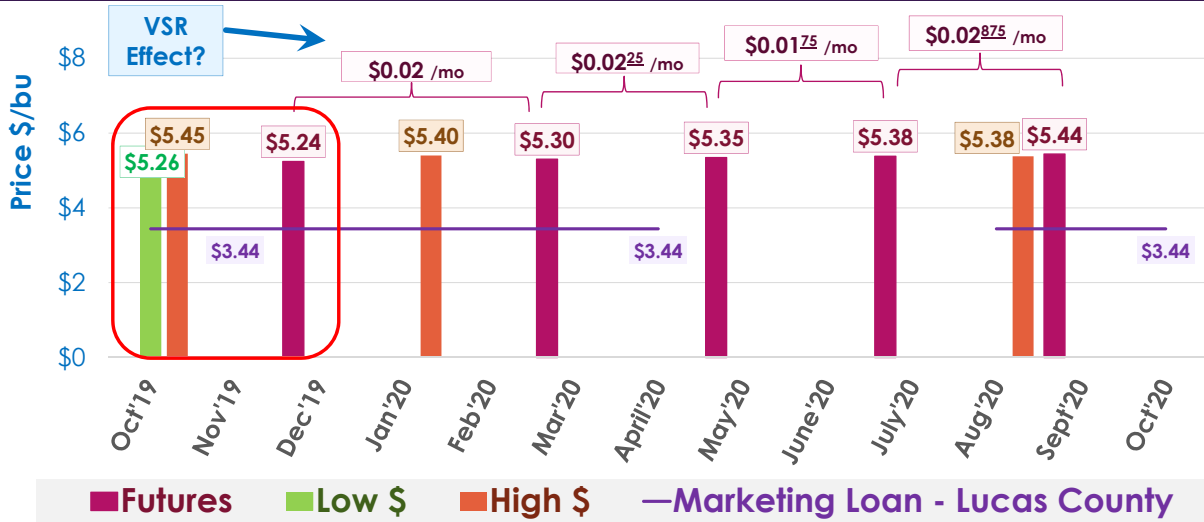
Jamestown, ND Local Elevators - October 21, 2019



Wheat Cash & SRW Wheat Futures

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Toledo, Ohio Local Elevators - October 21, 2019



Wheat Cash & HRW Wheat Futures

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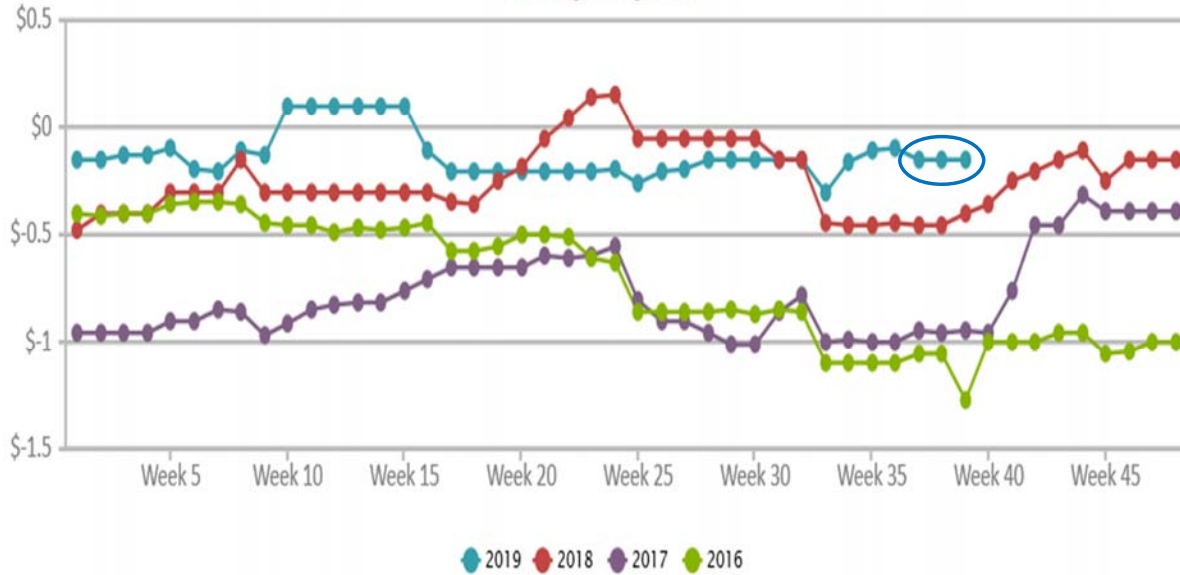
Salina, KS Local Elevators - October 21, 2019



SALINA, KS: Hard Red Winter Wheat Basis - CARGILL

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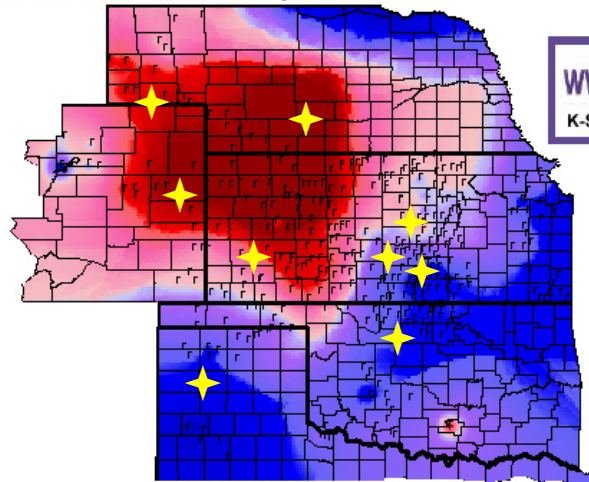
Wheat Basis, 10-16-2019

