

Grain Market Outlook for 2020

2019 Ag Lenders Conferences

Garden City & Manhattan, Kansas

October 9-10, 2019

DANIEL O'BRIEN

EXTENSION AGRICULTURAL ECONOMIST

KANSAS STATE
UNIVERSITY

Department of Agricultural Economics



Unpredictable Grain Markets in 2019-20

□ 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

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....

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....

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 2019 crop be?

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

Corn & Sorghum Markets

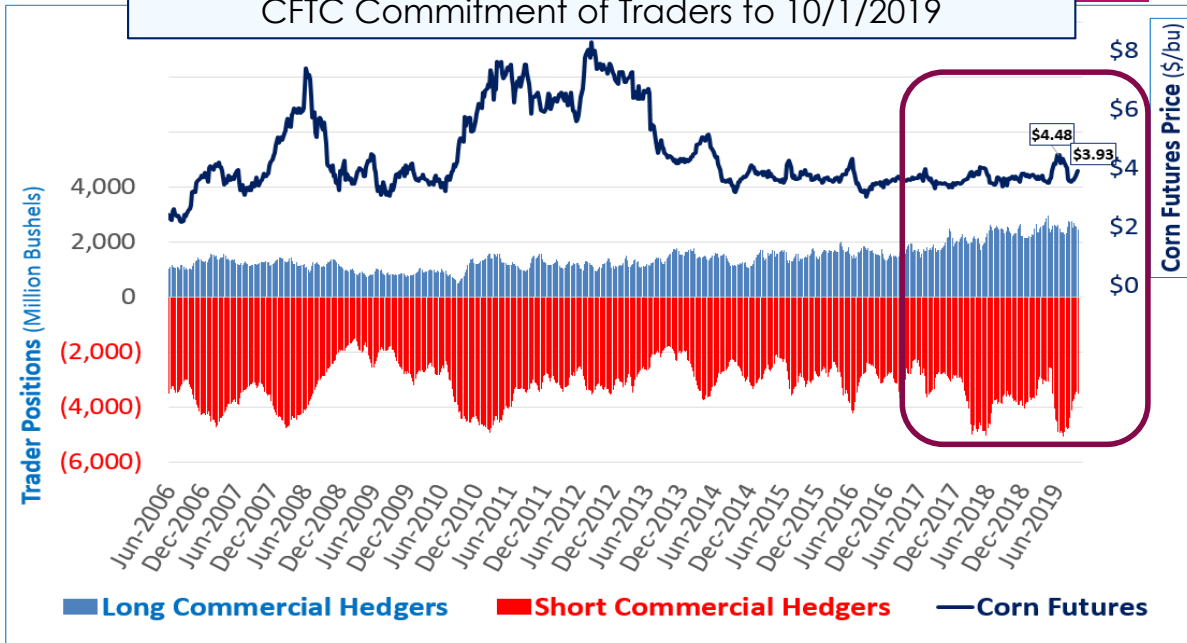


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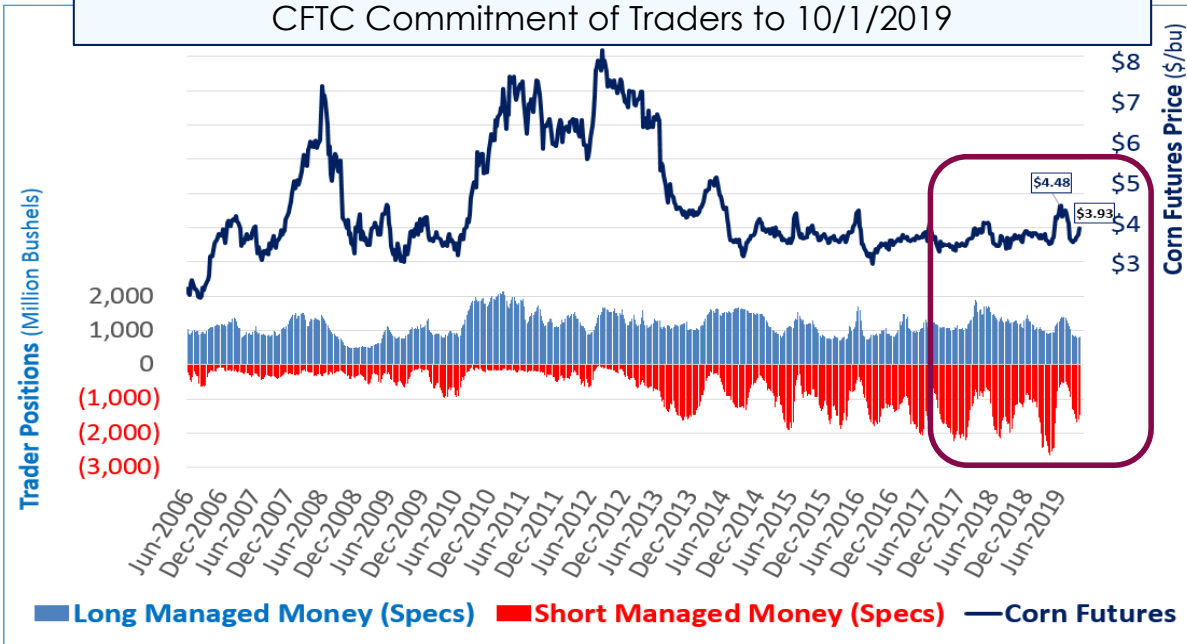
Commercial Hedge Positions in CME Corn

CFTC Commitment of Traders to 10/1/2019



Managed Money (Spec) Positions in CME Corn

CFTC Commitment of Traders to 10/1/2019



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

- **Corn: “Moderate” Stocks & % S/U**

- **End Stocks** 2019/20 ⇒ 1.808 bln bu (vs 2.114 bb last year)
- **% Stocks/Use** 2019/20 ⇒ 12.8% S/U (vs 15.0% S/U last year)

- **Grain Sorghum: “Low” Price\$’s (Still hurt by trade issues)**

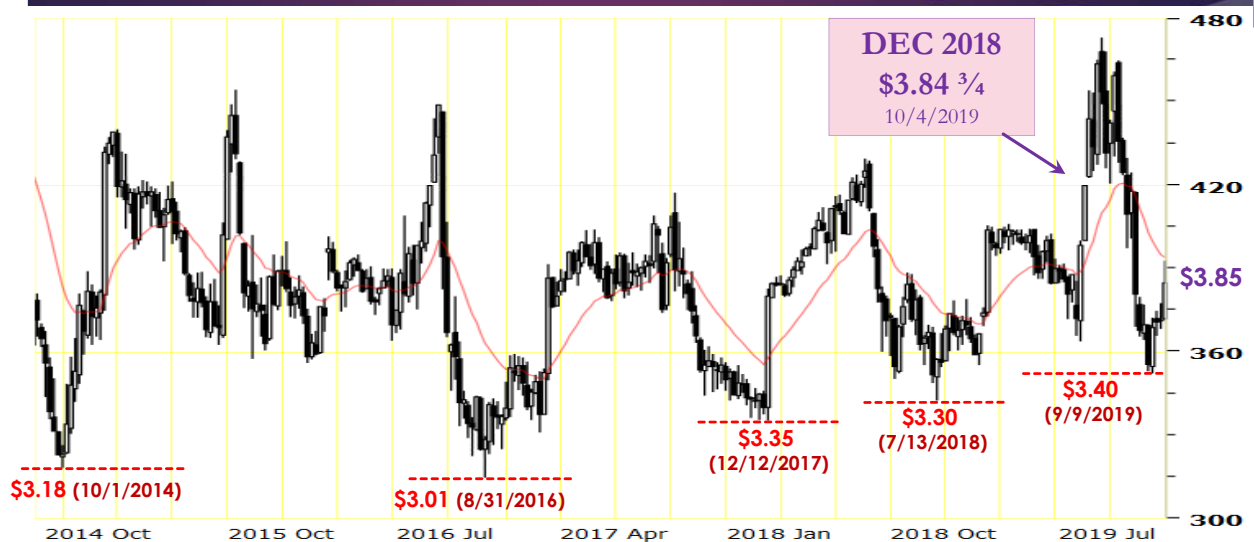
- **End Stocks** 2019/20 ⇒ 54 mln bu (↓ *Exports* & ↑ *Ethanol Use*)
- **% Stocks/Use** 2019/20 ⇒ 15.0% S/U (↓ vs 18.6% S/U last year)

