

2019 Grain Market Outlook

2018 Ag Lenders Conferences

Garden City & Manhattan, Kansas

October 9-10, 2018

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KANSAS STATE
UNIVERSITY

Department of Agricultural Economics



Unpredictable Grain Markets in 2018-19

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

- **U.S. Abandonment of the Trans Pacific Partnership (TPP)**
 - Potential impact on U.S. wheat exports vs TPP Countries
- **U.S. vs China**
 - Soybeans & Sorghum (*Need of both “With” & “Without” Scenarios*)
- **NAFTA (U.S.-Mexico-Canada)**
 - **Mexico** grain purchases from the U.S.
 - **Canada** grain export competition vs U.S. (Wheat, Oilseeds)

Grain Market Events to Come

1) 2018 U.S. Corn & Soybean harvest (*Oct-Nov 2018*)

- **Corn²⁰¹⁸** < 14.8 bln bu? ➔ End Stocks < 1.774 bb?
- **Soybeans²⁰¹⁸** < 4.7 bln bu? ➔ End Stocks < 845 mb?

2) U.S. HRW Wheat Seedings (*Oct 2018*)

- **Increase** in response to ↑ HRW wheat \$'s in 2018?
- *Profits for 2018 Kansas HRW Wheat vs Other Crops*

More Grain Market Events to Anticipate....

3) 2019 South America Crop Plantings (*Nov 2018-Jan 2019*)

- **Soybeans** ^{So-Am 2019} *Up 5-10% ?* ➔ 'Existing' or 'New' Acres?
- **Corn** ^{So-Am 2019} *Down 5% ?* ➔ 2nd Crop Impact (*Exports*)?
- **Argentina** *politics / export taxes* & **Brazil** *domestic issues* are a wildcard

4) Break Dormancy for 2019 HRW Wheat Crop (*March 2019*)

- *Uncertain crop conditions affecting **Kansas HRW Wheat** at that time (?)*

More Grain Market Events to Anticipate....

5) 2019 U.S. Plantings of Fall Harvested Crop (*April-May 2019*)

- Soybeans ^{U.S. 2019} *Down* ≈ 4+ mln ac. ? ⇨ *U.S.-China Trade Status?*
- Corn ^{U.S. 2019} *Up* ≈ 4+ mln ac. ? ⇨ More if South America ↓

6) 2019 U.S. HRW Crop Development (*April-June 2019*)

Q? What will the protein &/or quality condition of the 2019 crop be?

Q? What "cross over" *HRS vs HRW* wheat market impacts will occur?

Yet Still MORE Events to Come....

7) 2019 South America Crop Development (*Jan-May 2019*)

- El Nino forecast ²⁰¹⁹ ⇨ *Wetter than normal* in Spring-early Summer, but **NOT** a certain impact on their crops

8) 2019 U.S. Crop Developments (*May-Oct 2019*)

- El Nino forecast ²⁰¹⁹ ⇨ Generally positive for U.S. crops, but also **NOT** a certain effect in the U.S. growing season

Yet Still MORE Events to Come....

9) 2019 U.S. HRW Wheat Harvest (June-July 2019)

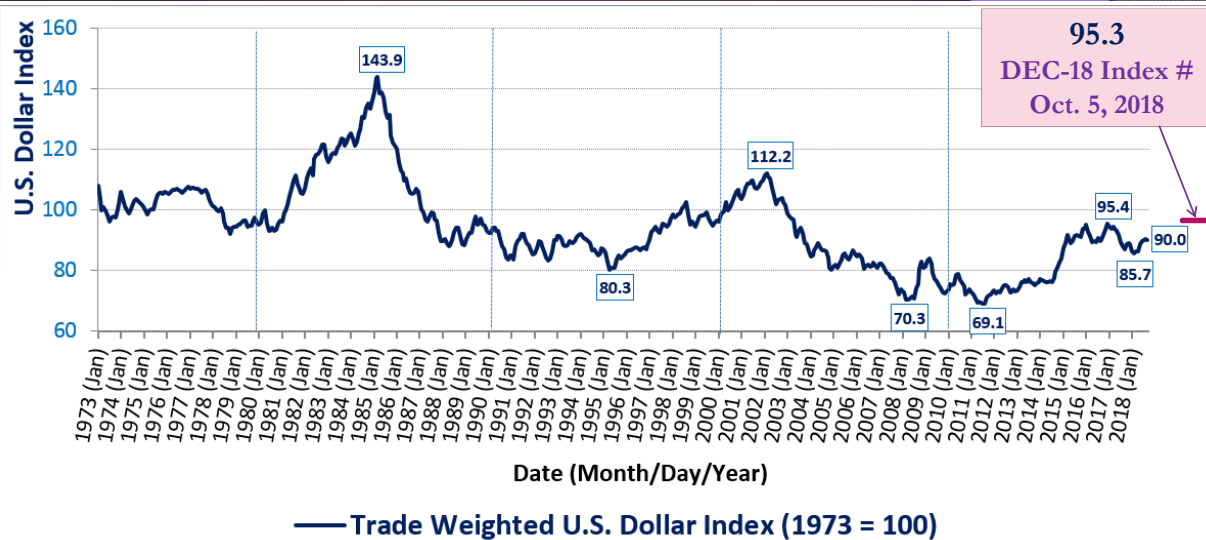
Q. Yields: What are the odds of "normal"- "large" 2019 U.S. HRW crop yield & production vs a "short" one ???

Q. Protein - Quality: What are the odds of a "normal" or "low" protein &/or quality crop in 2019 for U.S. HRW wheat vs a "high" protein crop ???

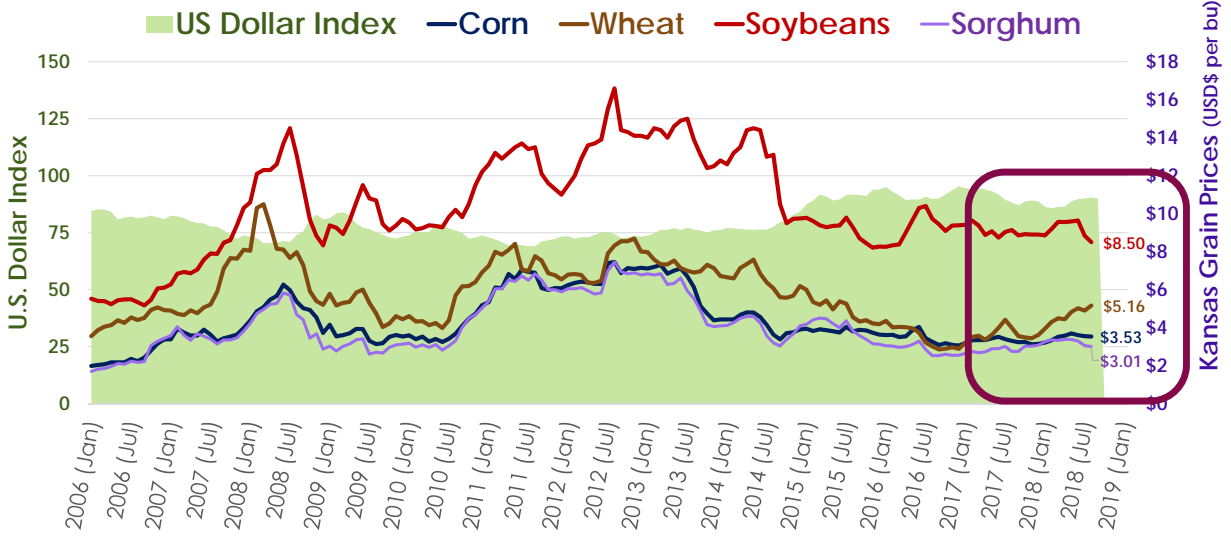
➔ Serious wheat market implications in Kansas!

U.S. Dollar Index (ICE Futures)

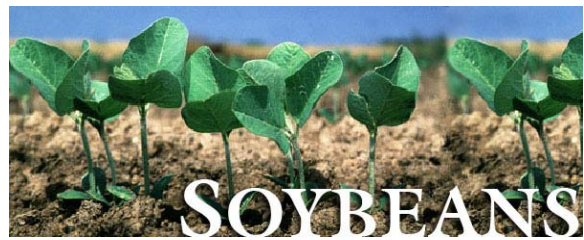
Monthly Chart: January 1973 through September 28, 2018



U.S. Dollar Index vs Kansas Grain \$'s 2006 – Oct. 5, 2018



Soybean & Cotton Markets

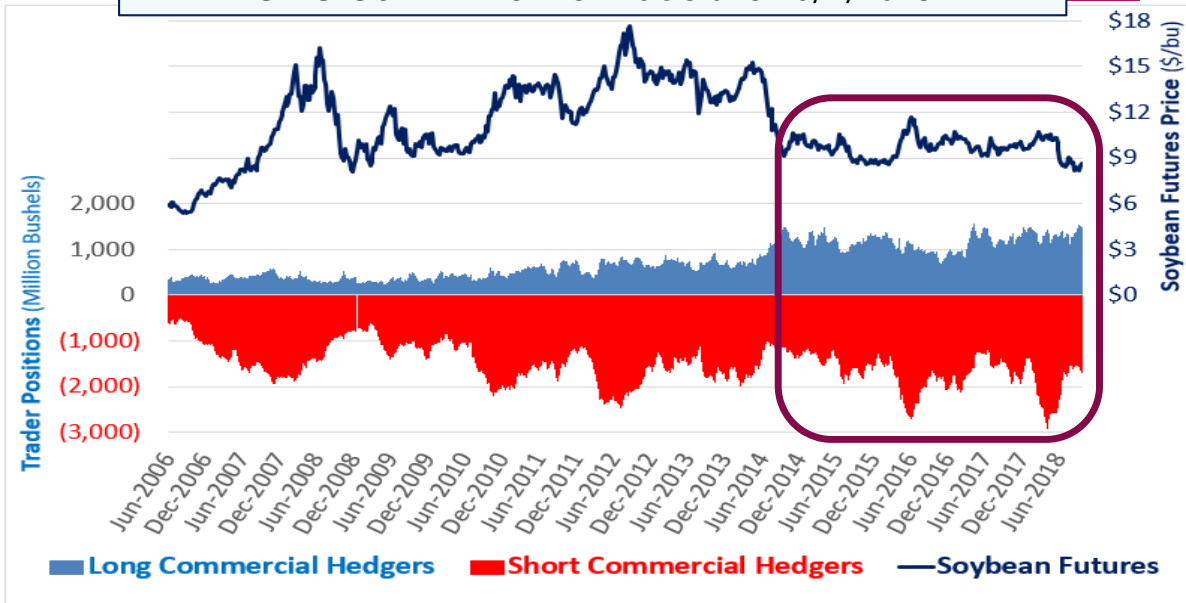


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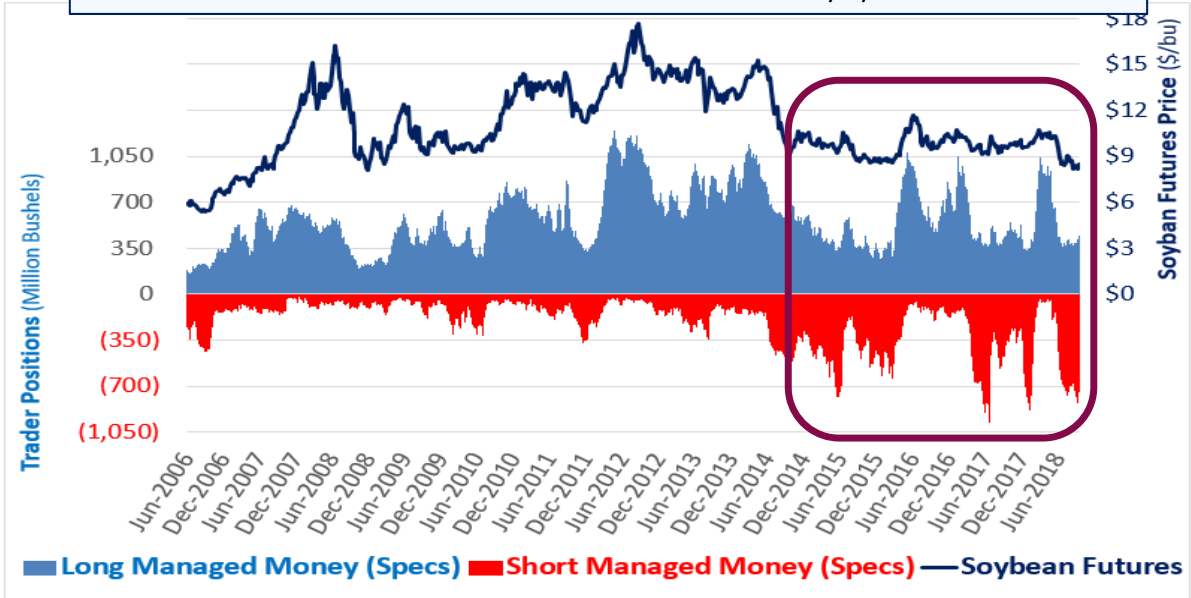
Commercial Hedge Positions in Soybeans

CFTC Commitment of Traders to 10/2/2018



Managed Money (Spec) Positions in Soybeans

CFTC Commitment of Traders to 10/2/2018



U.S. Soybean Market Prospects in 2018-19

A. U.S.-China Trade Dispute

- *HAS* affected U.S. Soybean prices, but so far *LIMITED EFFECT* on U.S. export shipments & forward purchases

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

- Foreign buyer "*switching*" between *U.S.* & *South America*, & some "*trans-shipments*" have occurred among countries

C. Market Focus in Fall-Winter 2018-19

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

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

• Soybean: "*Large*" Stocks & % S/U

- End Stocks ^{2018/19} ⇒ 845 mln bu (*High vs 395 mb last year*)
- % Stocks/Use ^{2018/19} ⇒ 19.8% S/U (*High vs 9.1% last year*)