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Basis = Cash Price - Nearby Futures Price

KCBT Dec
Futures
Price: \$4.25

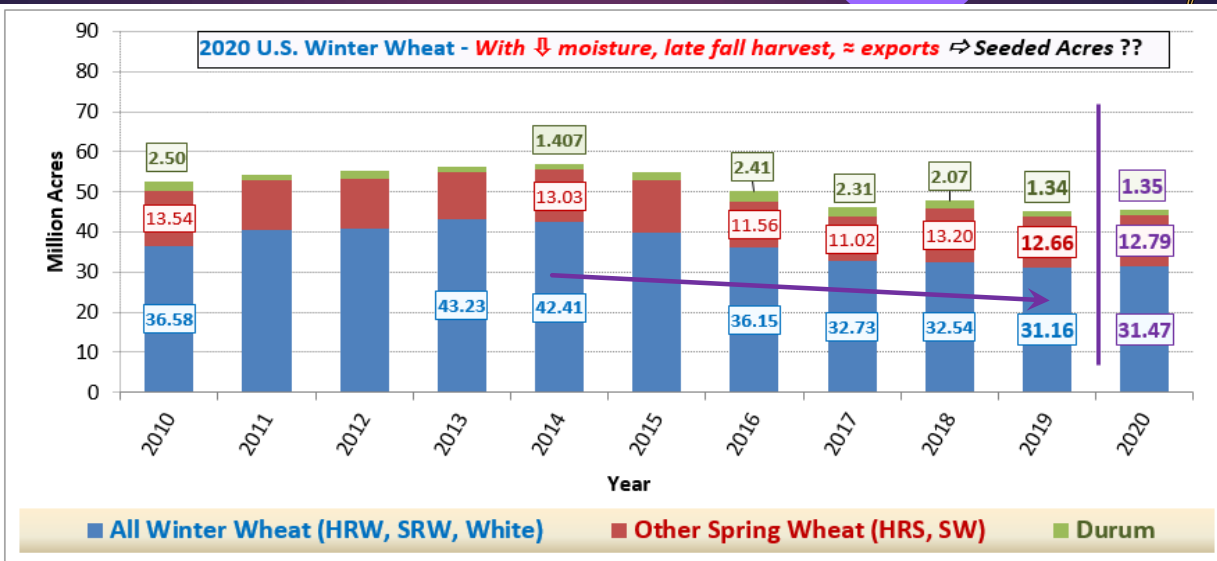
\$/Bushel	
Dark Blue	.10
Blue	-.24
Light Blue	-.25
Very Light Blue	-.34
White	-.38
Light Pink	-.39
Medium Pink	-.48
Red	-.52
Dark Red	-.53
Black	-.60



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U.S. Wheat Seeded Acreage

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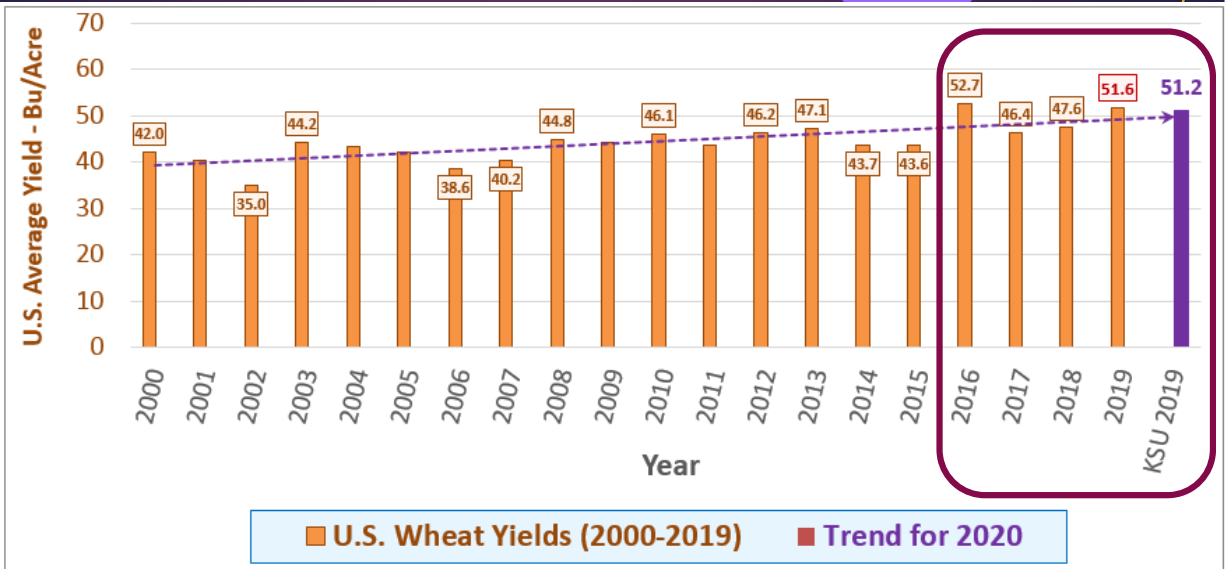
U.S. Wheat Planted & Harvested Acres