CME Corn Futures

Weekly Chart: September 2014 – October 4, 2019

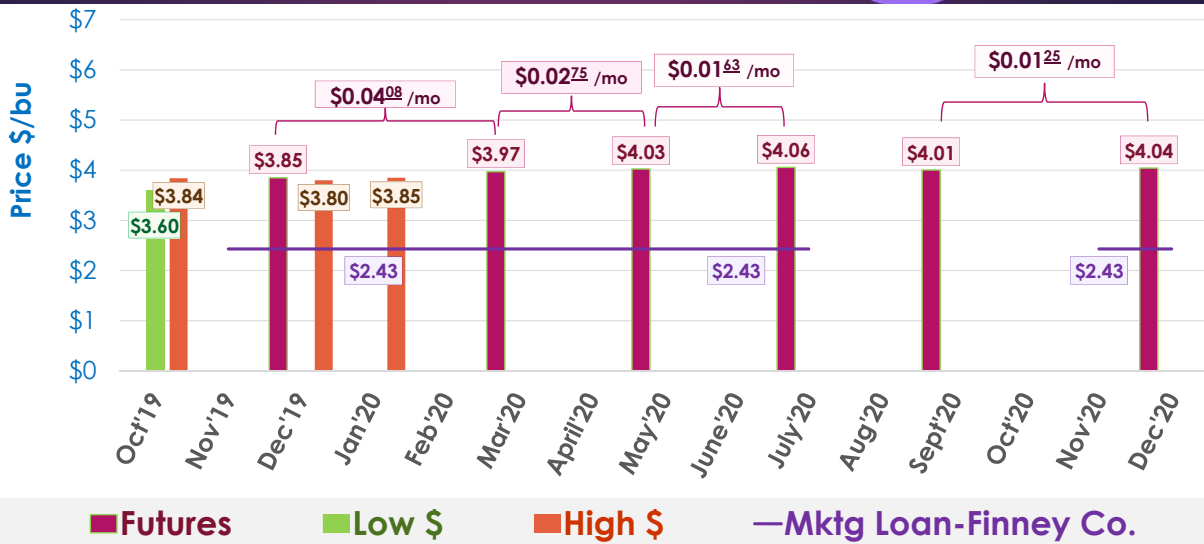


TFC Commodity Charts



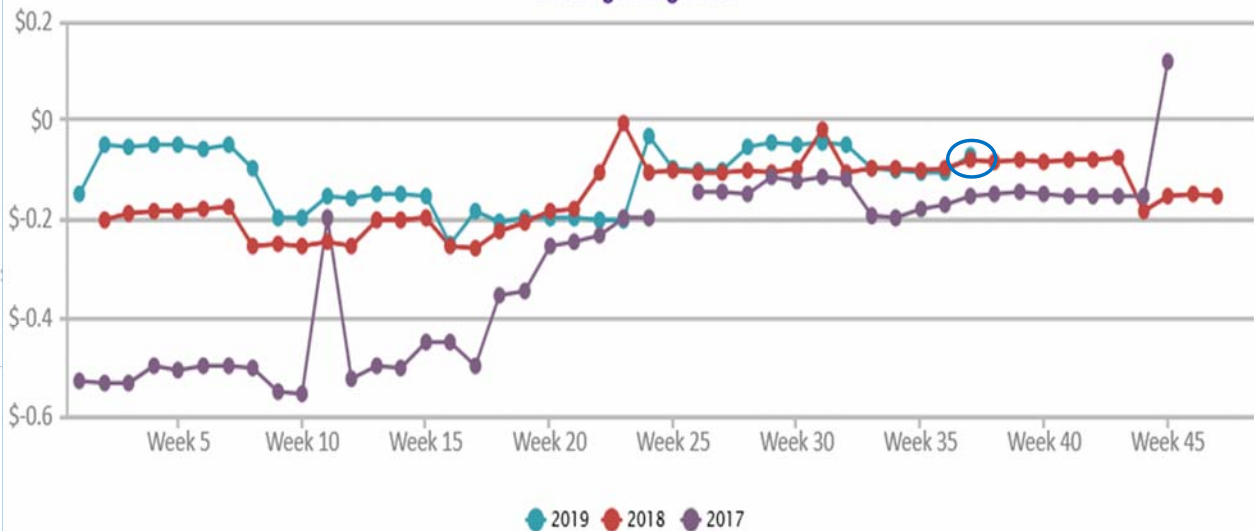
Corn Cash & Futures \$'s

Garden City, KS Local Elevators – October 4, 2019



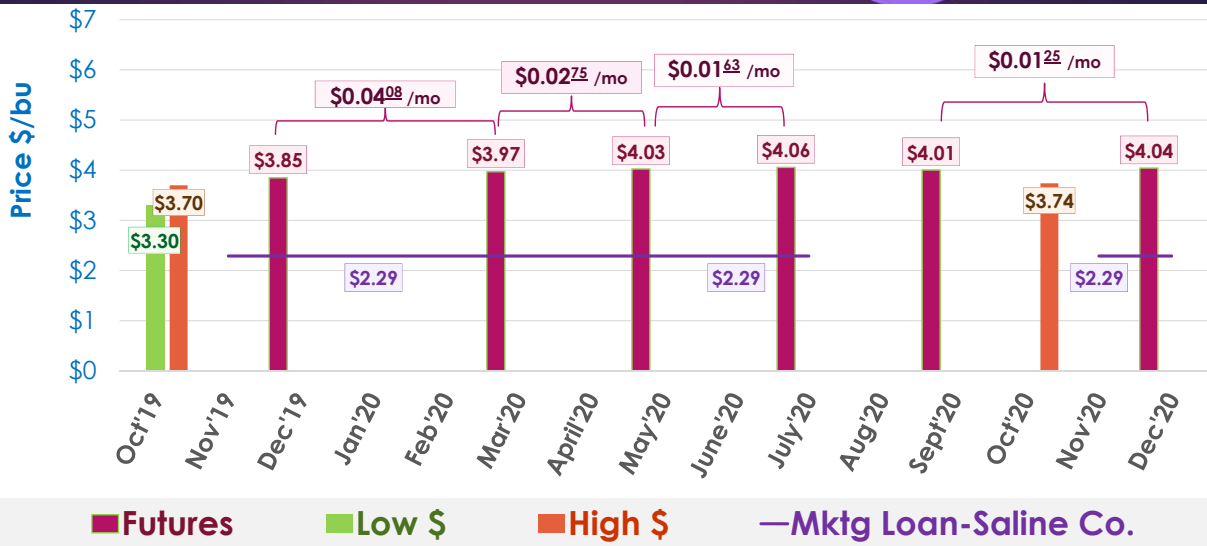
GARDEN CITY, KS: Corn Basis - GARDEN CITY COOP

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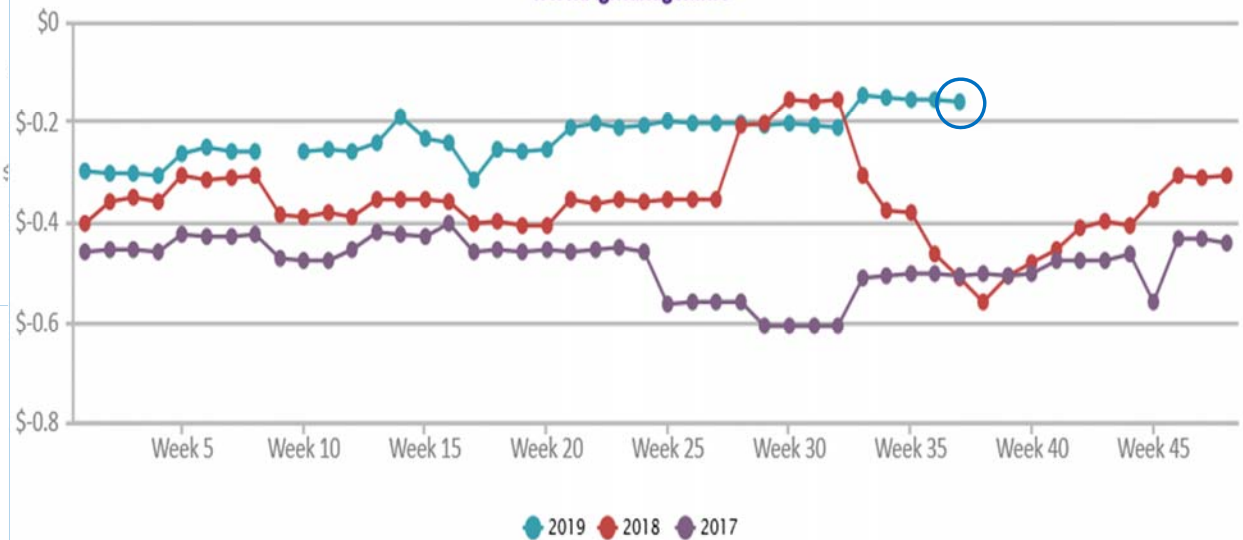
Corn Cash & Futures \$'s

Salina, KS Local Elevators – October 4, 2019



SALINA, KS: Corn Basis - CARGILL

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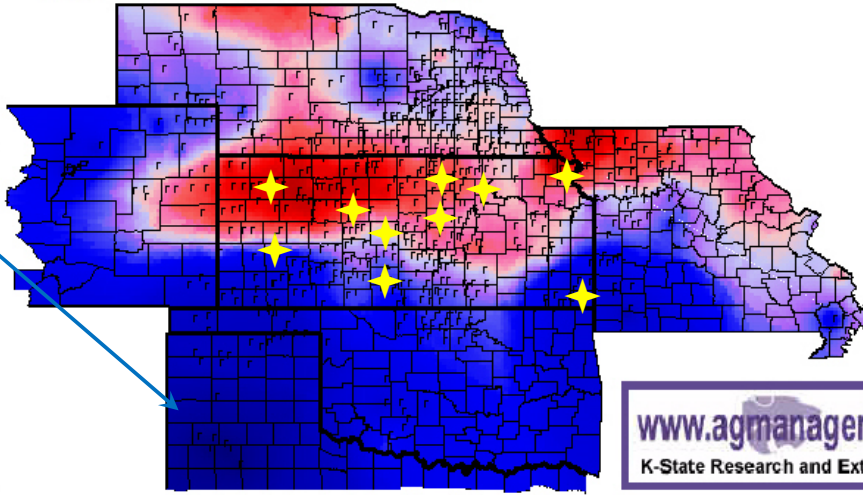
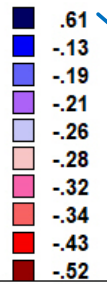