• Cotton: "*Large*" 2018 Crop *BUT* Higher Price Prospects

- Production ^{2018/19} ⇒ 19.7 mln bales (*20.9 & 17.2 mb last 2 years*)
- End Stocks ^{2018/19} ⇒ 4.7 mln bales (*4.3 & 2.75 mb last 2 years*)
- % Stocks/Use ^{2018/19} ⇒ 24.6% S/U (*22.6% & 15.1% last 2 years*)

CME Soybean Futures

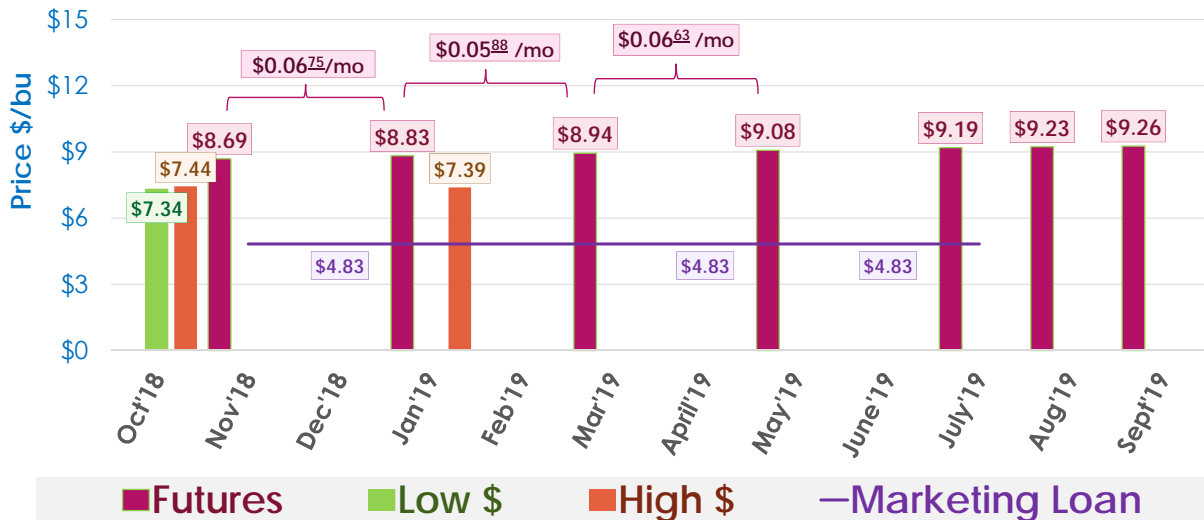


Monthly Chart: July 2009 through September 2018 + 10/5/2018



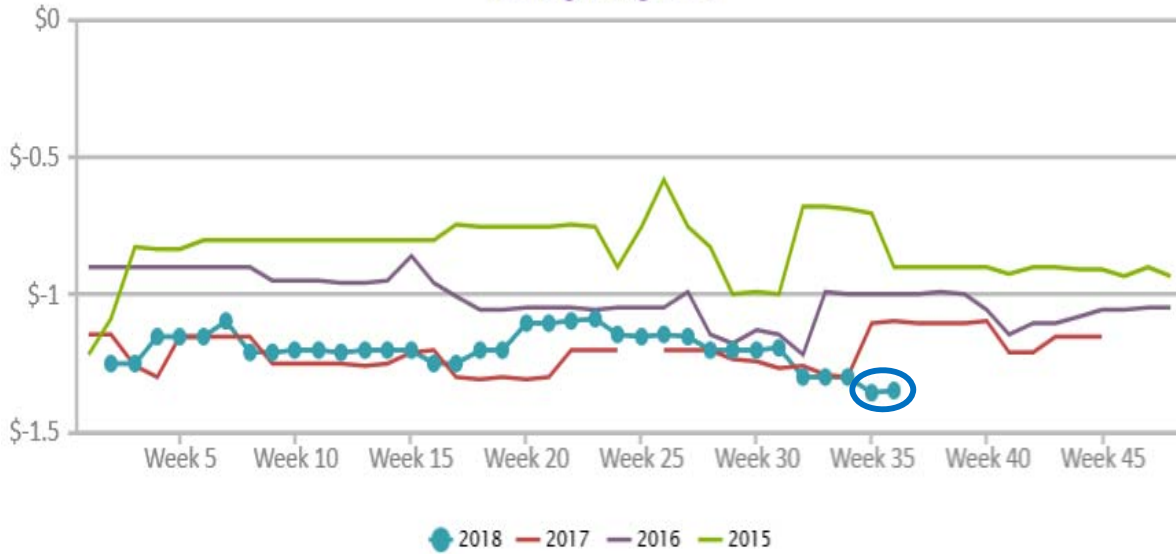
Soybean Cash & Futures Price\$'s

Garden City, KS Local Elevators - October 5, 2018



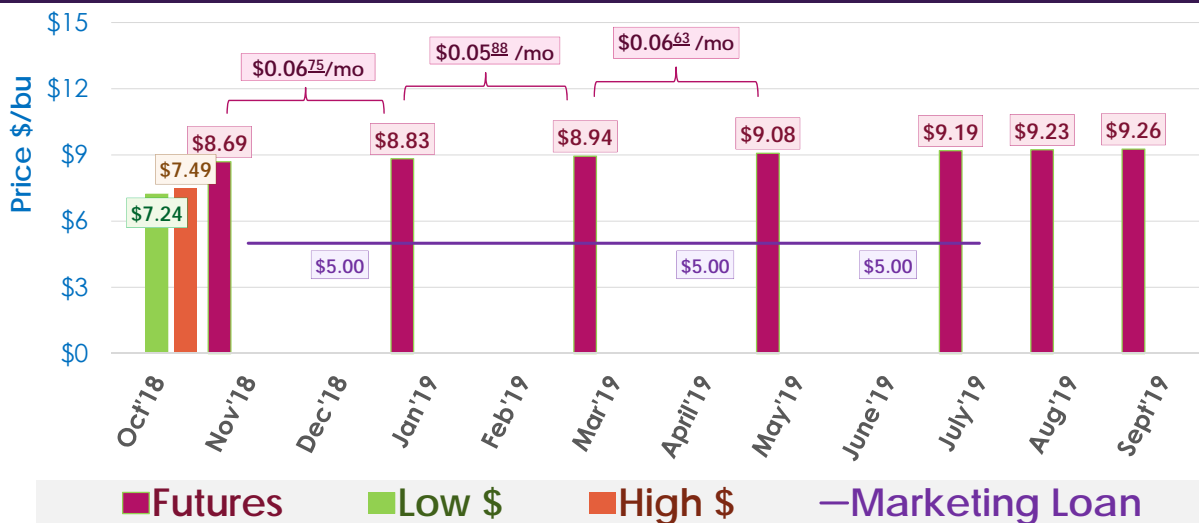
GARDEN CITY, KS: Soybeans Basis - GARDEN CITY COOP

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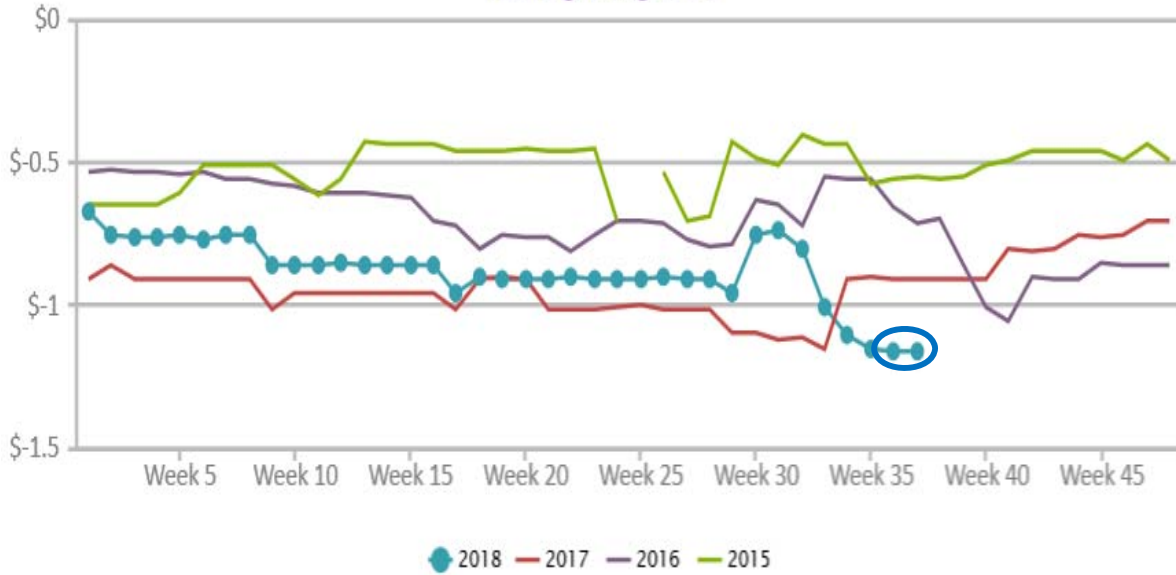
Soybean Cash & Futures Price\$'s

Salina, KS Local Elevators - October 5, 2018



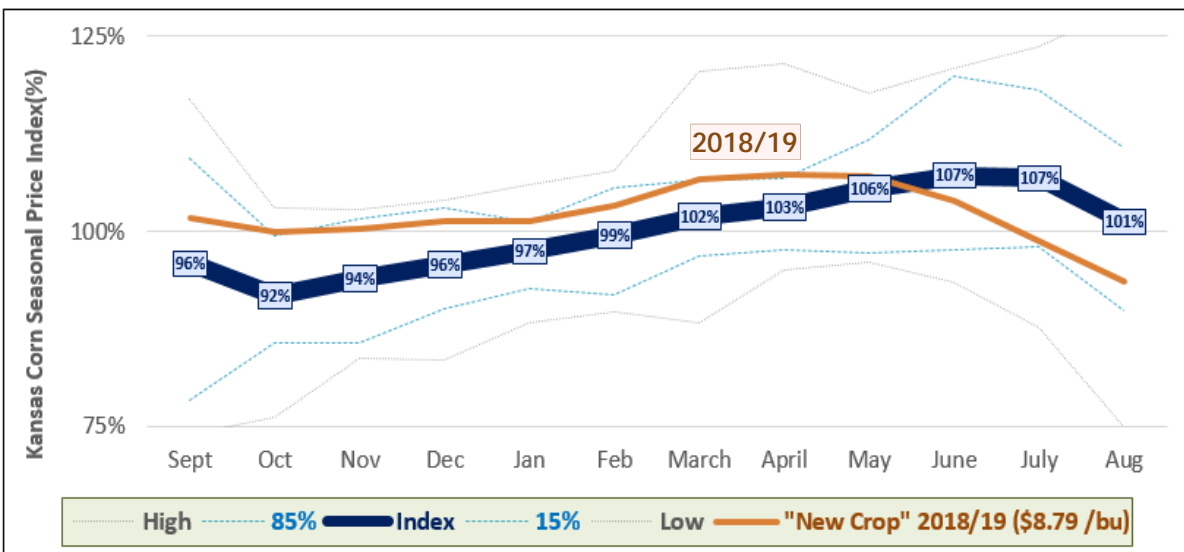
SALINA, KS: Soybeans Basis - CARGILL

www.AgManager.info

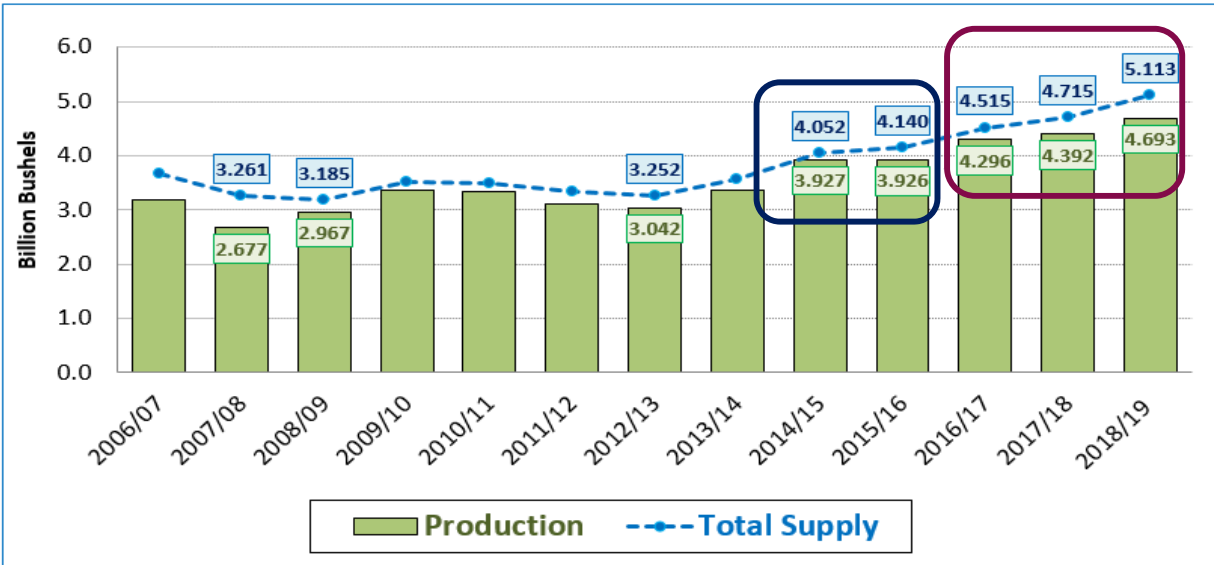


Kansas Soybean Seasonal Cash \$ Index

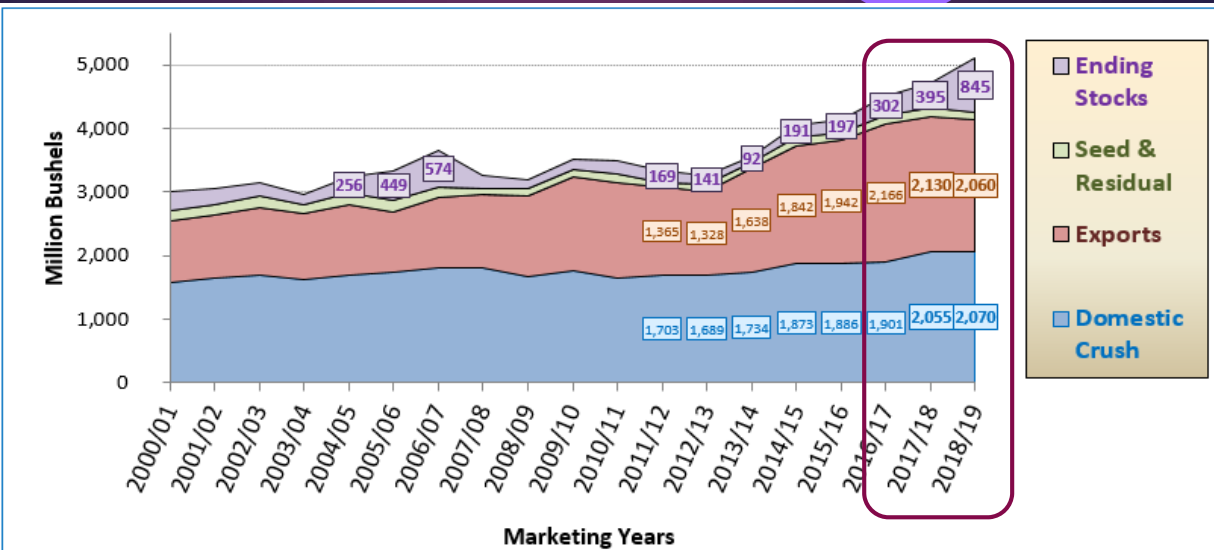
Monthly Prices: 1999/00 – 2017/18 + "New Crop" MY 2018/19