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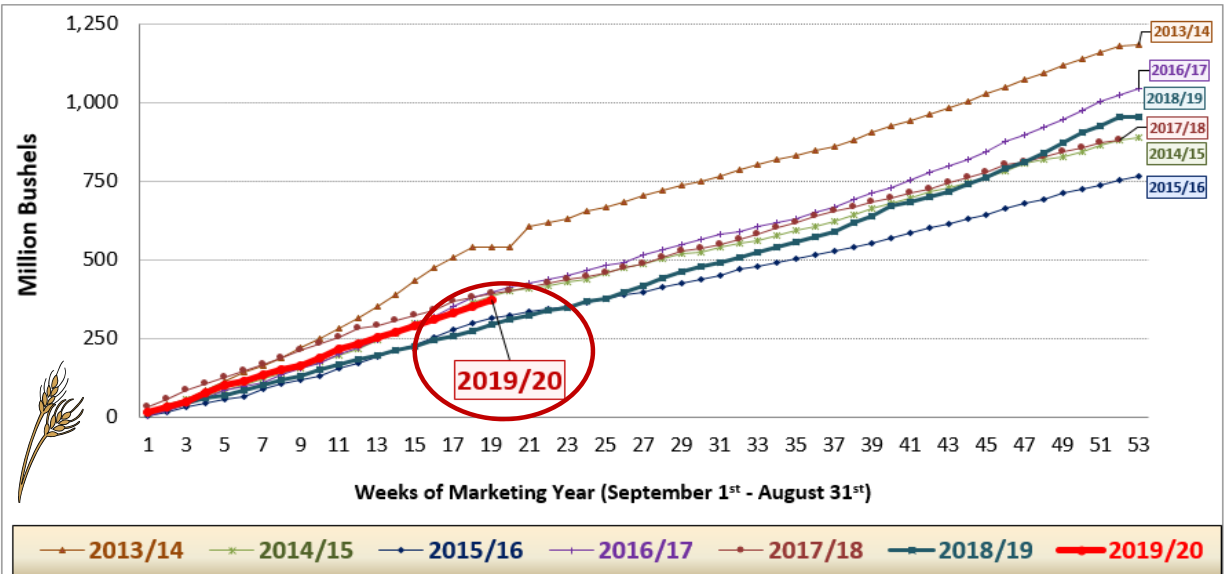
U.S. Wheat Yields