Corn Basis, 10-02-2019

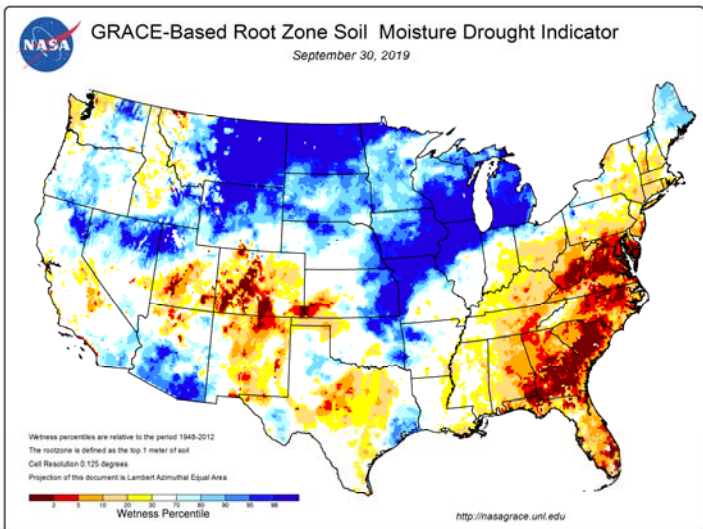
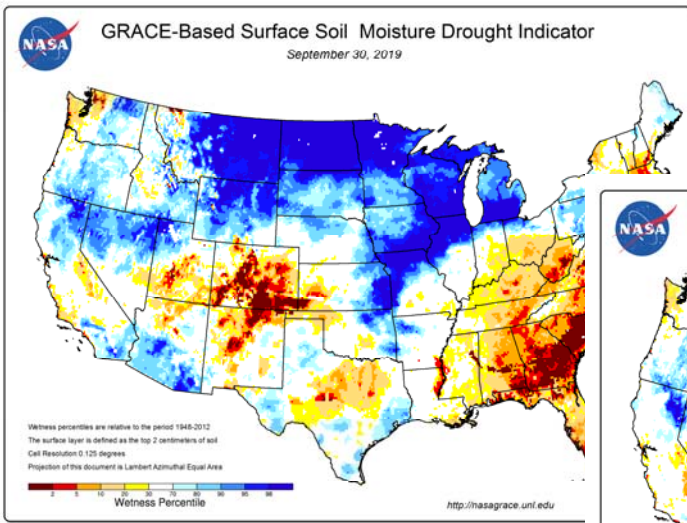
Basis = Cash Price - Nearby Futures Price

CBT Dec
Futures
Price: \$3.88

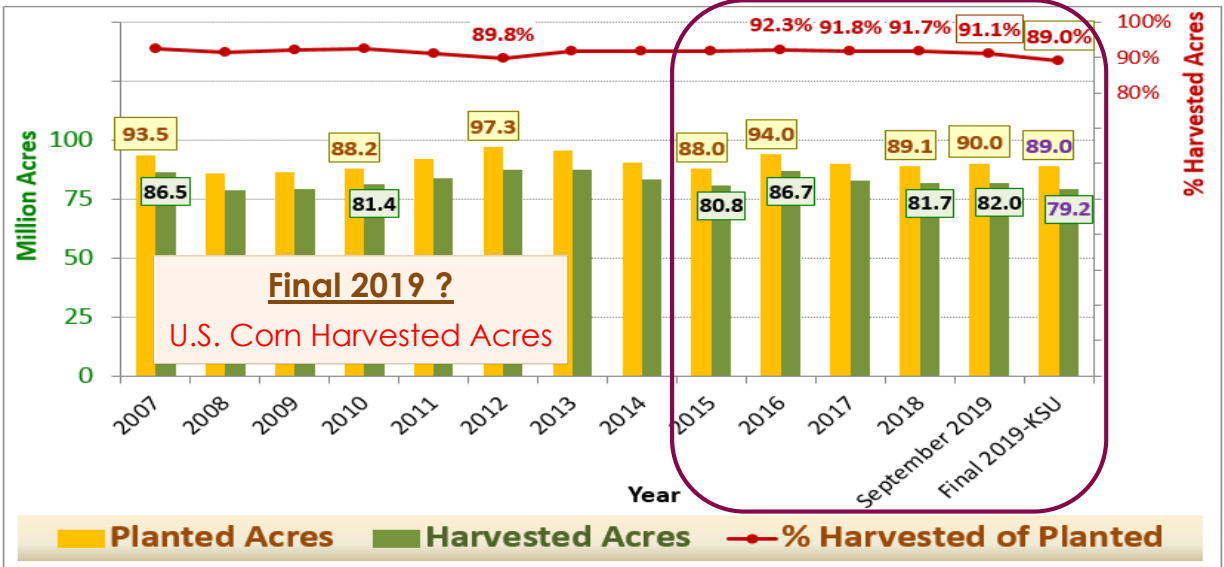
\$/Bushel



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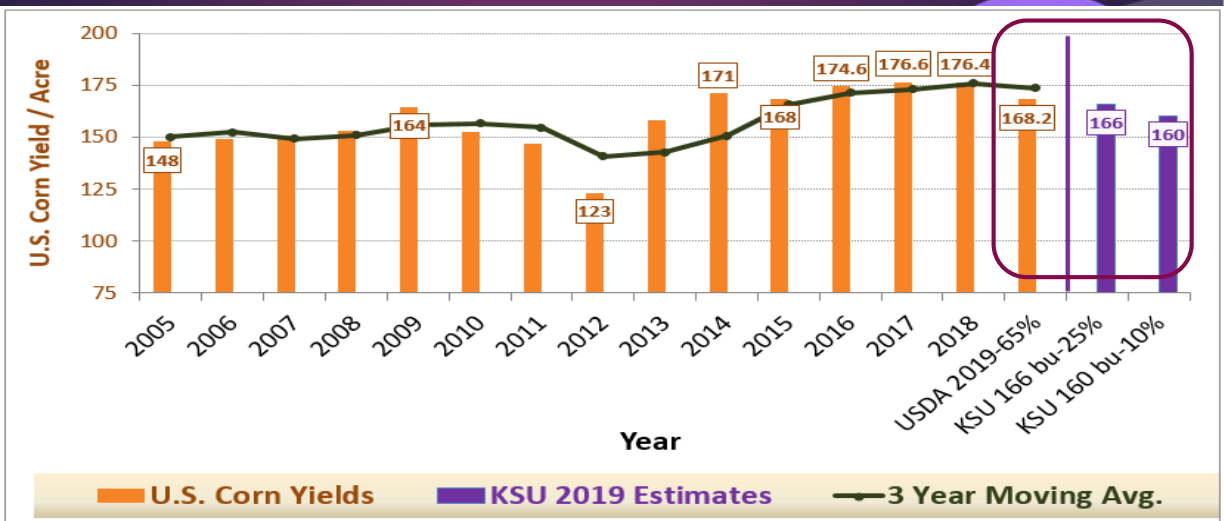