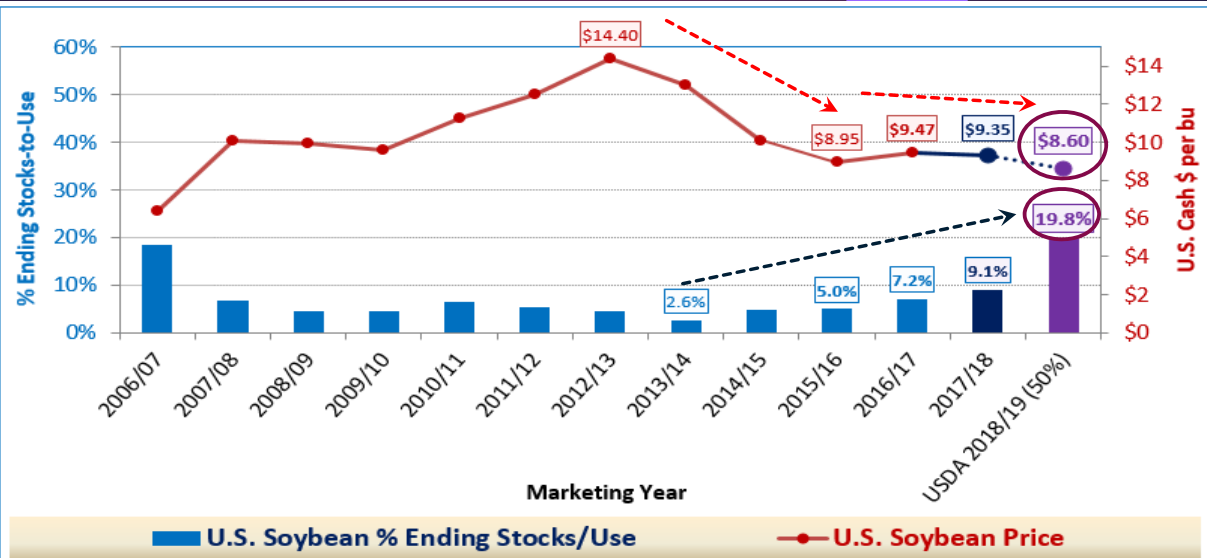
U.S. Soybean Production & Supplies



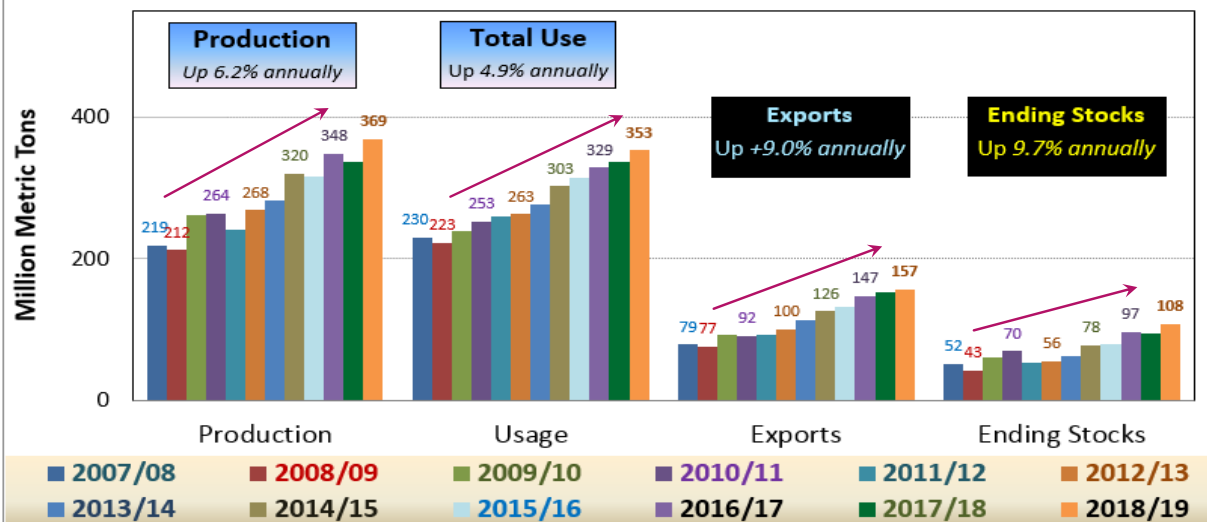
U.S. Soybean Use & End Stocks



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

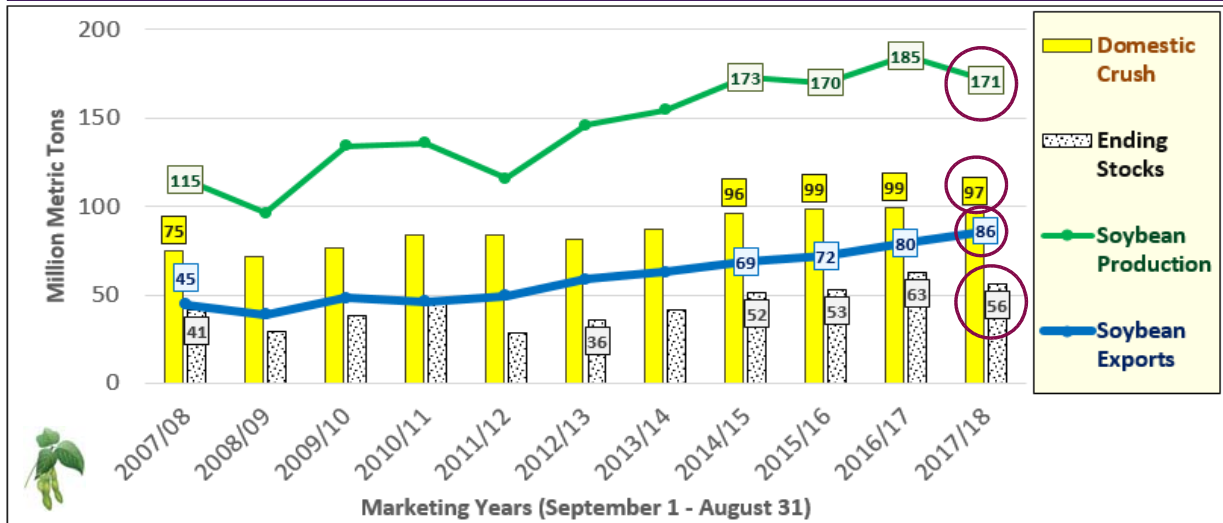


World Soybean Supply, Use & Stocks



So. America Soybean Supply-Demand

MY 2007/08 through "New Crop" MY 2018/19

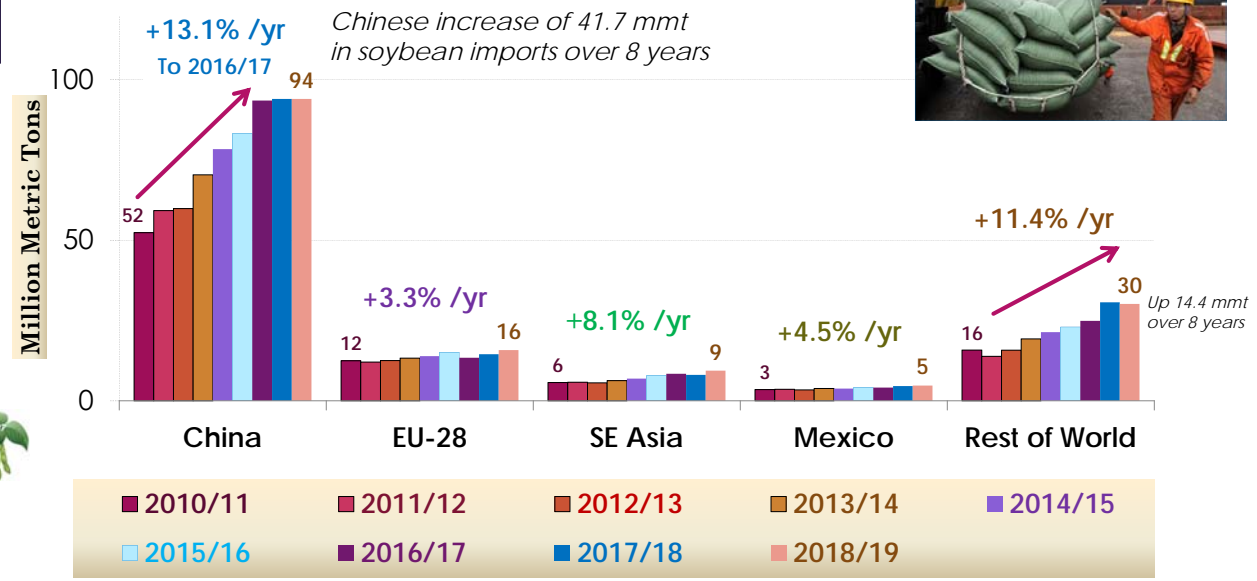


China Soybean Supply-Demand

2007/08 through "New Crop" MY 2018/19

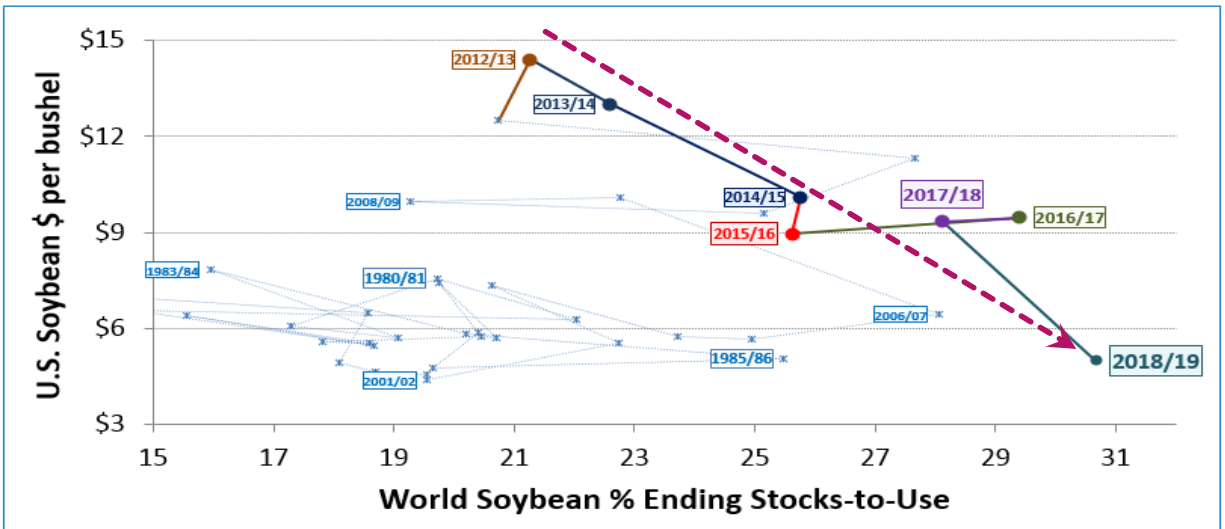


Soybean Importer Purchases



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

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



World Cotton Supply and Demand

Item	2017/2018		2018/2019		
	Estimate	Change from August 10	Forecast	Change from August 10	Change from 2017/2018
----- Million bales -----					
Beginning stocks	83.8	-0.3	83.8	-0.7	**
Production	123.5	**	122.0	1.4	-1.5
Total Supply	207.3	-0.3	205.8	0.7	-1.5
Consumption	123.2	0.5	127.9	0.3	4.7
Trade	40.7	-0.1	41.8	**	1.1
Ending Stocks	83.8	-0.7	77.5	0.4	-6.3
Addendum					
China ending stocks	38.0	0.2	29.9	1.2	-8.2

September 12, 2018

U.S. Cotton Supply and Demand

Item	2017/2018		2018/2019		
	Estimate	Change from August 10	Forecast	Change from August 10	Change from 2017/2018
Planted area (million acres)	12.61	--	14.04	0.52	1.43
Harvested area (million acres)	11.10	--	10.55	0.41	-0.55
Yield (pounds per acre)	905	--	895	-16	-10
----- Million bales -----					
Beginning stocks	2.75	--	4.30	-0.10	1.55
Production	20.92	--	19.68	0.45	-1.24
Imports	0.00	**	0.01	--	**
Total supply	23.68	**	23.99	0.35	0.31
Mill use	3.23	-0.02	3.40	**	0.18
Exports	15.85	--	15.70	0.20	-0.15
Total use	19.07	-0.03	19.10	0.20	0.03
Unaccounted	0.30	0.12	0.19	0.05	-0.12
Ending stocks	4.30	-0.10	4.70	0.10	0.40
----- Percent -----					
Stocks to use ratio	22.5	-0.5	24.6	0.3	2.1
----- Cents per pound -----					
Average market price	68.00	--	70.00/80.00	--	7.00