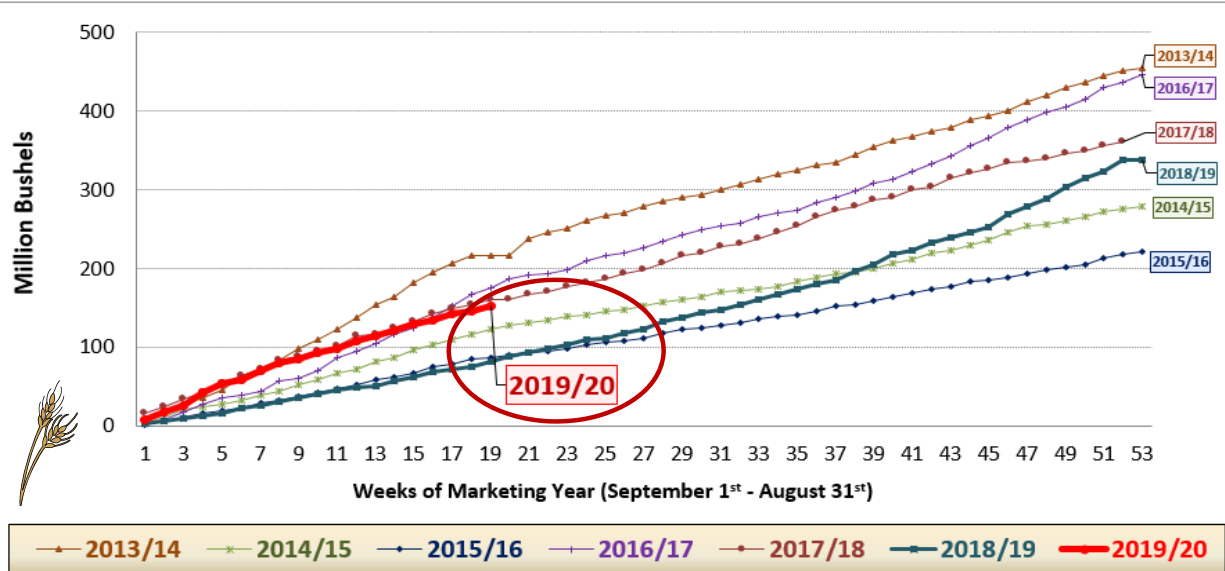
U.S. Wheat Production & Supplies



U.S. All Wheat Exports – Weekly thru October 10, 2019

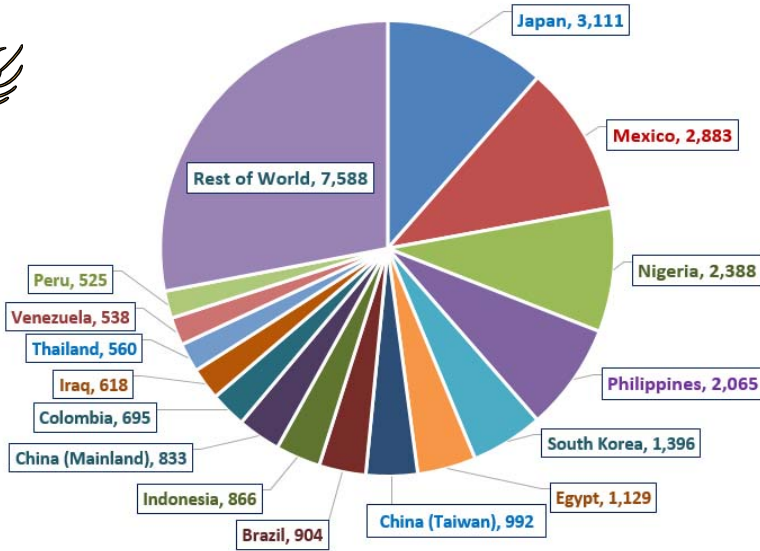


U.S. HRW Wheat Exports – Weekly thru October 10, 2019



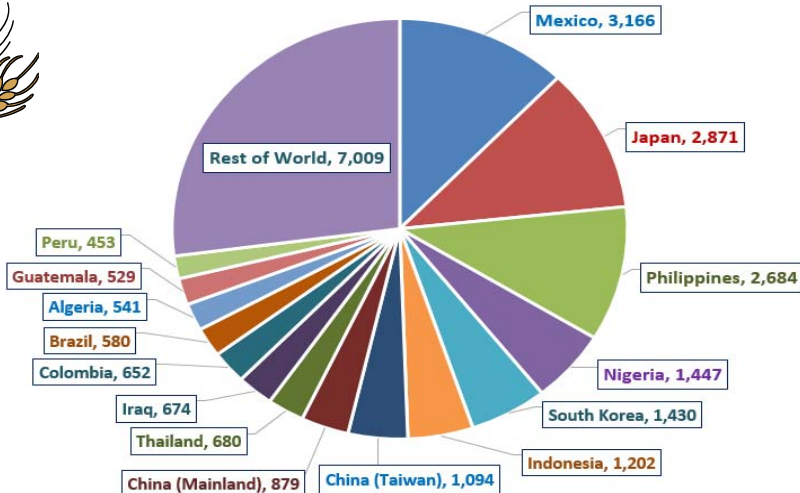
Top 15 U.S. Wheat Export Buyers – Last 12 years

Average Yearly Shipments (MY 2007/08 – 2018/19)



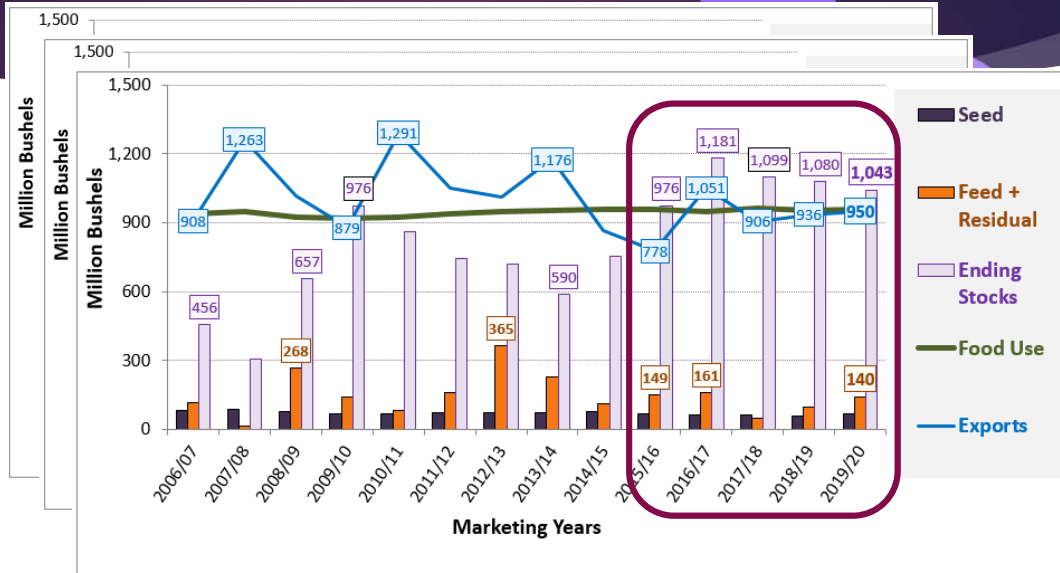
Top 15 U.S. Wheat Export Buyers – Last 3 years

Average Yearly Shipments (MY 2016/17 – 2018/19)