U.S. Corn Acreage

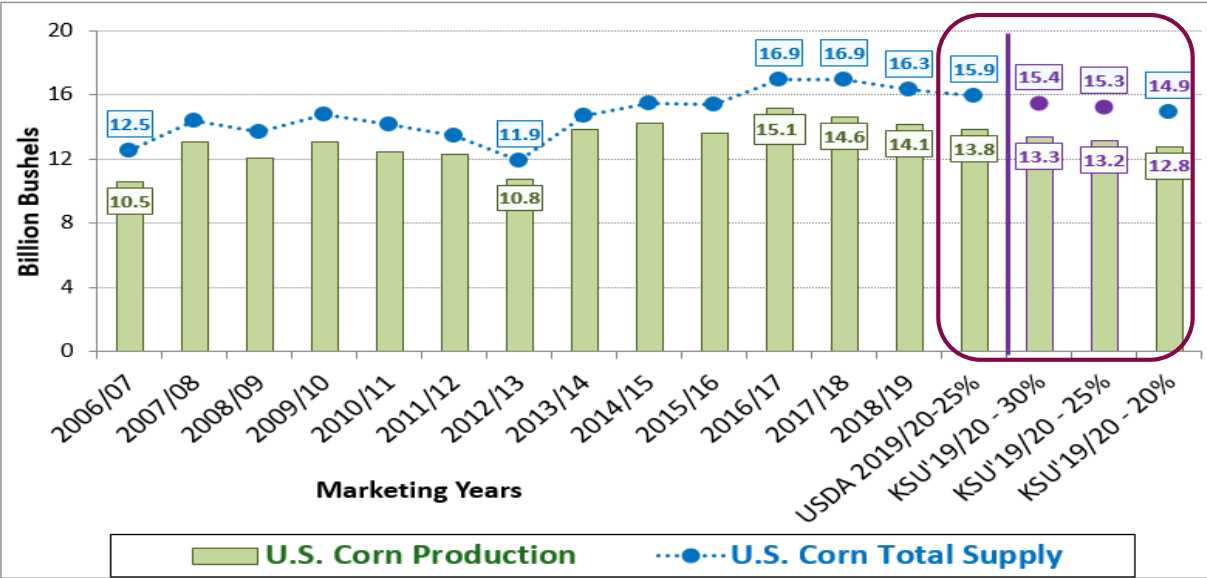


U.S. Corn Yields

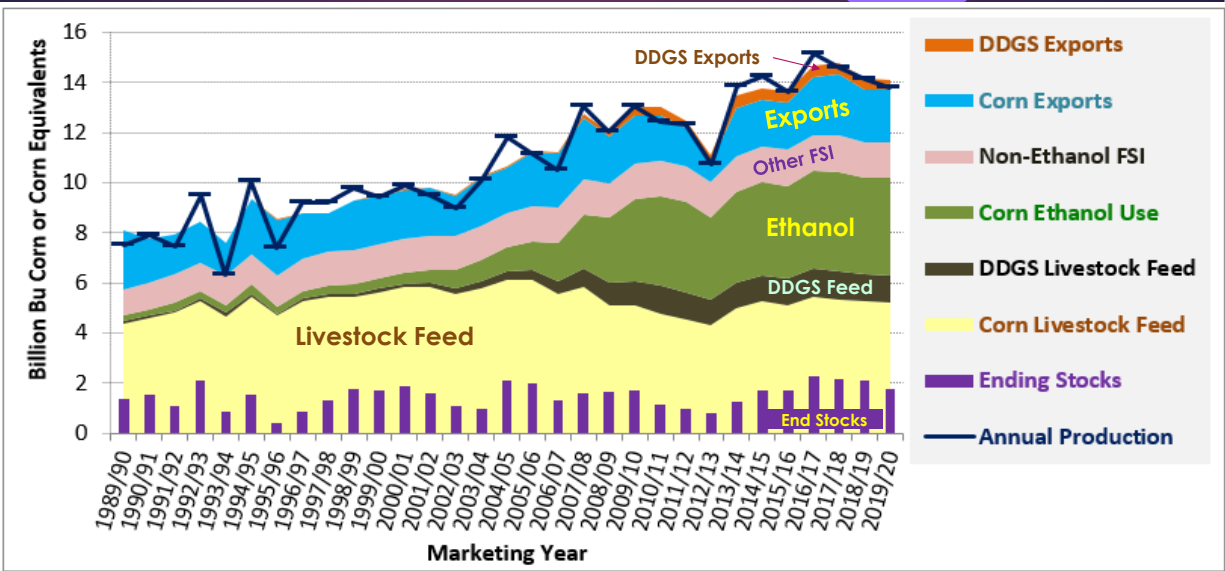
USDA 2018 USDA Forecast = 168.2 bu/ac



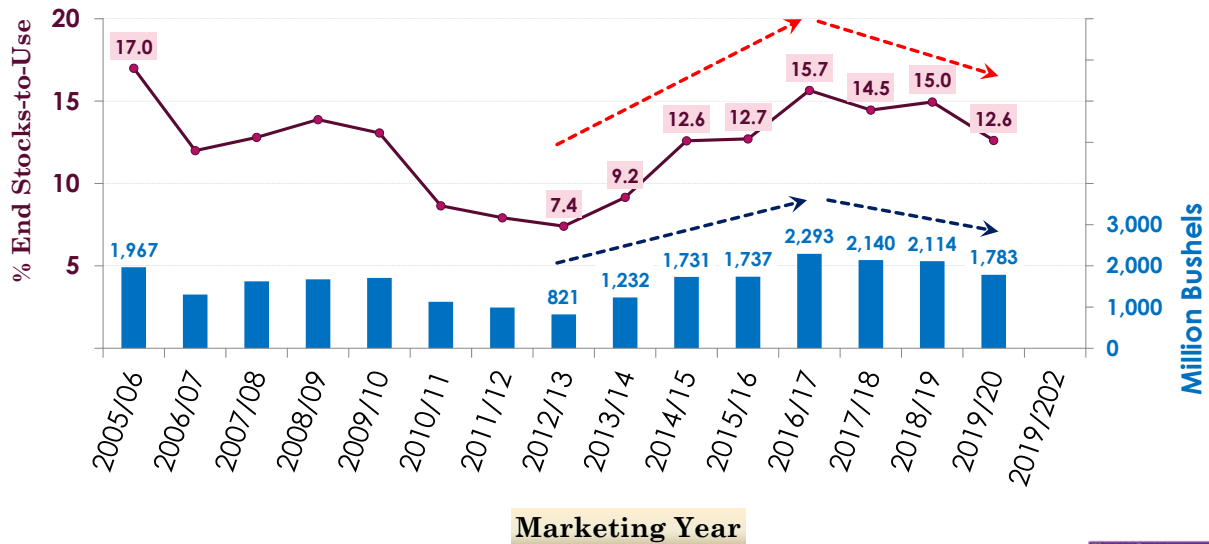
U.S. Corn Production & Supplies



U.S. Corn Use – By Category

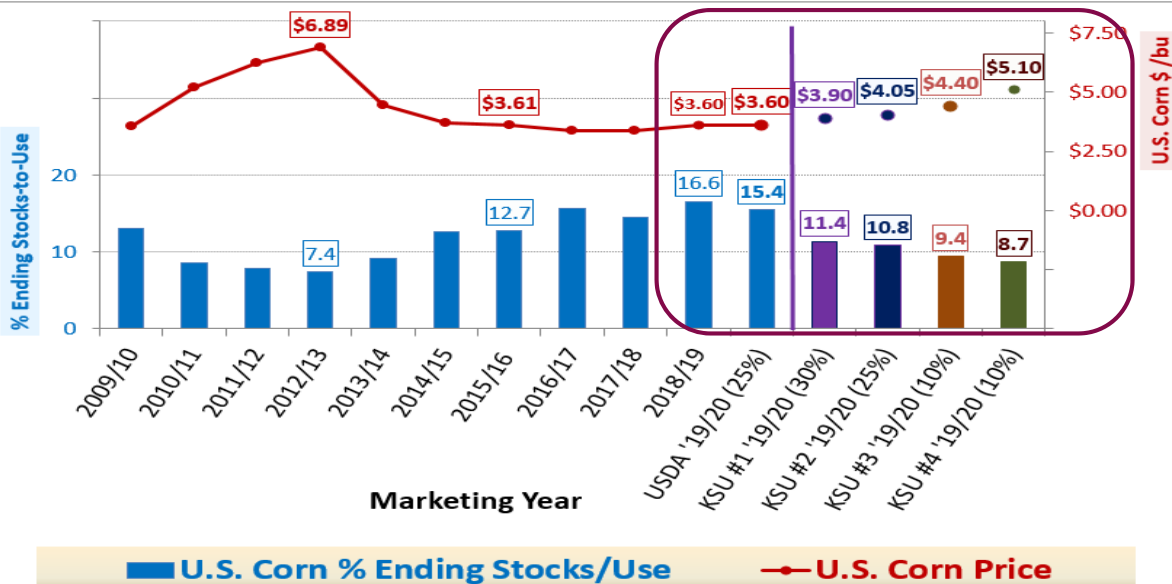


U.S. Corn Ending Stocks & % Stx/Use



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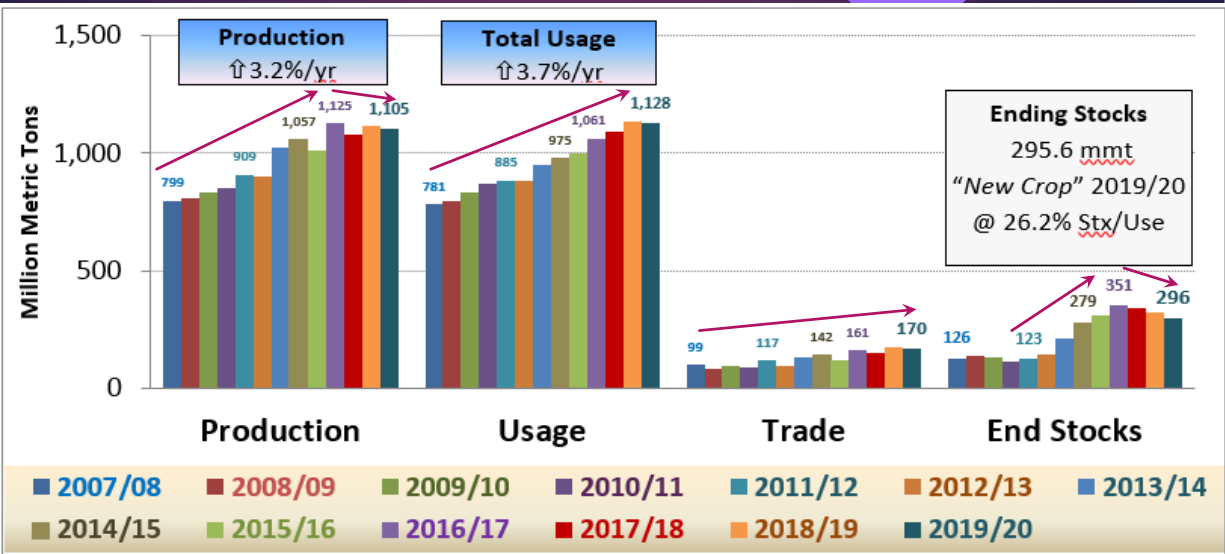
U.S. Corn % Stocks/Use vs Price\$