September 12, 2018

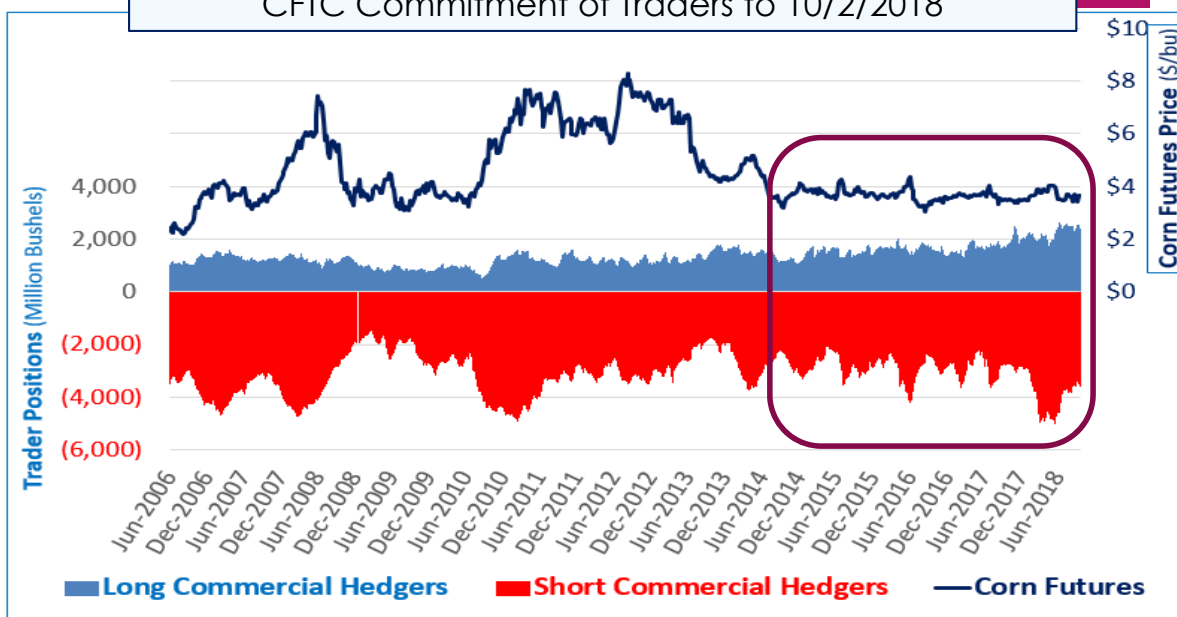
Corn & Sorghum Markets



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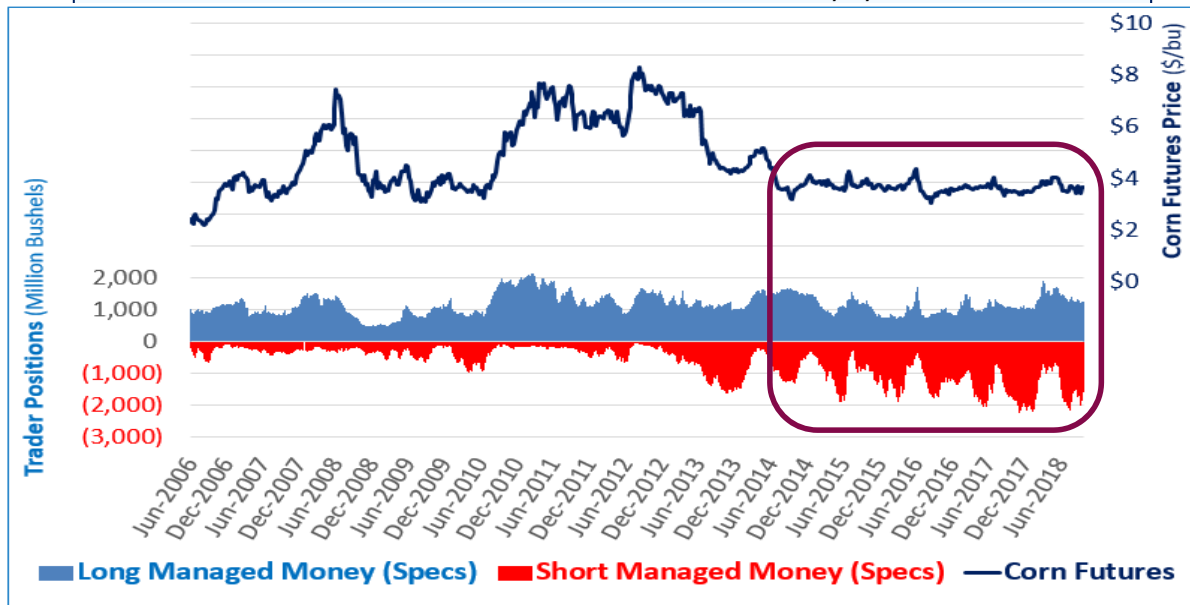
Commercial Hedge Positions in CME Corn

CFTC Commitment of Traders to 10/2/2018



Managed Money (Spec) Positions in CME Corn

CFTC Commitment of Traders to 10/2/2018



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

• Corn: "Moderate" Stocks & % S/U

- End Stocks ^{2018/19} ⇒ 1.774 bln bu (vs 2.002 bb last year)
- % Stocks/Use ^{2018/19} ⇒ 11.7% S/U (vs 13.4% S/U last year)

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

- End Stocks ^{2018/19} ⇒ 46 mln bu (↓ Exports & ↑ Ethanol Use)
- % Stocks/Use ^{2018/19} ⇒ 12.1% S/U (↓ vs 14.0% S/U last year)

CME Corn Futures

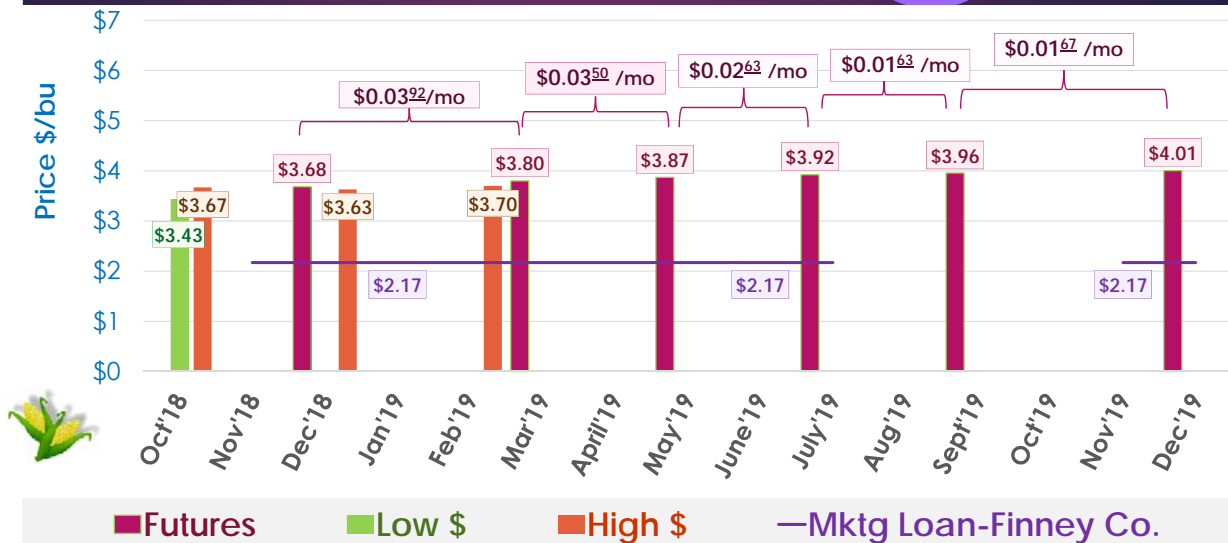


Weekly Chart: August 2009 – September 2018 + 10/5/2018



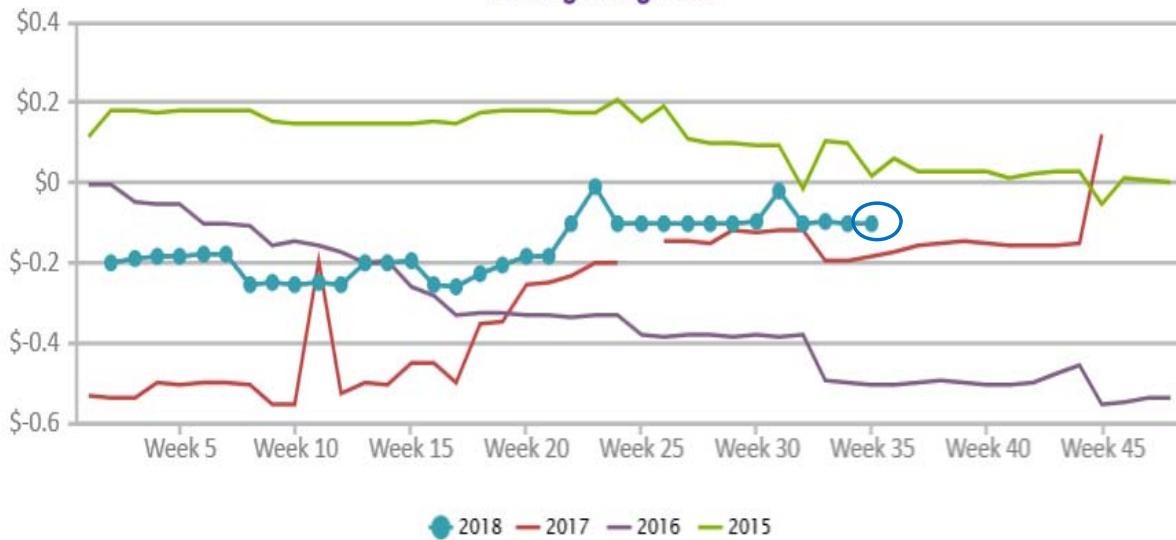
Corn Cash & Futures \$'s

Garden City, KS Local Elevators – October 5, 2018



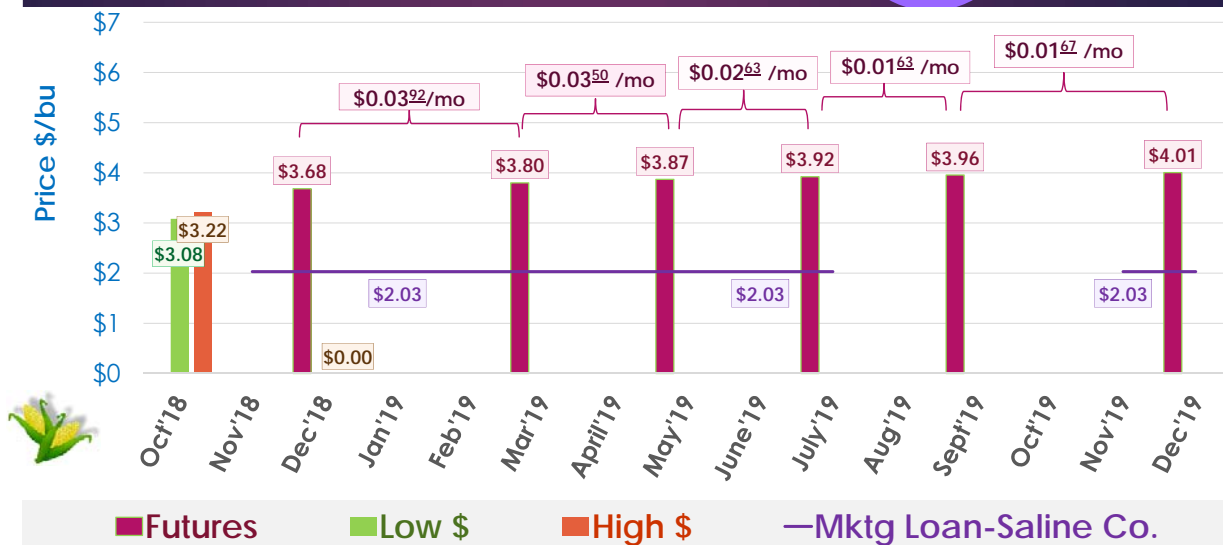
GARDEN CITY, KS: Corn Basis - GARDEN CITY COOP

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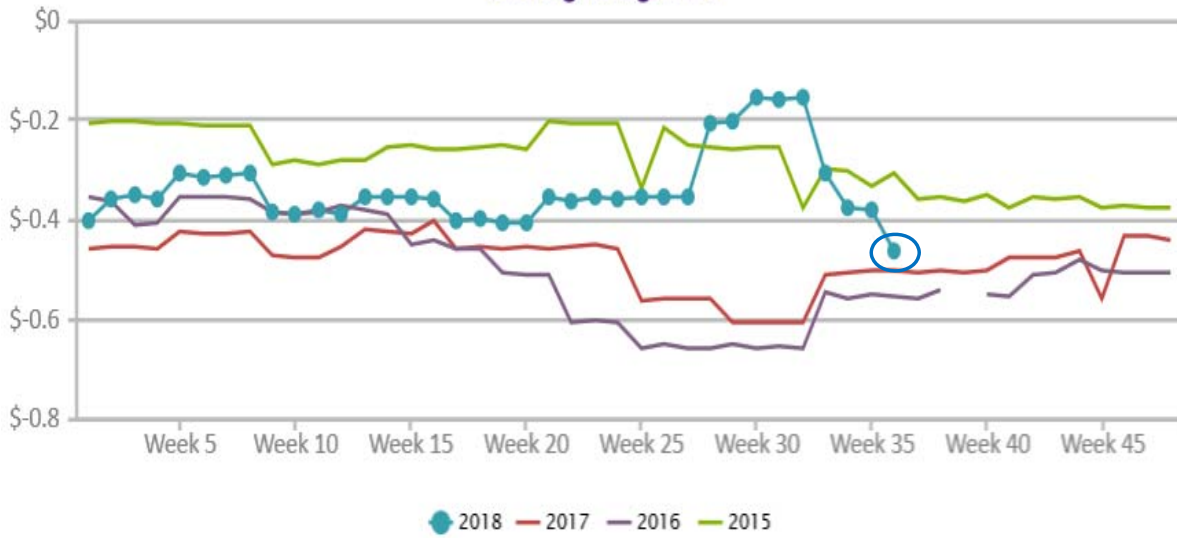
Corn Cash & Futures \$'s