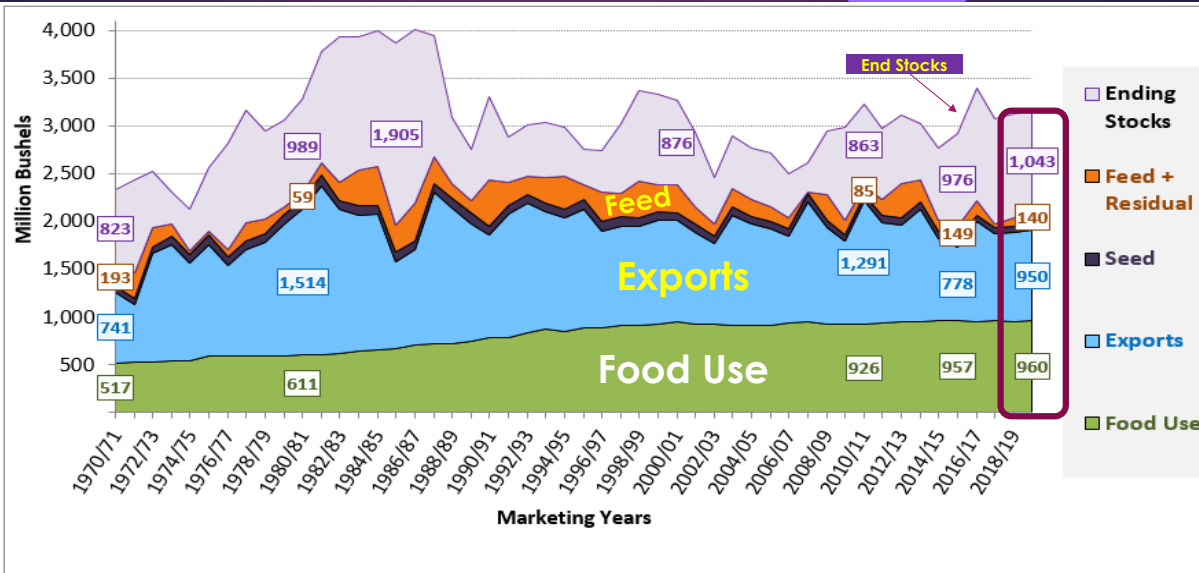
U.S. Wheat Use – By Category

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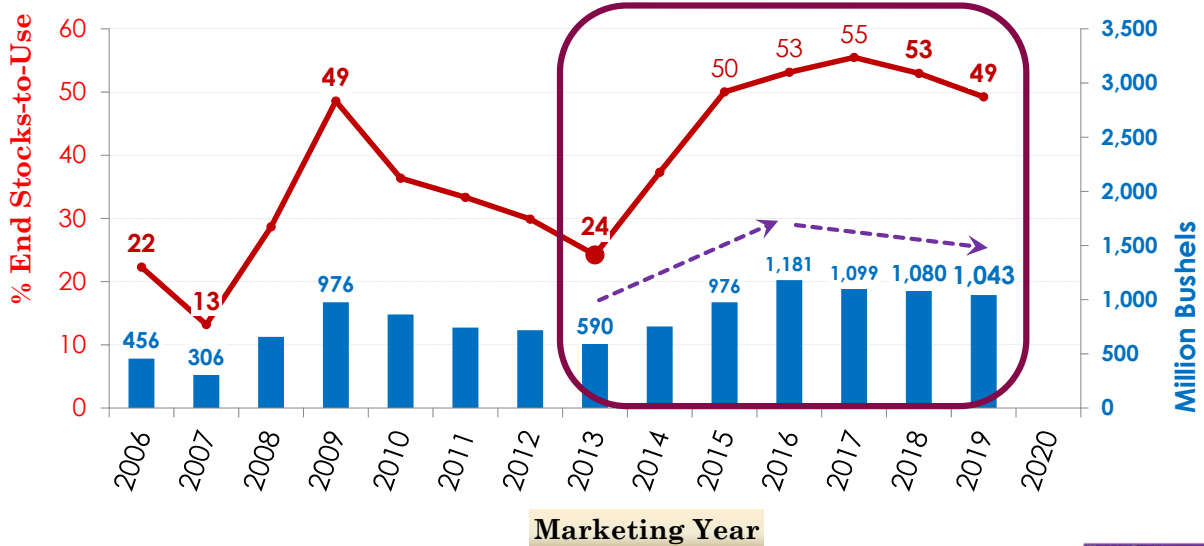
U.S. Wheat Use – By Category