U.S. Corn % Ending Stocks/Use

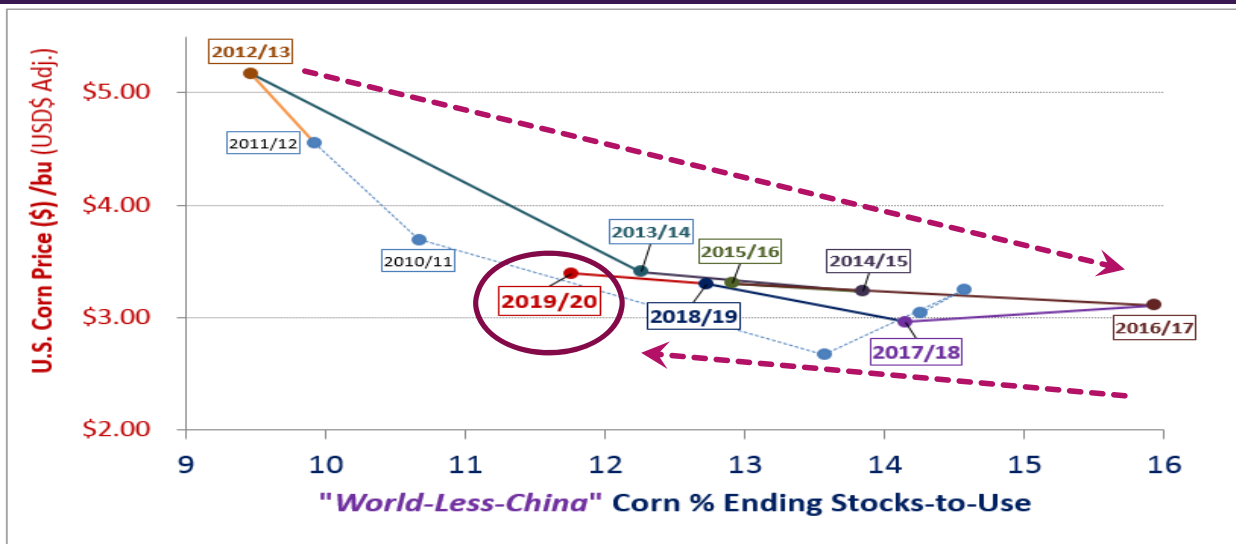
U.S. Corn Price

World Corn Supply, Use & Stocks



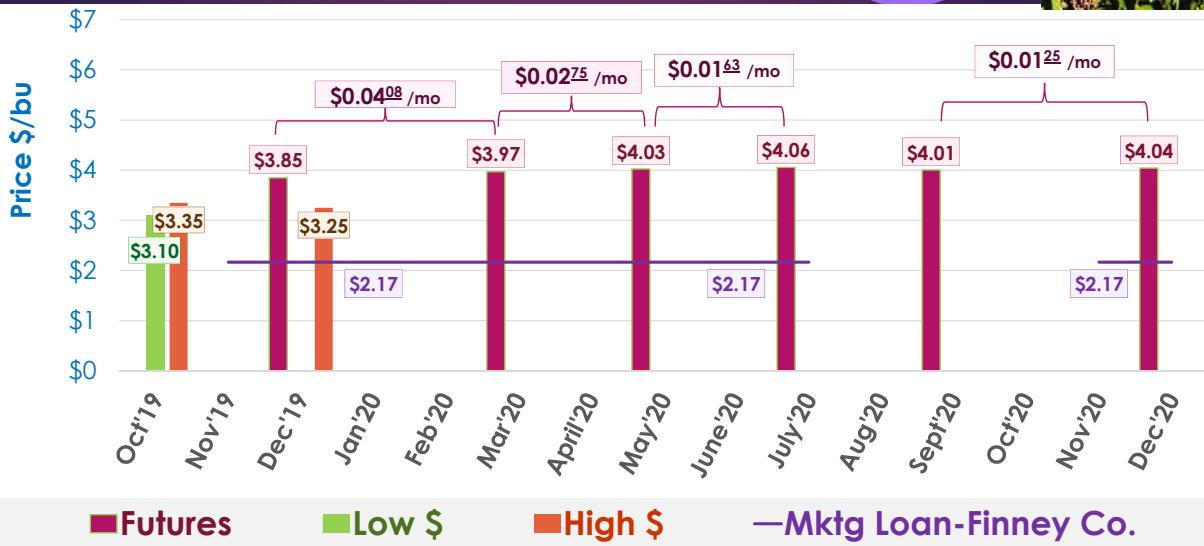
U.S. Corn $\$USD$ -adj vs World^{Less China} %Stx/Use

MY 2007/08 through "New Crop" MY 2019/20



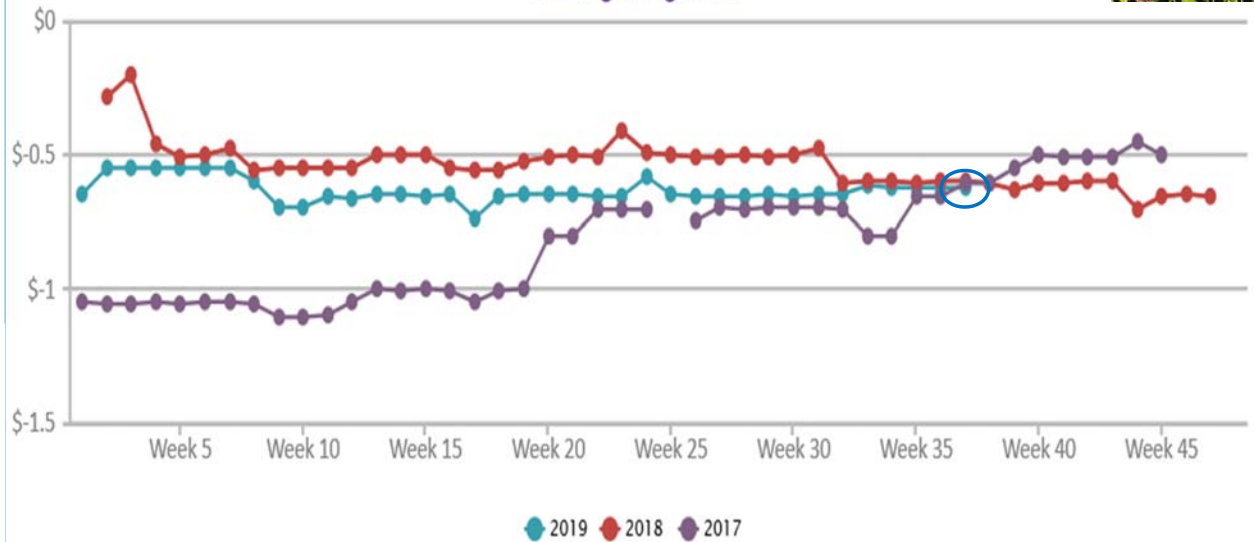
Sorghum Cash & Futures \$'s

Garden City, KS Local Elevators – October 4, 2019



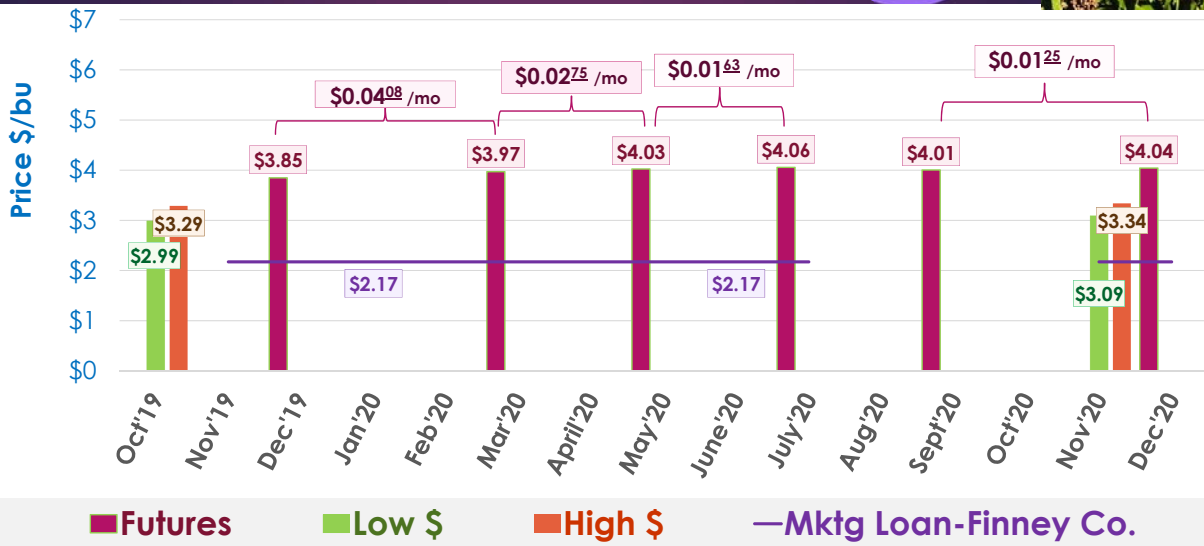
GARDEN CITY, KS: Grain Sorghum Basis - GARDEN CITY COOP

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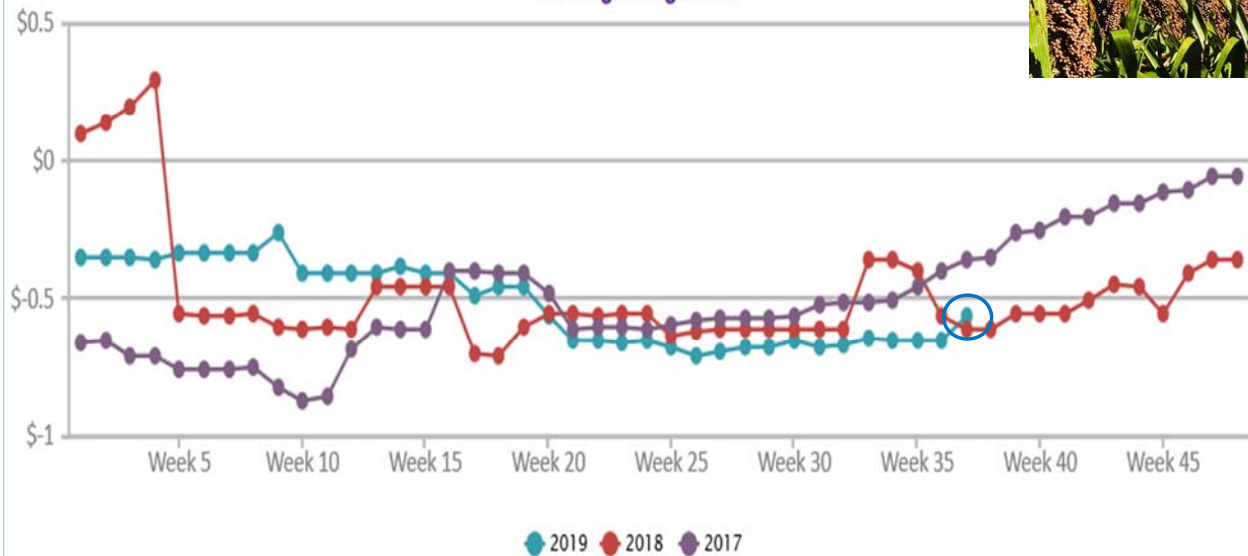
Sorghum Cash & Futures \$'s