Salina, KS Local Elevators – October 5, 2018



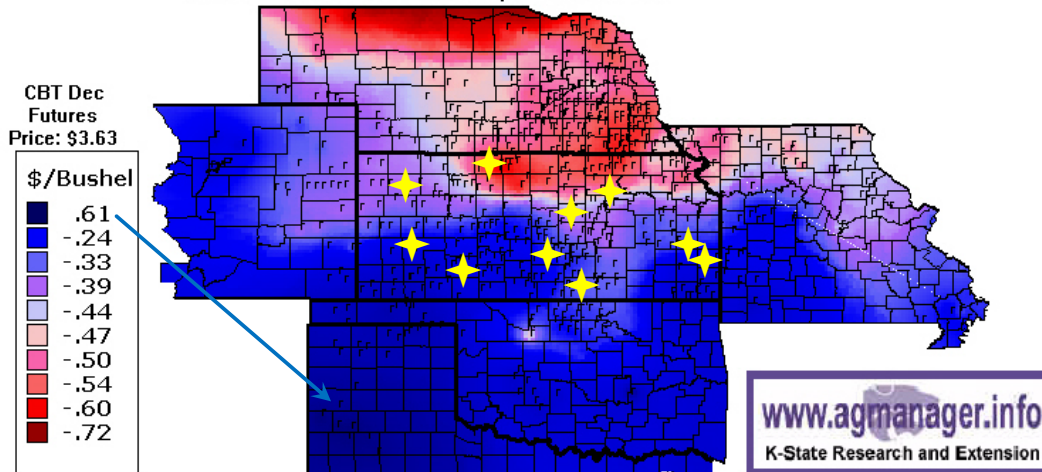
SALINA, KS: Corn Basis - CARGILL

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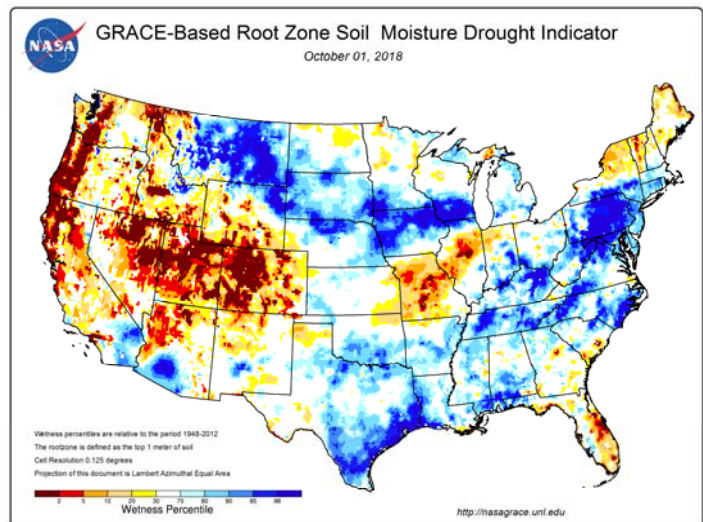
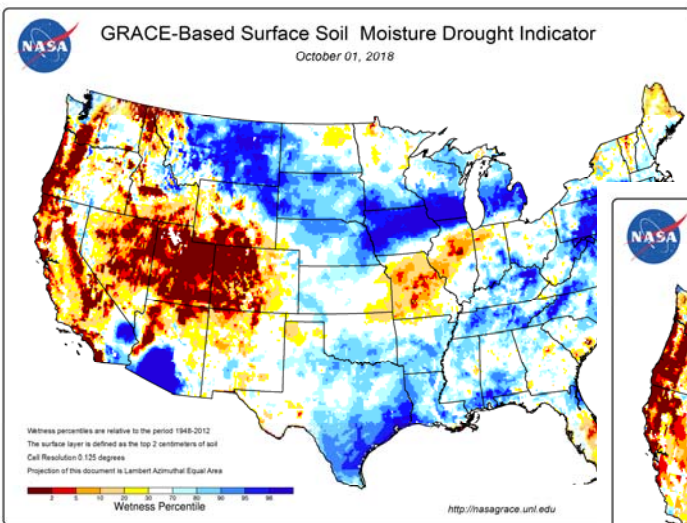
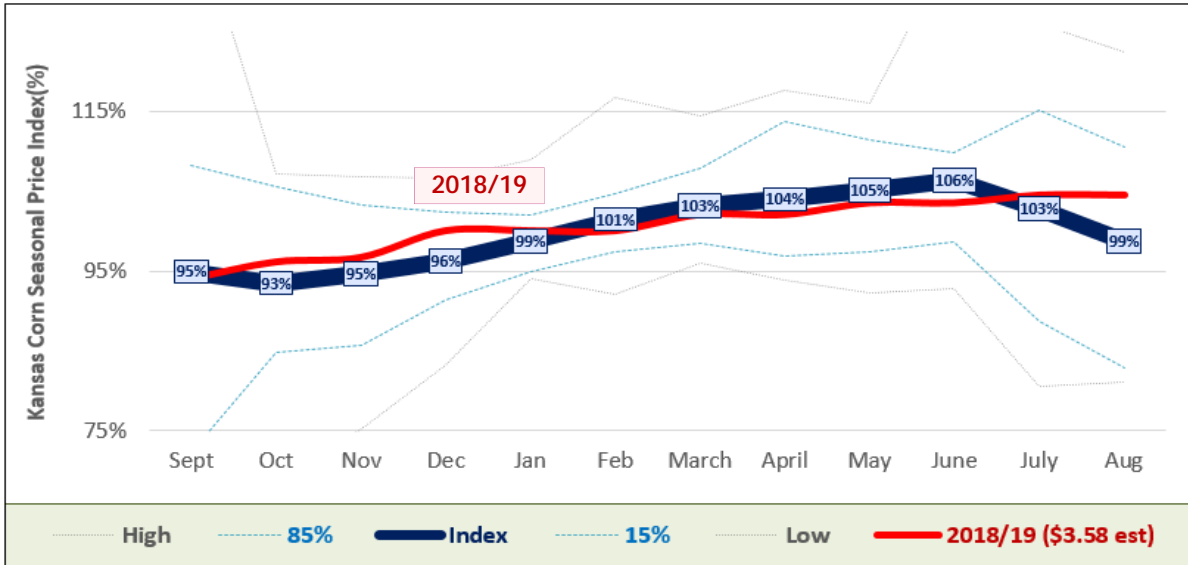
Corn Basis, 09-26-2018

Basis = Cash Price - Nearby Futures Price

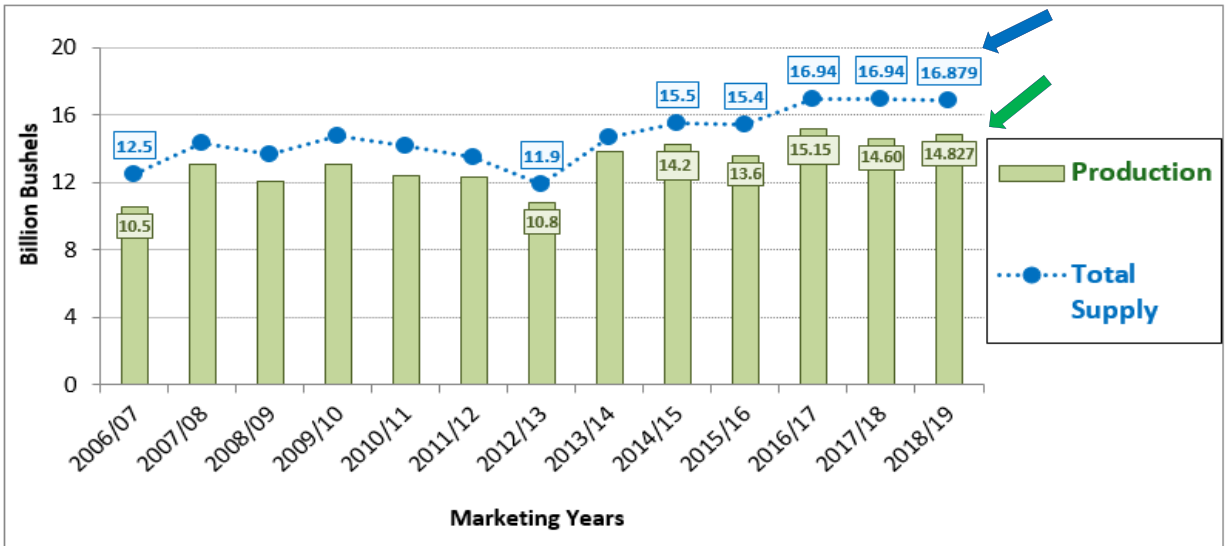


Kansas Corn Seasonal Cash \$ Index

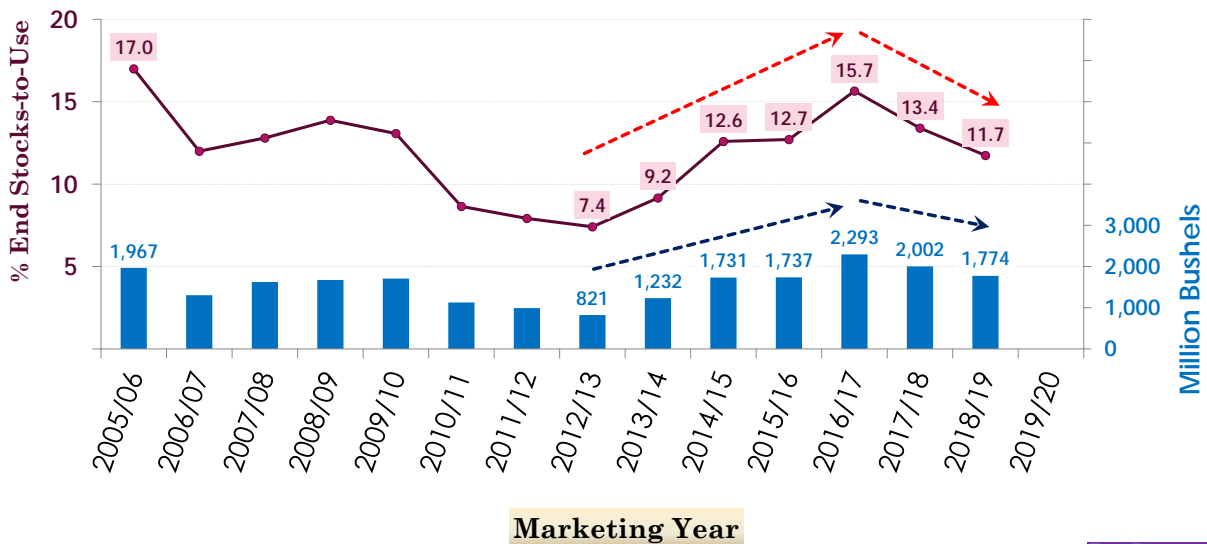
Monthly: 1999/00 thru 2017/18 + "New Crop" MY 2018/19