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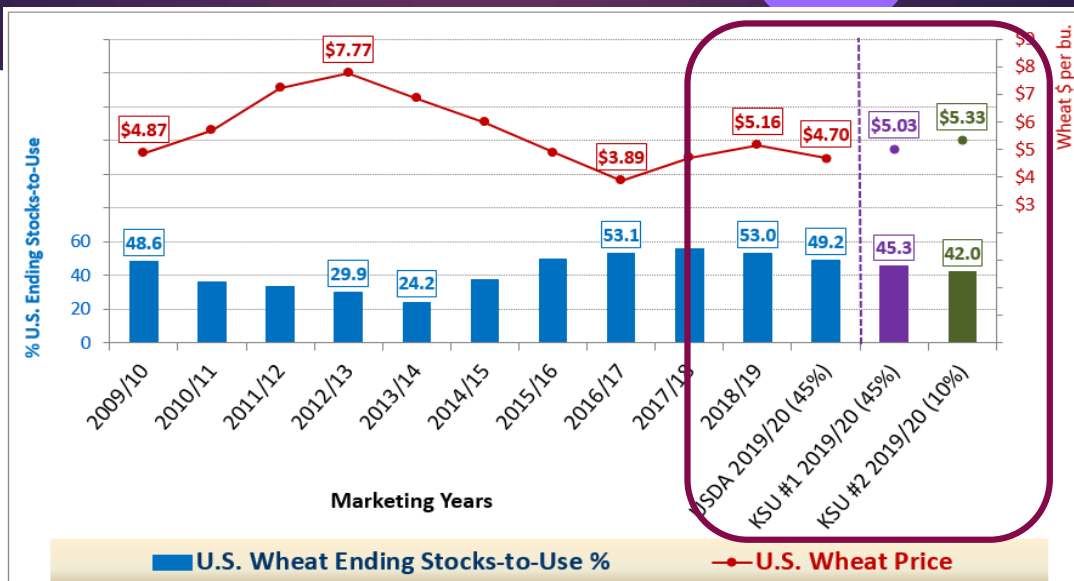
U.S. Wheat Ending Stocks & % Stx/Use

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U.S. Wheat Ending Stocks/Use & Prices

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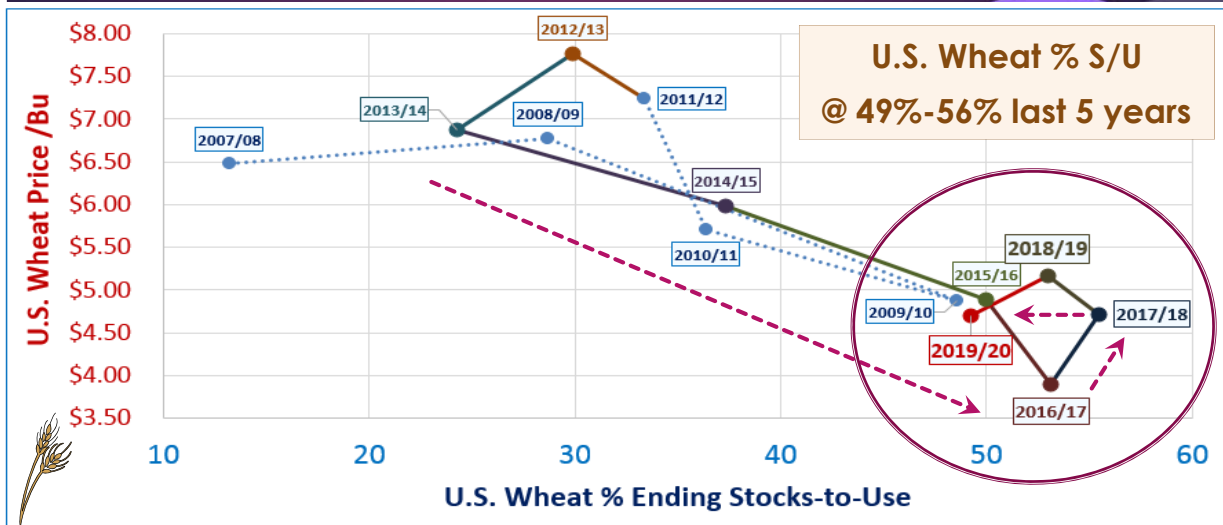
Wheat Market Forecast for "New Crop" MY 2019/20

USDA & KSU estimates for U.S. Stk/Use & Prices

Item	USDA 2019/20	KSU Scenario #1 2019/20		KSU Scenario #2 2019/20	
		U.S. "Short Spring Wheat Crop" Lower HRS Wheat Production (2019 U.S. Other Spring Wheat & Durum Production of 658 mb down 4.3% or 84 million bushels)		U.S. "Short Spring Wheat Crop" Plus Stronger U.S. Wheat Exports (+50 million bushels)	
% Probability of Occurring (KSU est.)	45% prob.	45% prob.		10% prob.	
Planted Area (million acres)	45.158	45.158	45.158	45.158	45.158
Harvested Area (million acres)	38.052	-1.3725 ma	36.680	-12.5%	36.302
% Harvested/Planted Area	84.26%	-3.9%	80.39%	-3.9%	80.39%
Yield / harvested acre (bu/ac)	51.6	-0.4 bu/ac	51.2	-0.4 bu/ac	51.2
Million Bushels					
Beginning Stocks (million bushels)	1,080	1,080	1,080	1,080	1,080
Production (million bu.)	1,962	-84 mb	1,878	-84 mb	1,878
Imports (million bu.)	120	120	120	120	120
Total Supply (million bu.)	3,162	-84 mb	3,078	-84 mb	3,078
Food Use	960	960	960	960	960
Seed Use	68	68	68	68	68
Exports	950	950	950	+50 mb	1,000
Feed & Residual Use	140	140	140	140	140
Total Use	2,118	2,118	2,118	+50 mb	2,168
Ending Stocks (million bu.)	1,044	-84 mb	960	-134 mb	910
% Ending Stocks-to-Use	49.29%	45.33%	45.33%	41.97%	41.97%
U.S. Wheat Avg. Farm Price (\$/bushel)	\$4.70	\$5.03 (U.S. Stocks/Use)		\$5.33 (U.S. Stocks/Use)	