Salina, KS Local Elevators – October 4, 2019



SALINA, KS: Grain Sorghum Basis - CARGILL

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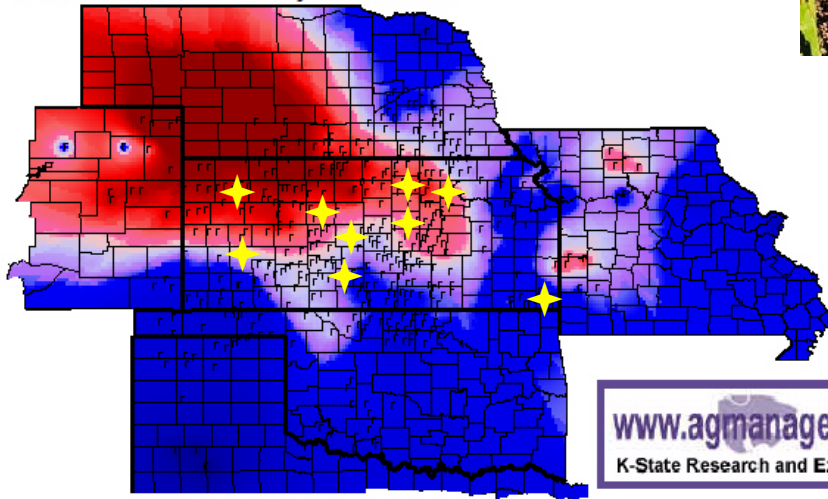
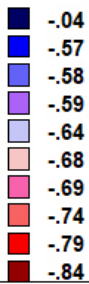
Grain Sorghum Basis, 10-02-2019

Basis = Cash Price - Nearby Futures Price



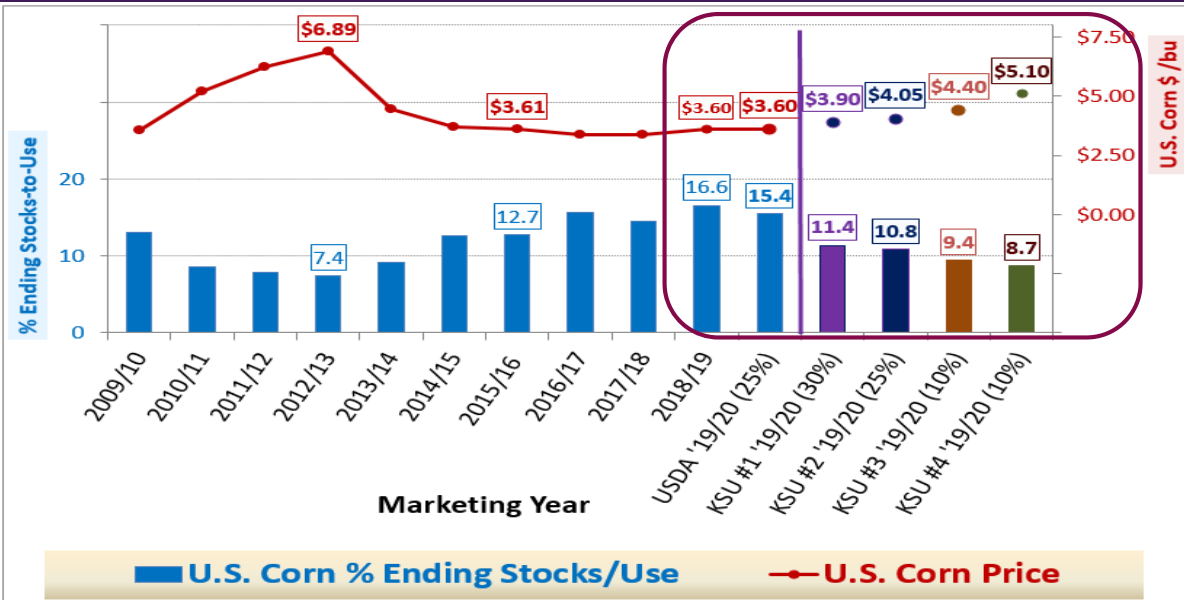
CBT Corn
Dec Futures
Price: \$3.88

\$/Bushel

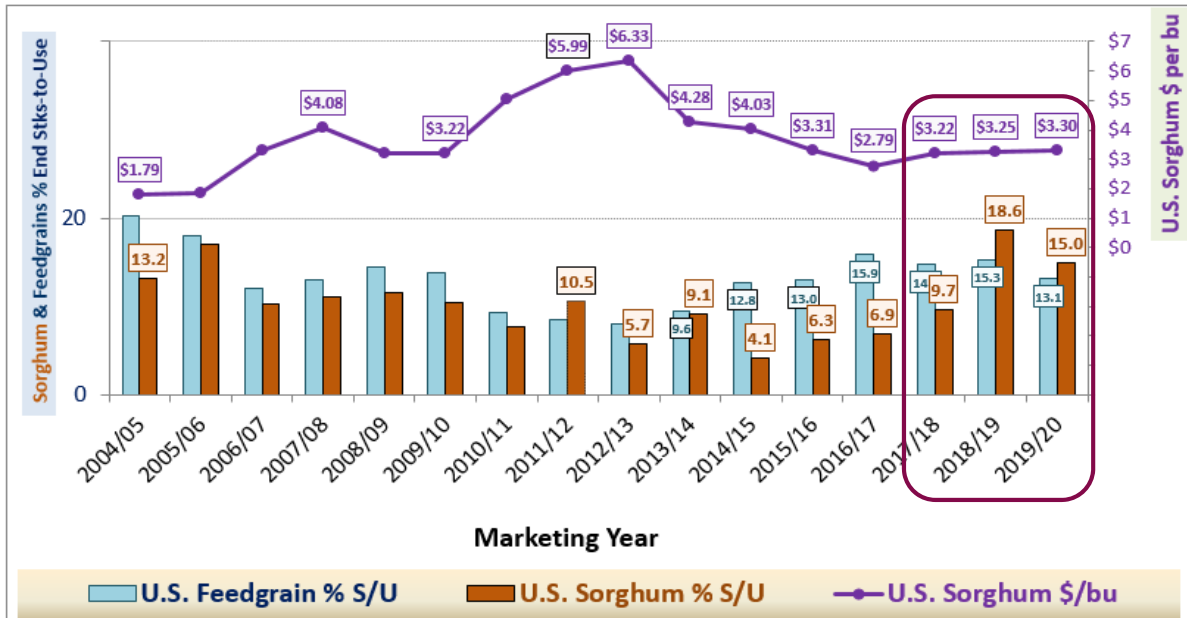


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U.S. Corn % Stocks/Use vs Price\$