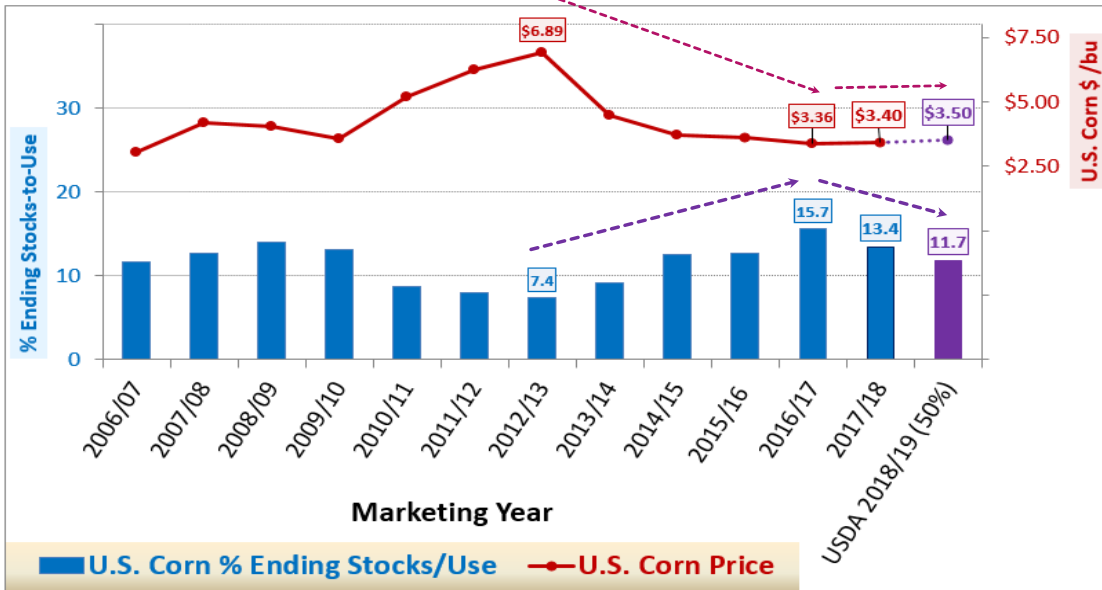
U.S. Corn Production & Supplies



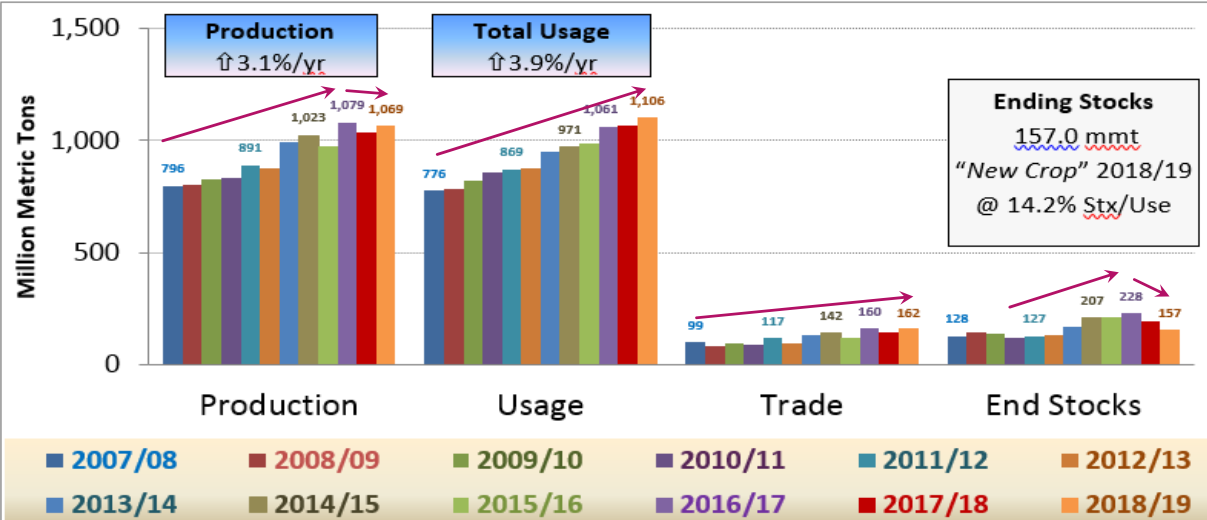
U.S. Corn Ending Stocks & % Stx/Use



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



World Corn Supply, Use & Stocks



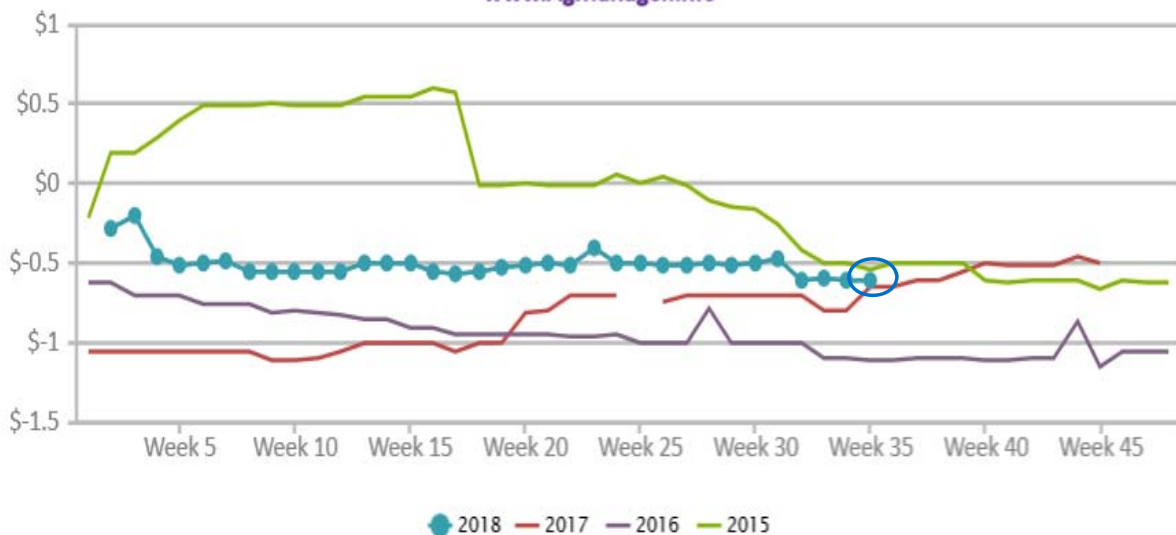
Grain Sorghum Cash & Futures \$'s

Garden City, KS Local Elevators – October 5, 2018



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

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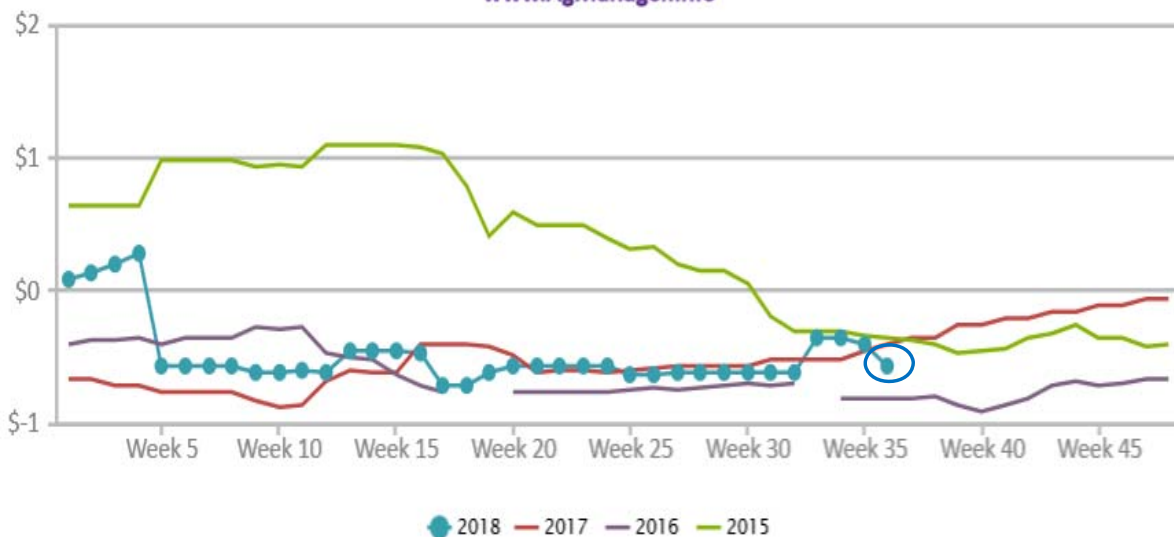
Grain Sorghum Cash & Futures \$'s

Salina, KS Local Elevators – October 5, 2018



SALINA, KS: Grain Sorghum Basis - CARGILL

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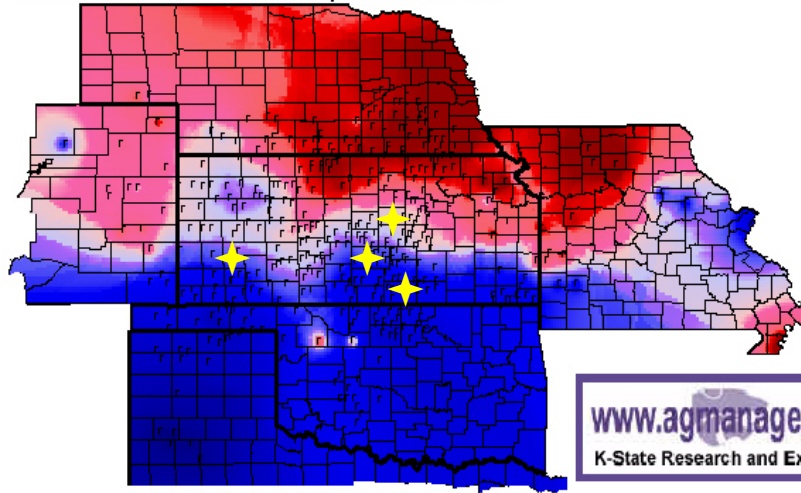
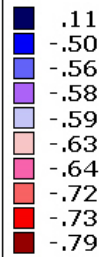


Grain Sorghum Basis, 09-26-2018

Basis = Cash Price - Nearby Futures Price

CBT Corn
Dec Futures
Price: \$3.63

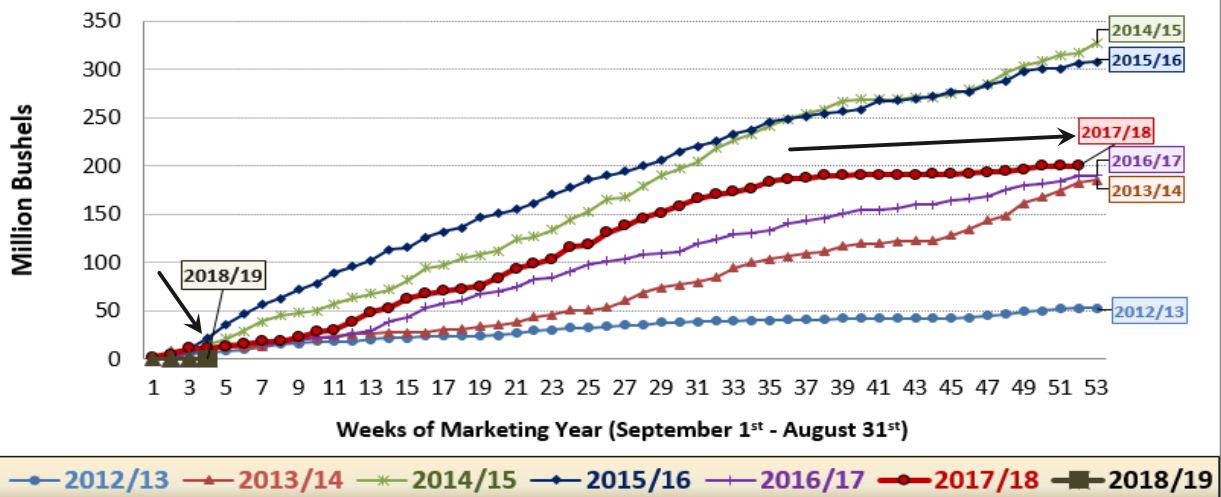
\$/Bushel



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U.S. Sorghum Exports

Marketing Years 2012/13 thru 2018/19 (as of September 27, 2018)



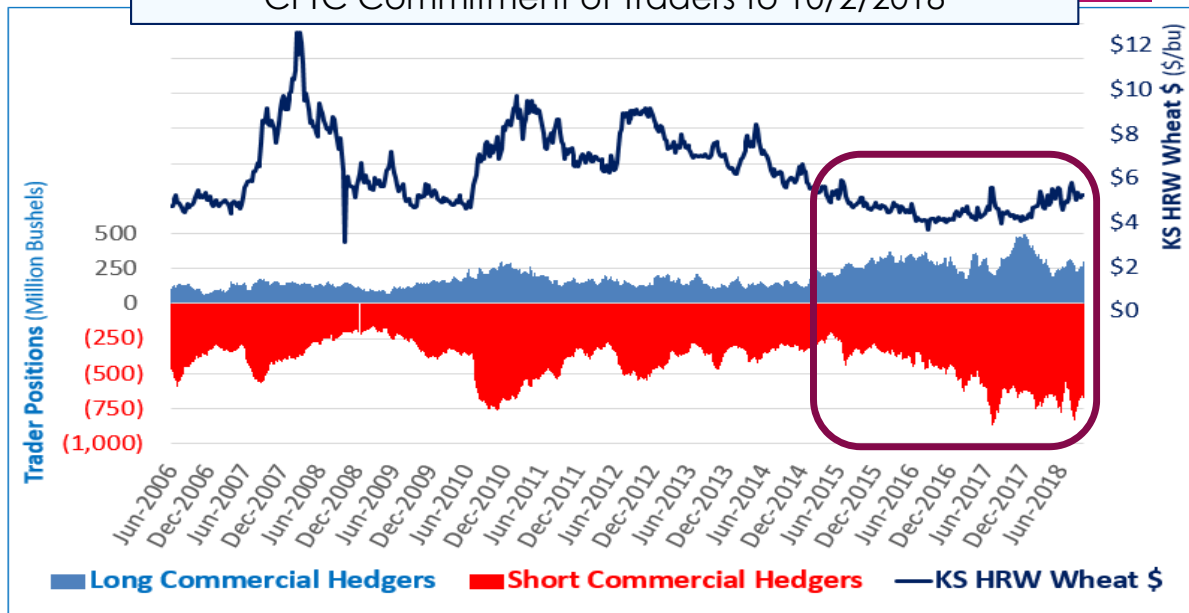
Wheat Markets



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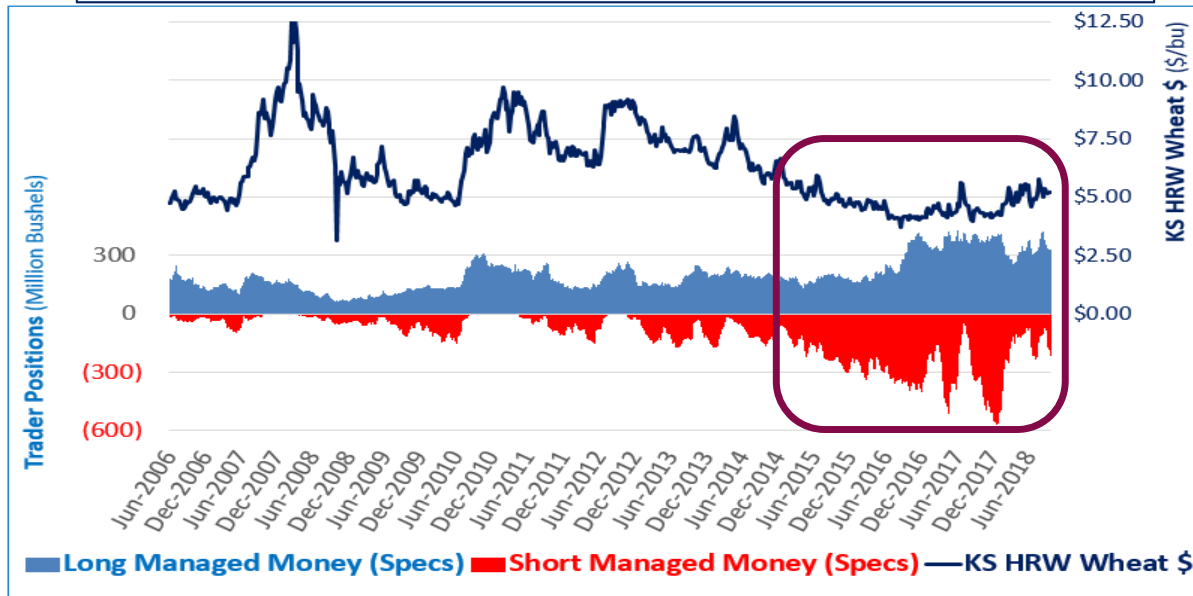
Commercial Hedge Positions in HRW Wheat