U.S. Wheat Price (\$) vs U.S. % Stocks/Use 37

MY 2007/08 – "New Crop" MY 2019/20



World Wheat Market Prospects:

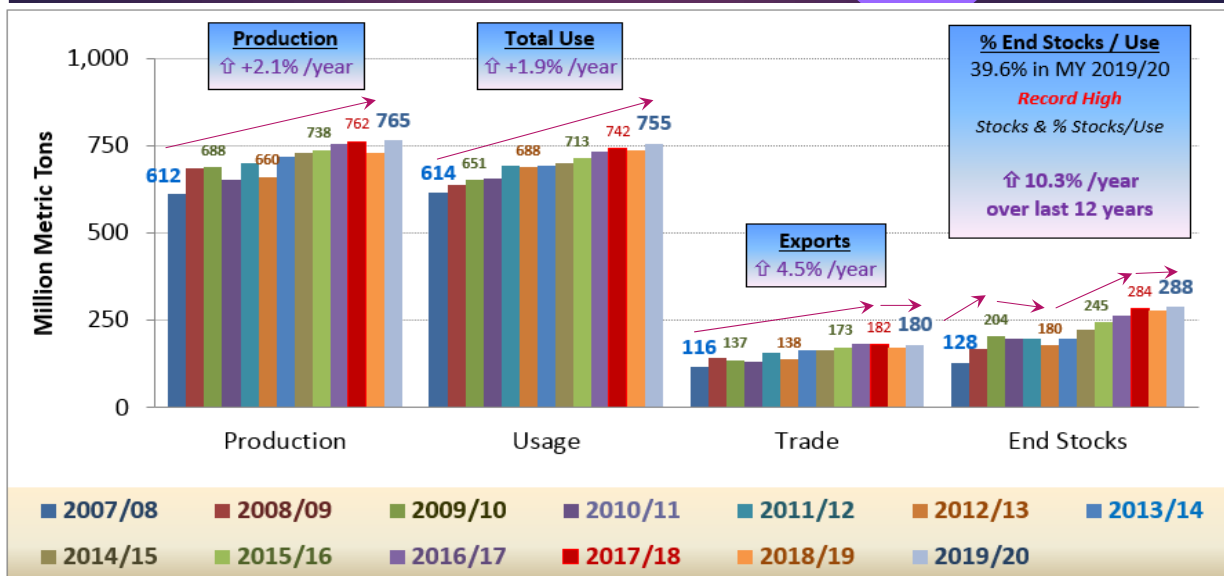
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Large Supplies ⇒ Less of a “*Buyer’s Market*”

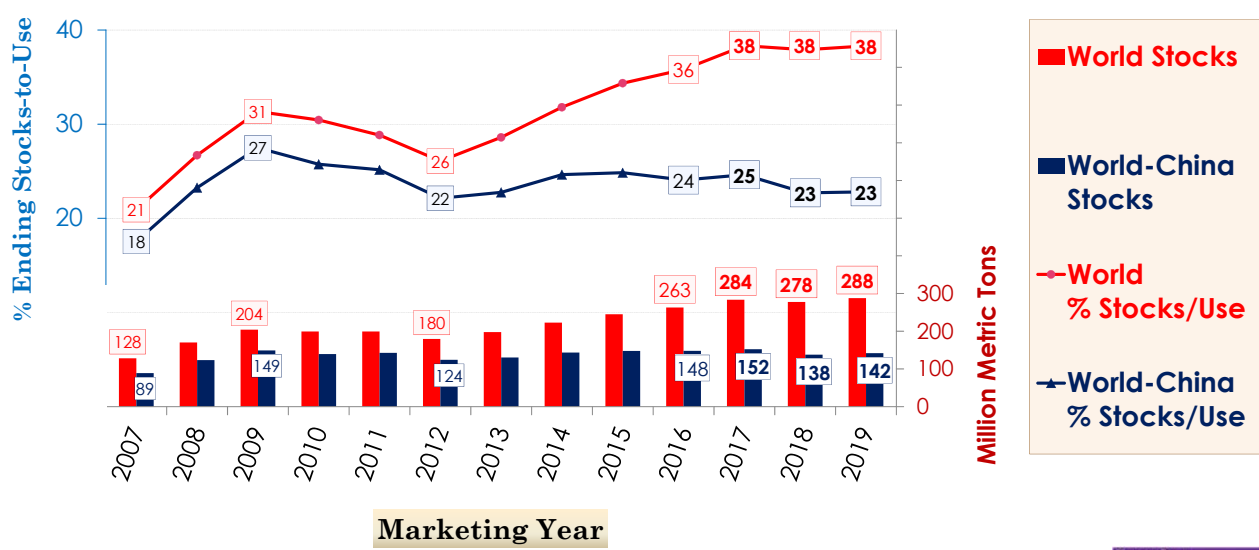
- **Record Supplies & Record Use** in MY 2019/20
 - **Production** ↑2.1% /yr vs **Use** ↑1.9% ⇒ **Stocks** ↑10.3% Since 2007/08
- **MY 2019/20 crops** ↑ - most nations (except Kazakhstan, Brazil, No. Africa)
- **Ongoing “competitive buying pressure”** in World Trade
 - Slowed growth in % End Stocks/Use since MY 2018/19
 - “Tighter” supplies from a “World-Less-China” perspective