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

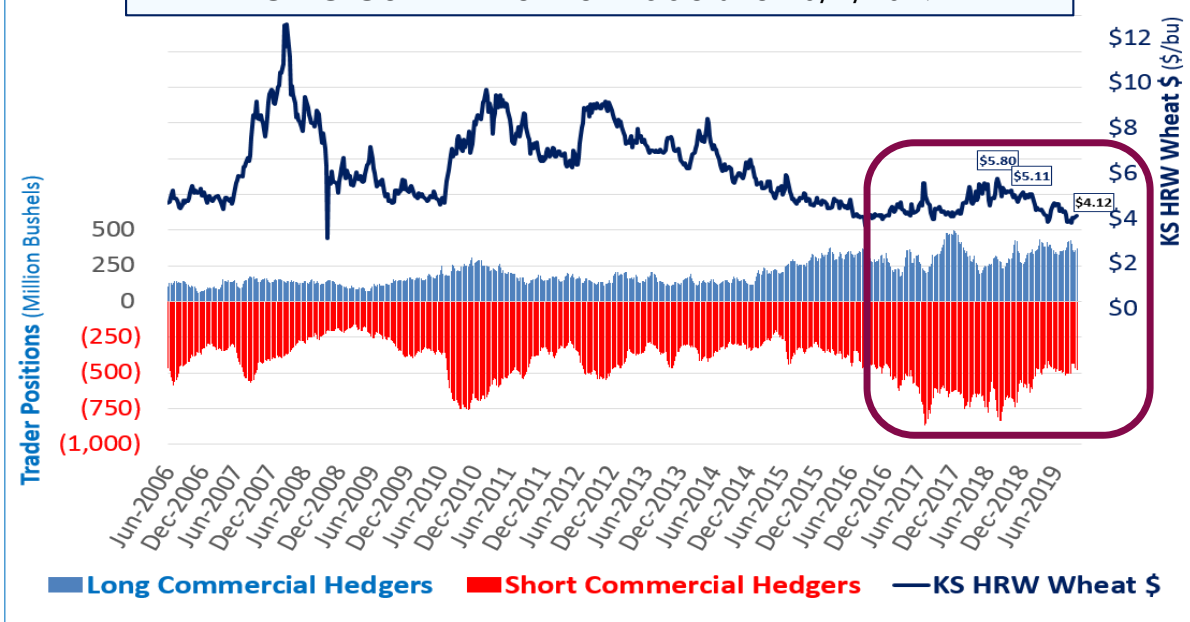


Wheat Markets



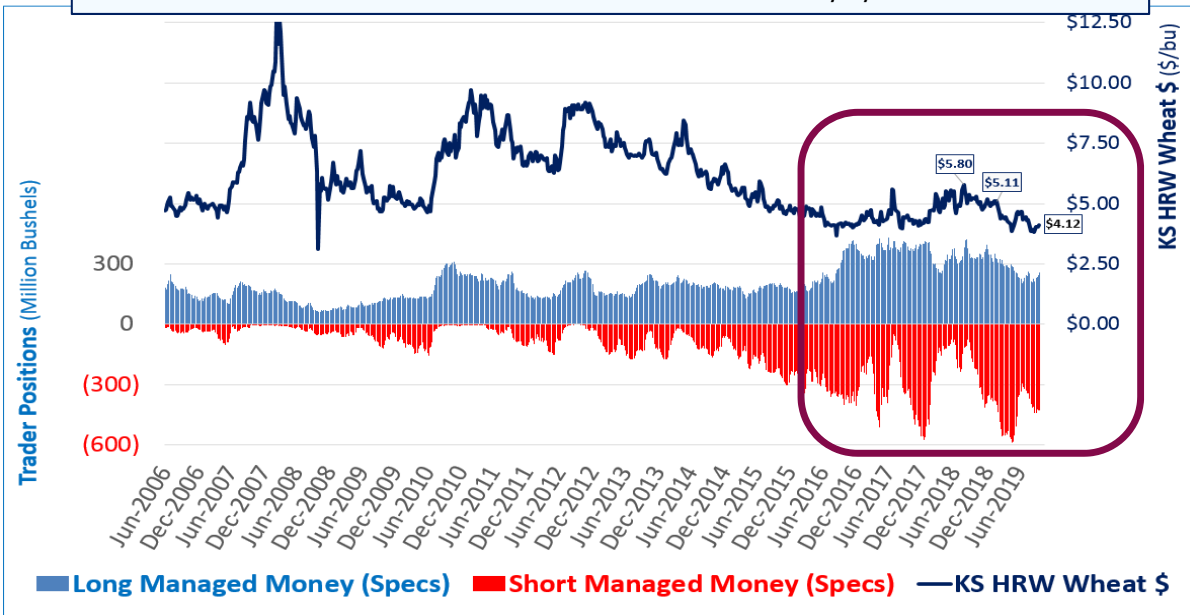
Commercial Hedge Positions in HRW Wheat

CFTC Commitment of Traders to 10/1/2019



Managed Money (Spec) Positions in HRW Wheat

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U.S. Wheat Stocks.....

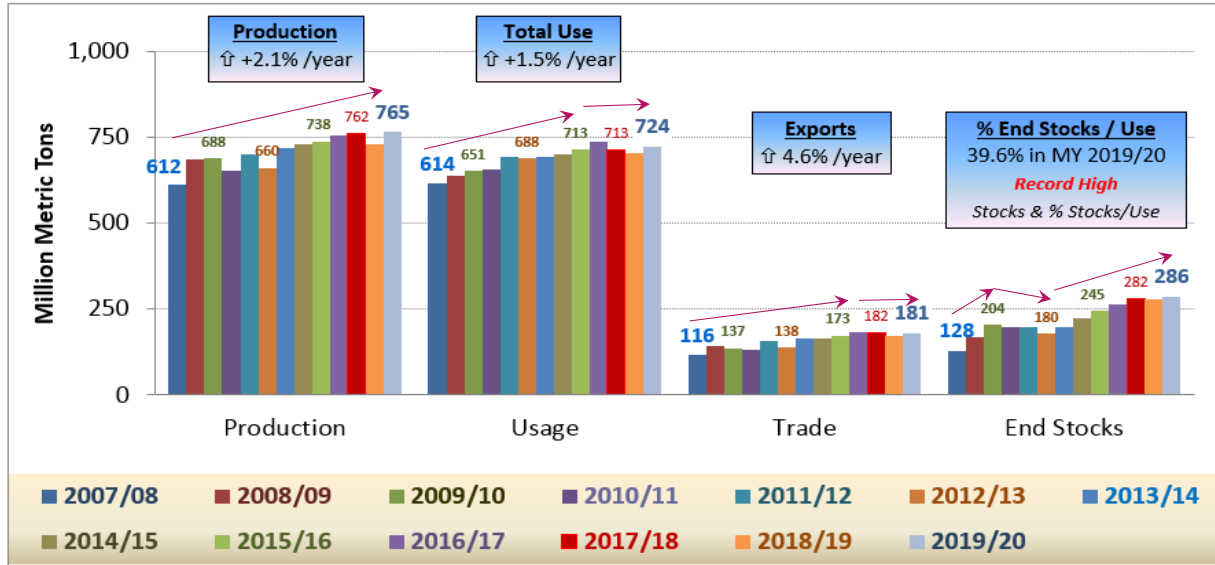
- **All U.S. Wheat:** “*Large & Moderating*” **Stocks**
 - **End Stocks** 2019/20 ⇒ 1.080 bln bu (1.004 bb last year)
 - **% Stocks/Use** 2019/20 ⇒ 53.0% S/U (46.2% Stx/Use last year)
- **U.S. HRW Wheat:** “*Still Large*” **Carryover** (also declining)
 - **End Stocks** 2019/20 ⇒ 462 mln bu (506 mb last year)
 - **% Stocks/Use** 2019/20 ⇒ 52.0% S/U (68.2% Stx/Use last year)

World Wheat Market Prospects:

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

- **Record Supplies - & - Record Usage** in MY 2019/20
 - ↑2.1% in **Production** vs ↑1.5% in **Usage** ⇒ ↑13.1% in **End Stocks**
- **Forecast** ↑ in 2019 crops in all nations except Kazakhstan
- **More “competitive buying pressure”** in World Trade
 - “Tighter” supplies from a “*World-Less-China*” perspective
 - Some evidence “healthy” U.S. HRW wheat exports in MY 2019/20

World Wheat Supply, Use & Stocks

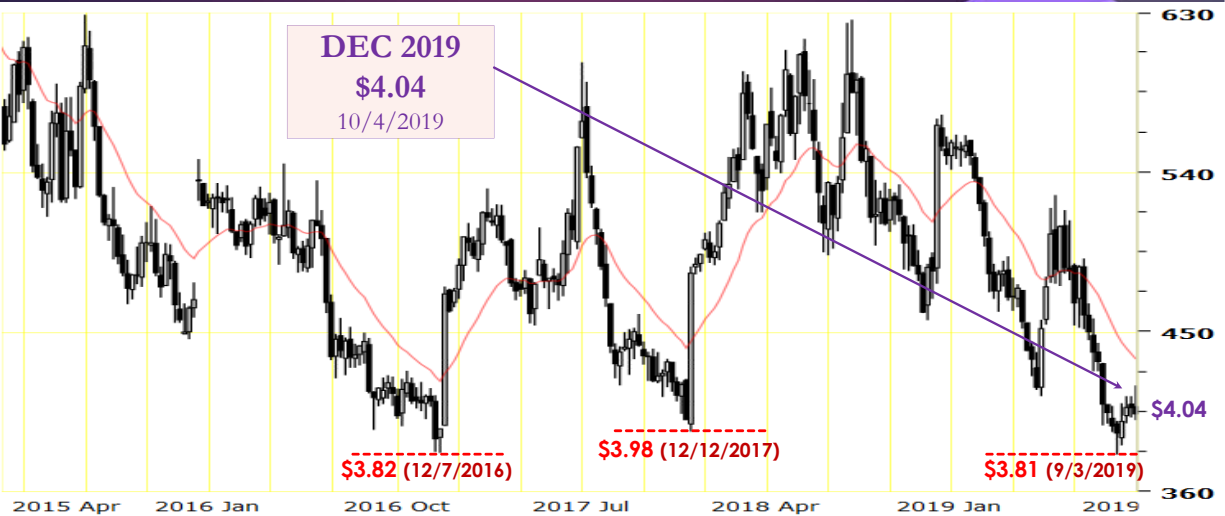


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CME Kansas Hard Red Winter Wheat