CFTC Commitment of Traders to 10/2/2018



Managed Money (Spec) Positions in HRW Wheat

CFTC Commitment of Traders to 10/2/2018



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 ⇒ 409 mln bu (581 mb last year)
 - % Stocks/Use 2017/18 ⇒ 48.8% S/U (76.0% Stx/Use last year)

World Wheat Market Prospects:

Large Supplies \Rightarrow Less of a "Buyer's Market"

- Lower Supplies - BUT - Record Usage Forecast for 2018/19
 - 1st year lower after 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 "YET" of "stronger" U.S. wheat exports

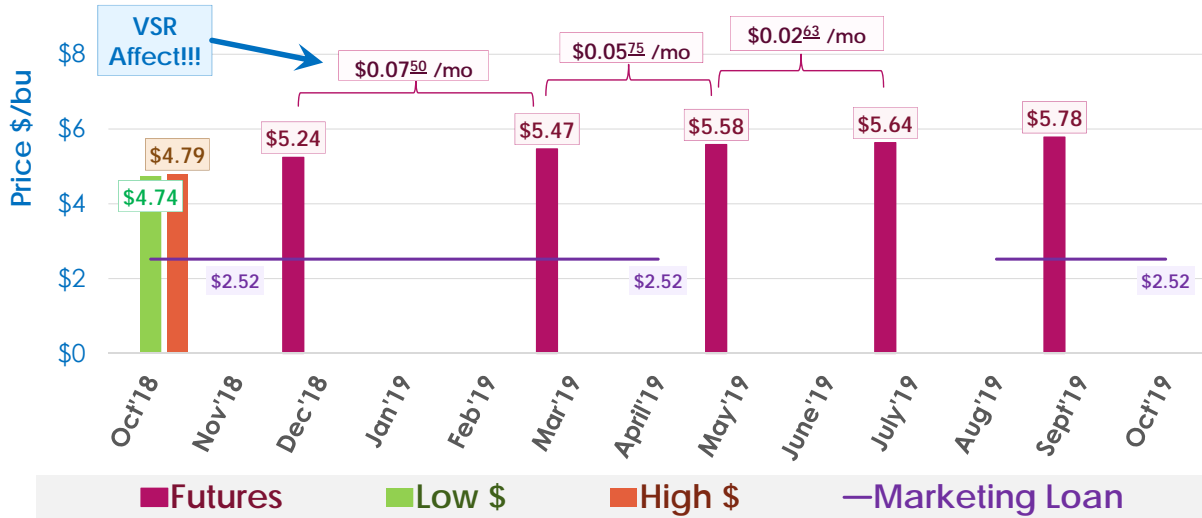
CME Kansas Hard Red Winter Wheat

Monthly Chart: August 2009 – September 2018 + 10/5/2018



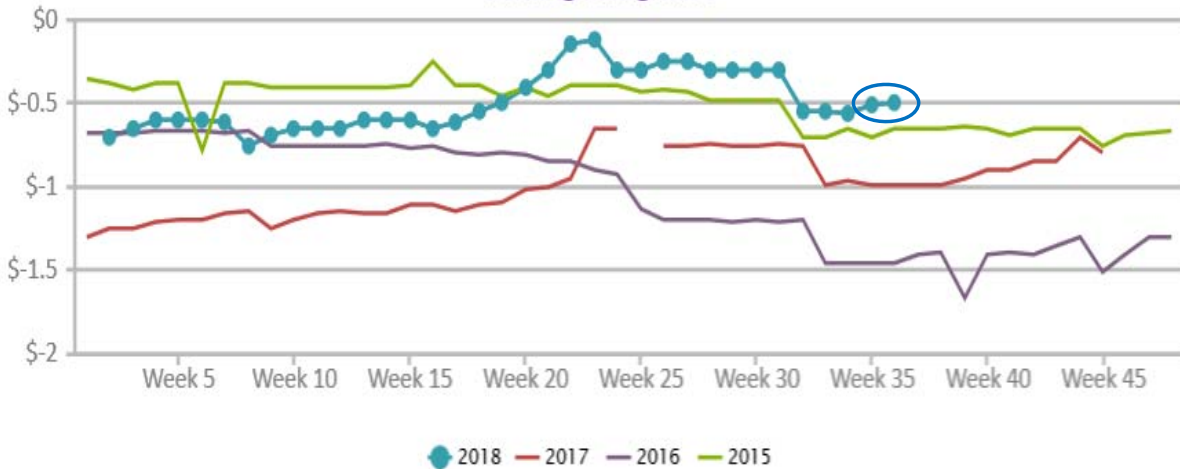
Wheat Cash & HRW Wheat Futures

Garden City, KS Local Elevators - October 5, 2018



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

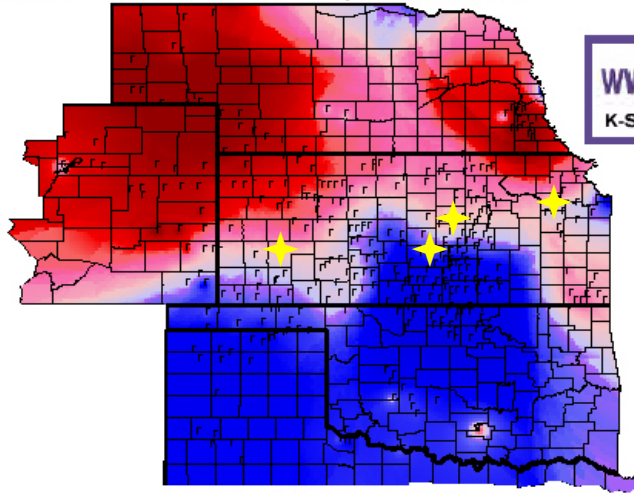
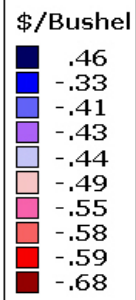
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Wheat Basis, 10-03-2018

Basis = Cash Price - Nearby Futures Price

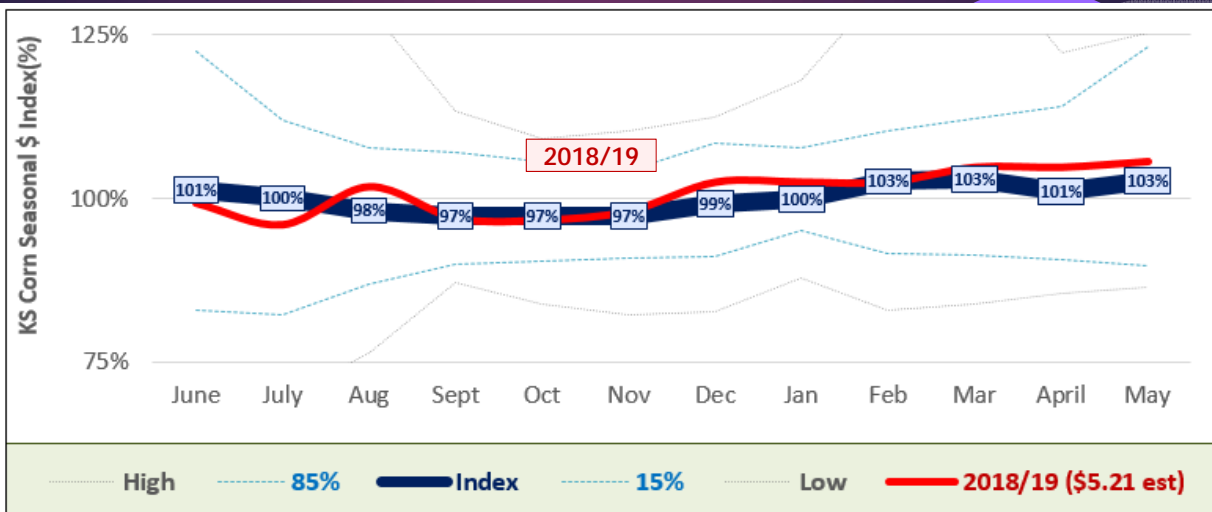
KCBT Dec
Futures
Price: \$5.19



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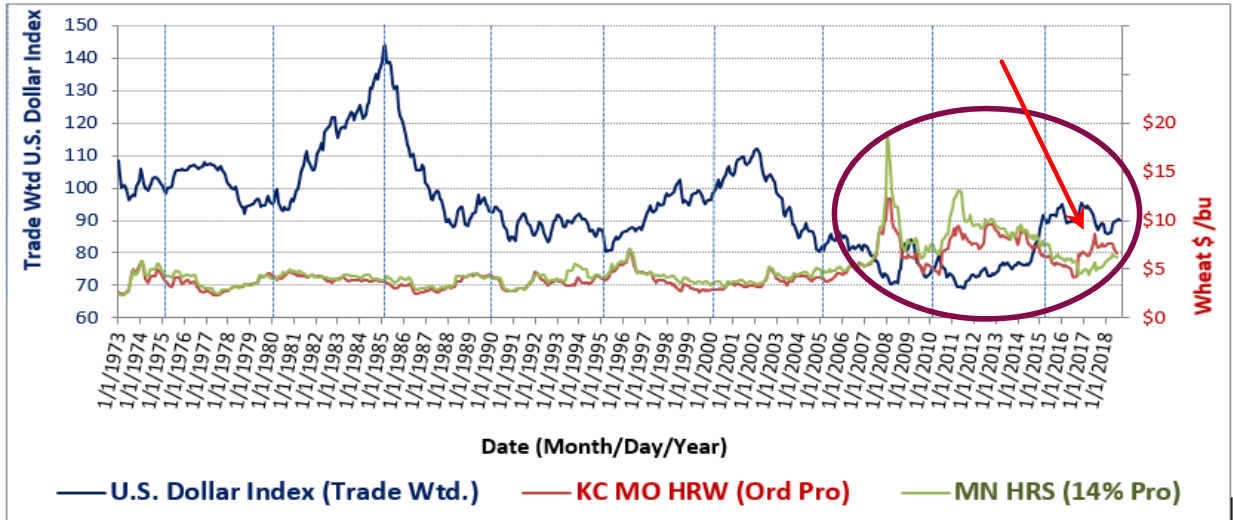
Kansas Wheat Seasonal Cash \$ Index

Monthly: 20 yr Avg thru 2017/18 + "New Crop" MY 2018/19



U.S. Dollar, HRS^{14% Pro} & HRW^{Ord Pro} Wheat

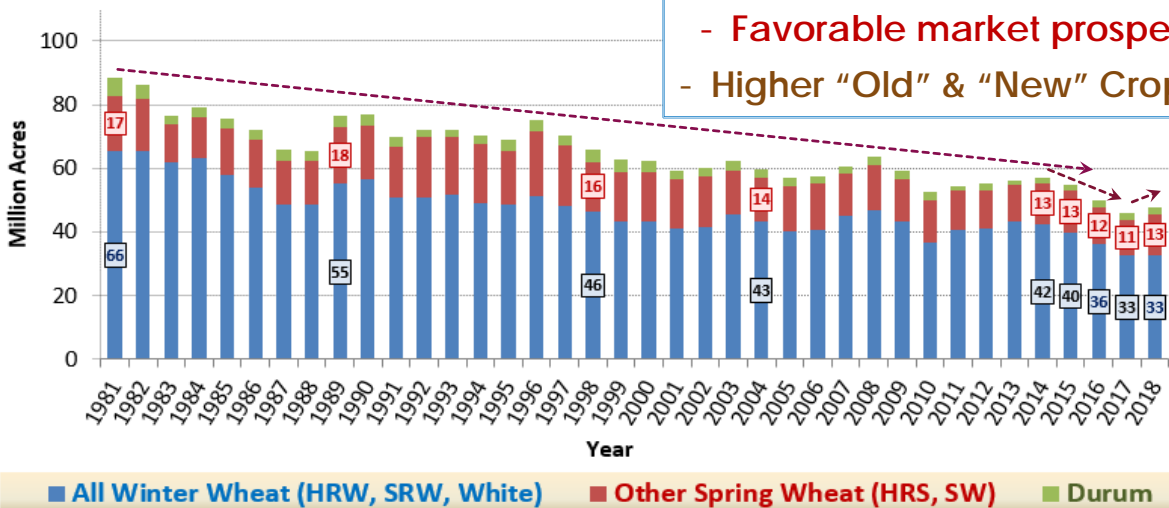
Impact of U.S. Currency & Wheat Protein by Class on Prices



U.S. Wheat Seeded Acreage

2019 Winter Wheat Acres ↑??

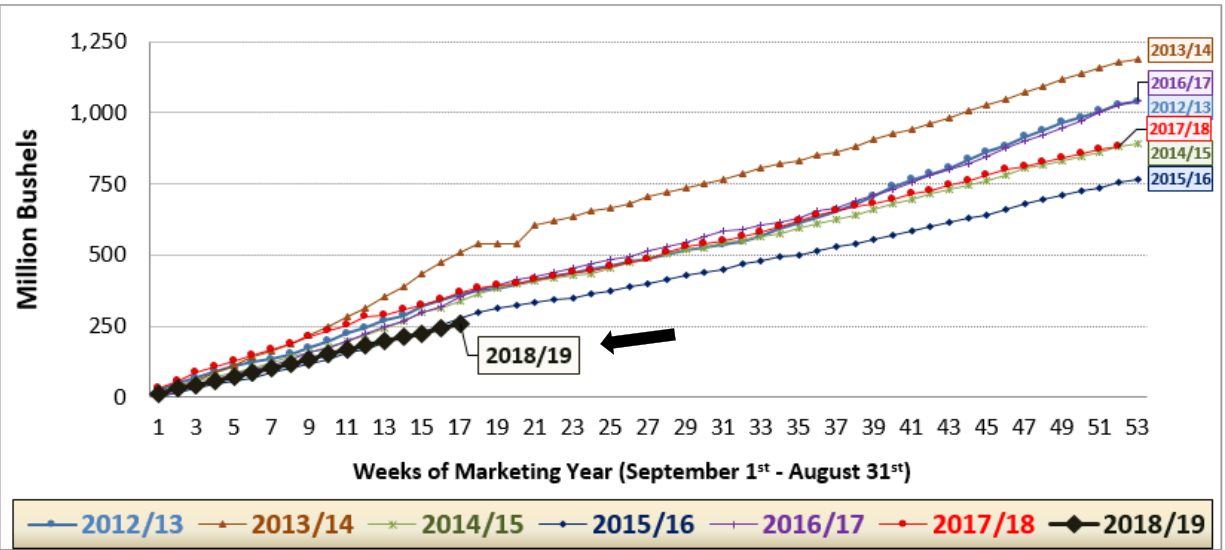
- Favorable market prospects
- Higher "Old" & "New" Crop \$'s