World Wheat Supply, Use & Stocks

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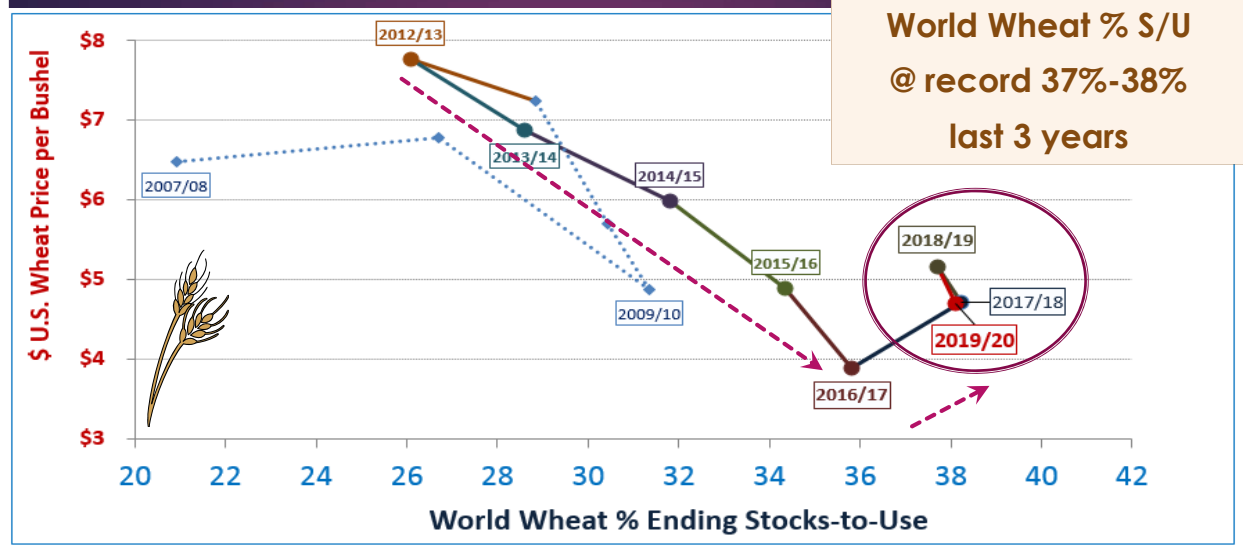


World & World-less-China Wheat Stocks & S/U



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

MY 2007/08 – “New Crop” MY 2019/20

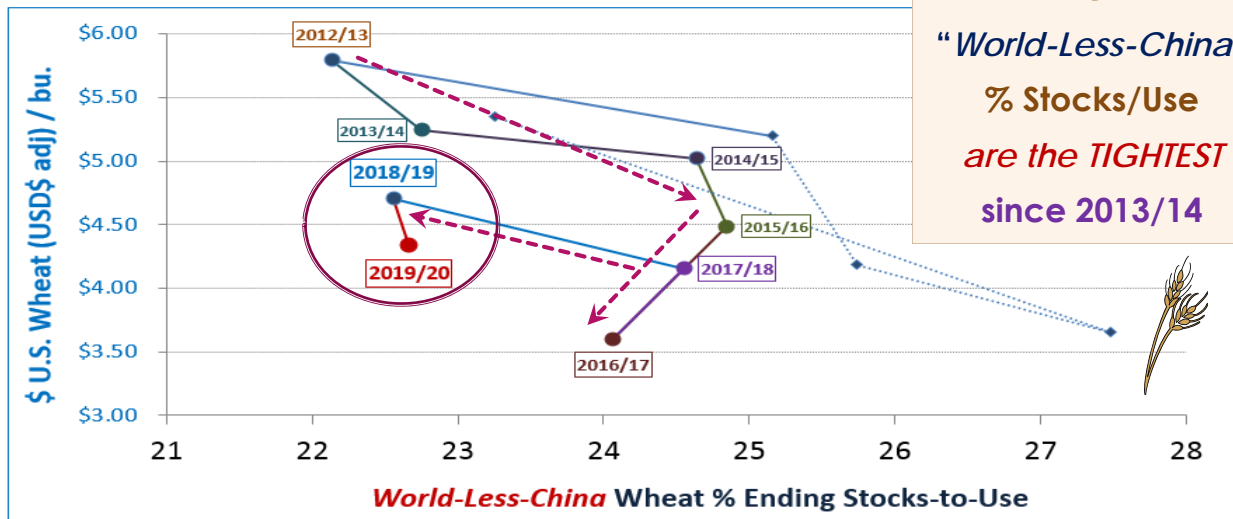


World Wheat % S/U @ record 37%-38% last 3 years

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

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MY 1973/74 – “New Crop” MY 2019/20



BUT
 “World-Less-China”
 % Stocks/Use
 are the **TIGHTEST**
 since 2013/14

Questions?

Daniel O’Brien – Extension Ag Economist

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