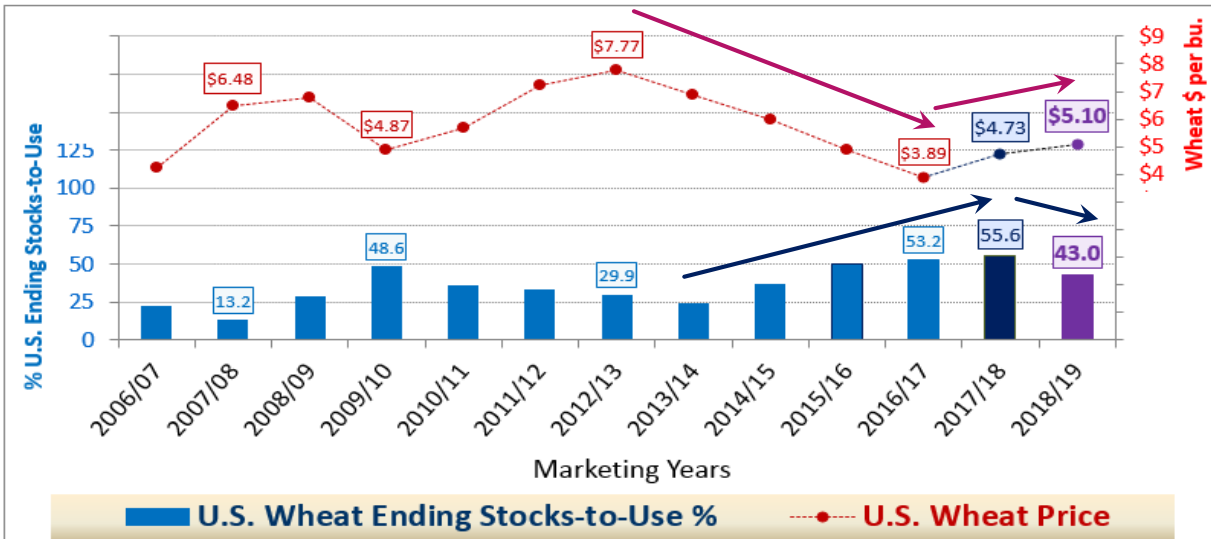
U.S. Wheat Production & Supplies



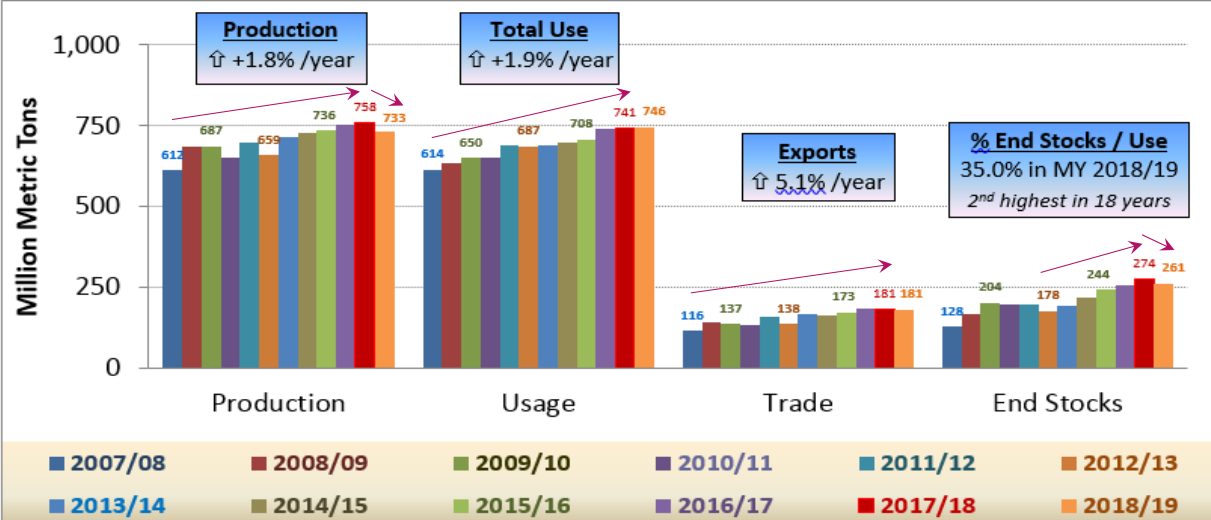
U.S. All Wheat Exports - Weekly thru September 27, 2018



U.S. Wheat Ending Stocks & Prices

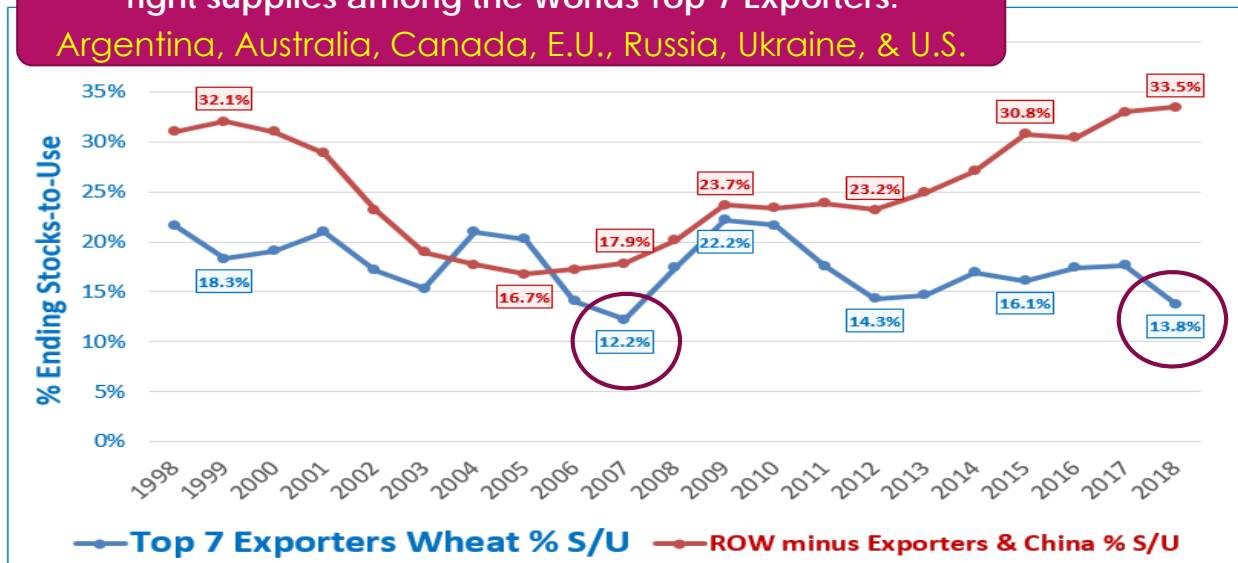


World Wheat Supply, Use & Stocks

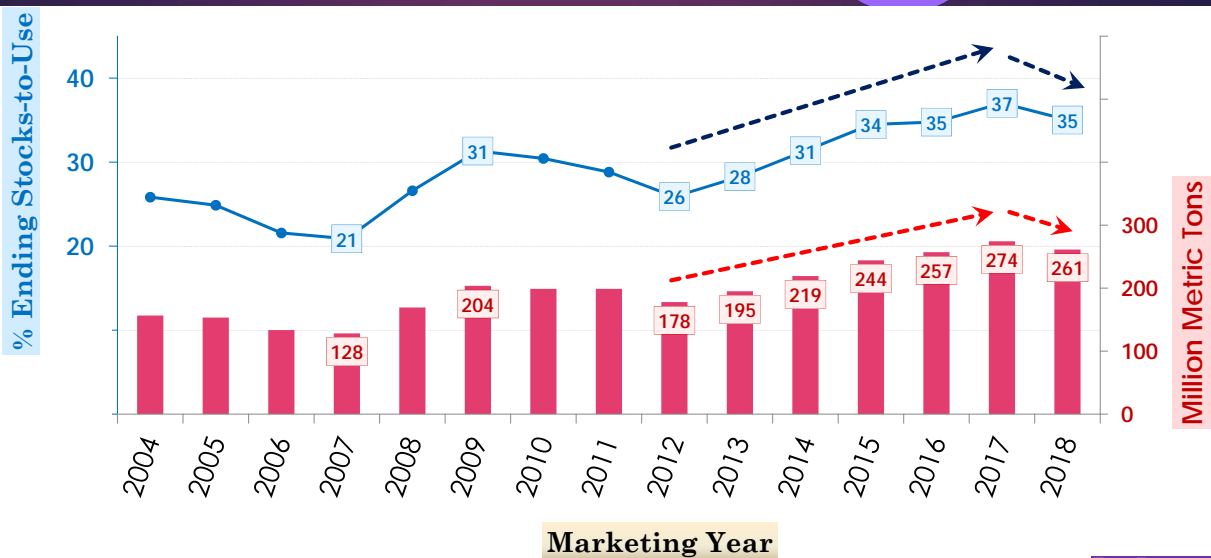


Wheat Stx/Use: Top 7 Exporters vs ROW

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



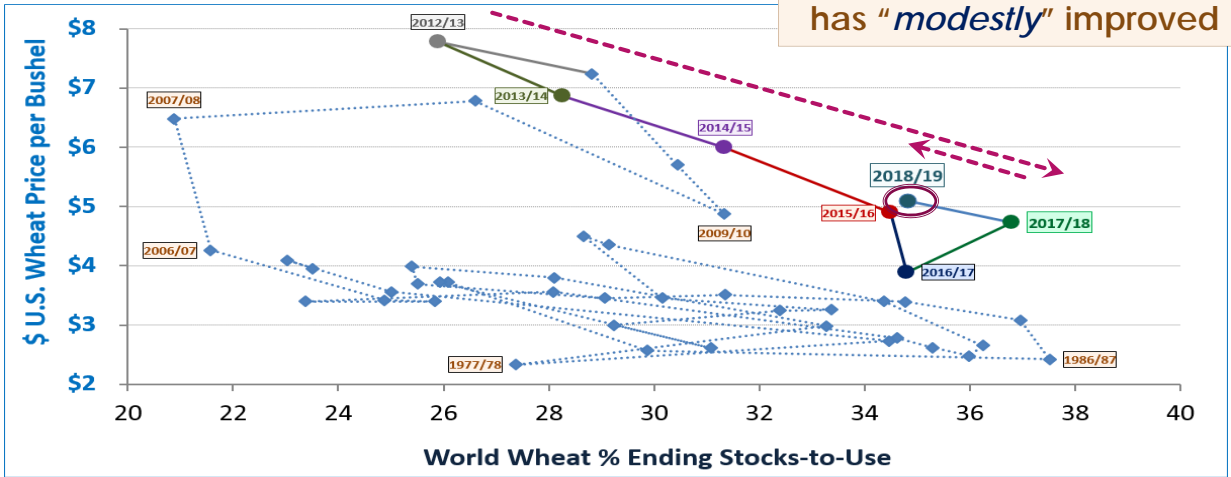
World Wheat Ending Stocks & % Stx/Use



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

MY 1973/74 – “New Crop” MY 2017/18

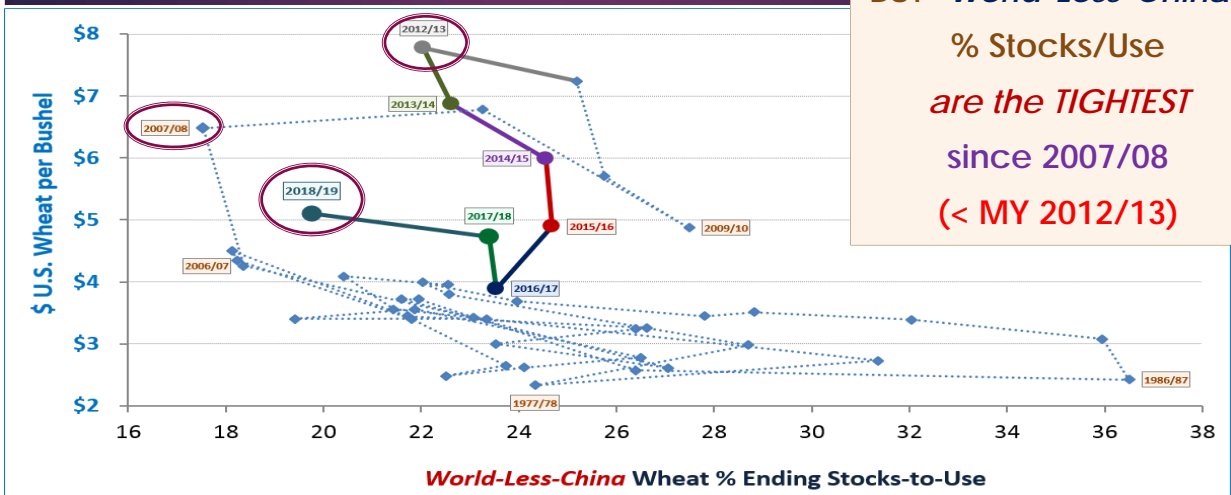
World Wheat % S/U
has “*modestly*” improved



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)





Questions?

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