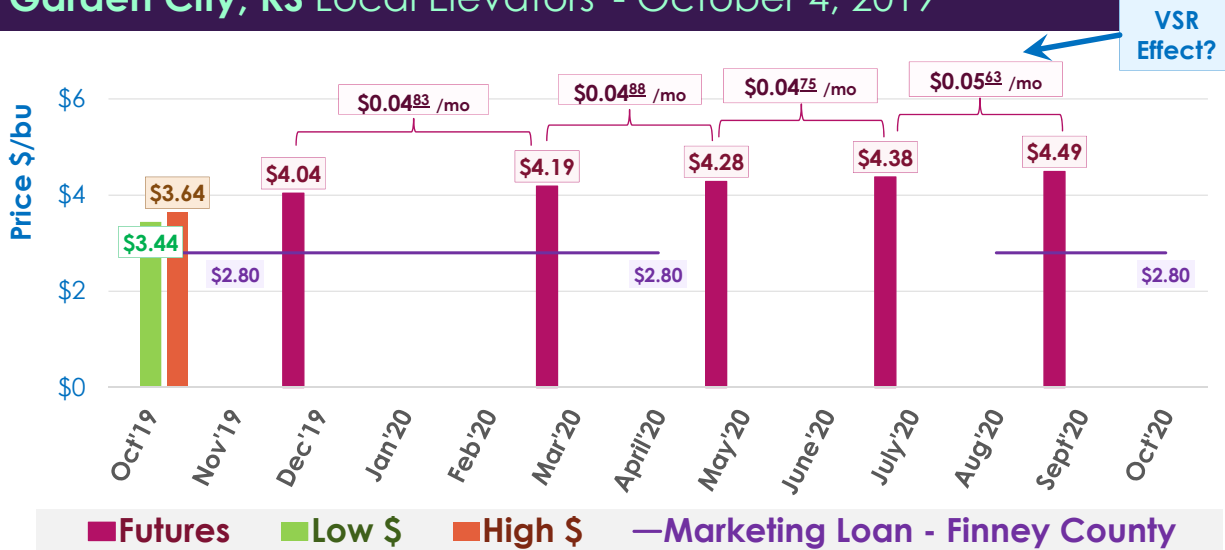
Weekly Chart: March 2015 – October 4, 2019

TFC Commodity Charts



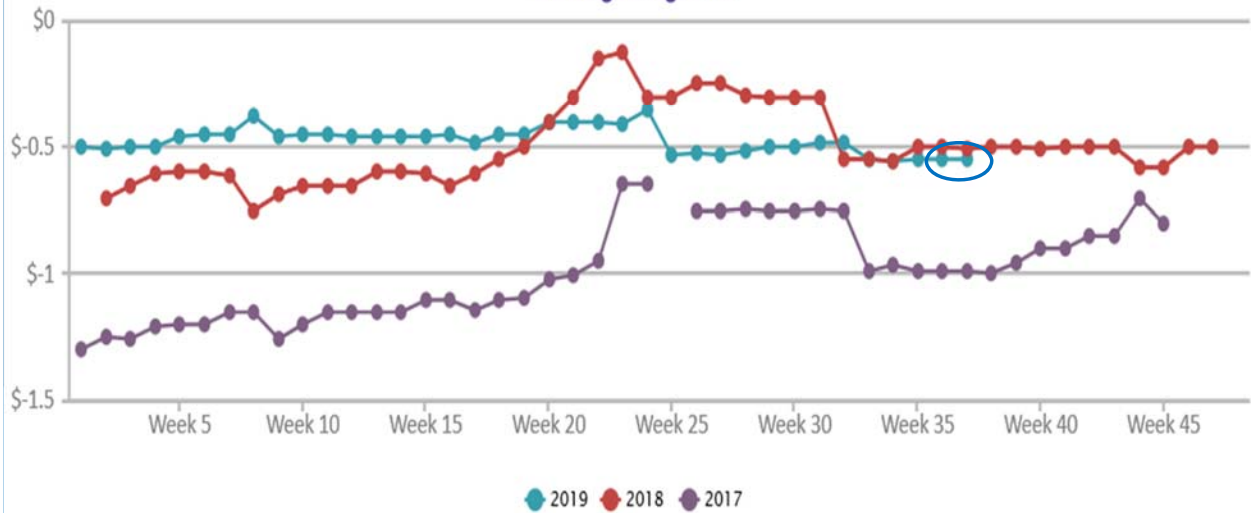
Wheat Cash & HRW Wheat Futures

Garden City, KS Local Elevators - October 4, 2019



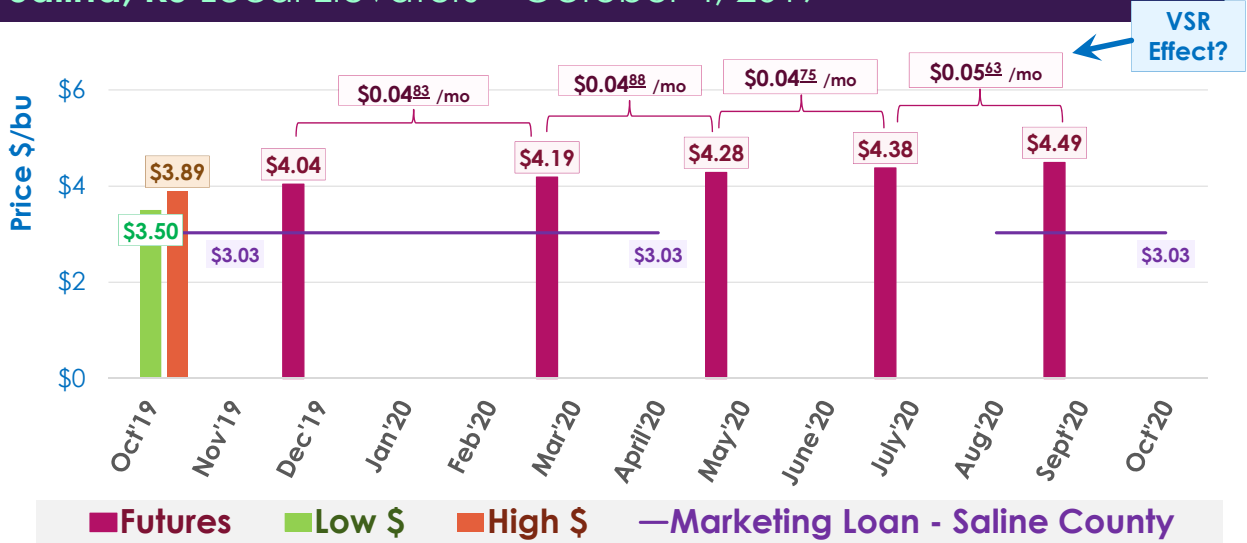
GARDEN CITY, KS: Hard Red Winter Wheat Basis - GARDEN CITY COOP

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Salina, KS Local Elevators - October 4, 2019



SALINA, KS: Hard Red Winter Wheat Basis - CARGILL

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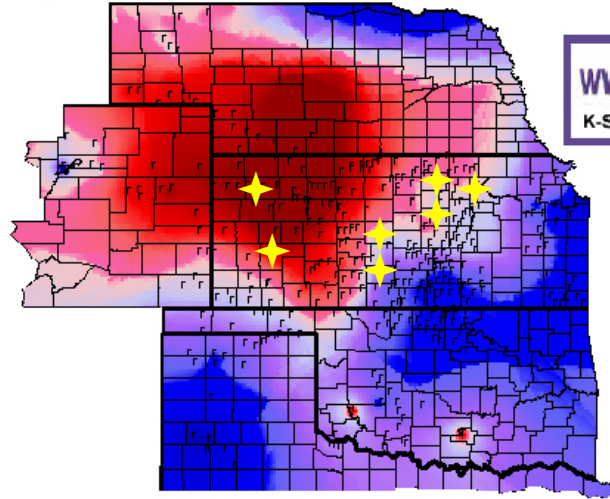
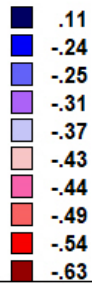


Wheat Basis, 10-02-2019

Basis = Cash Price - Nearby Futures Price

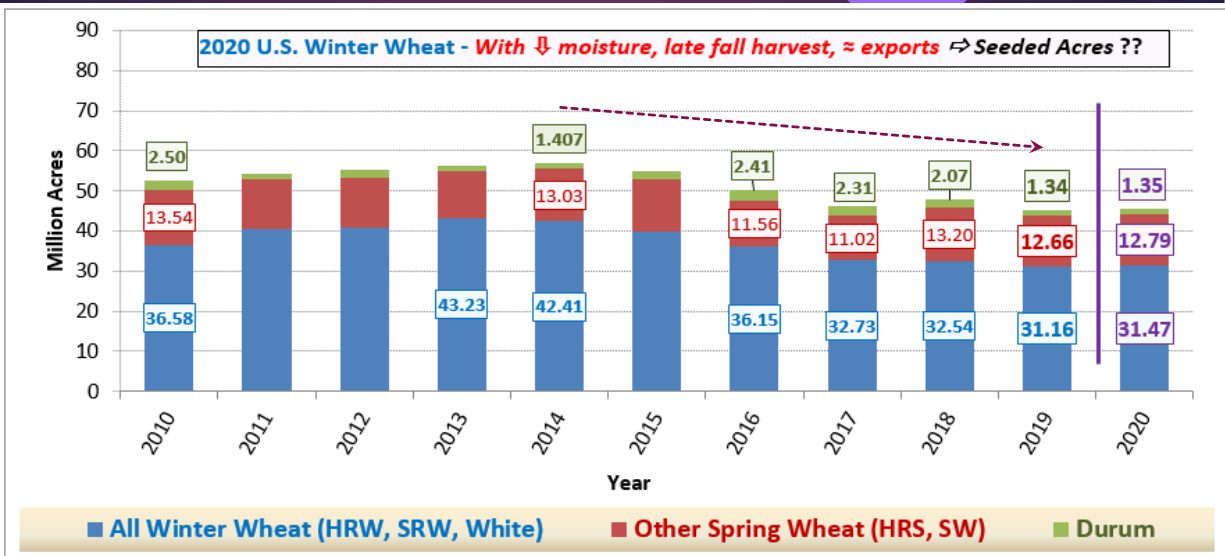
KCBT Dec
Futures
Price: \$4.06

\$/Bushel

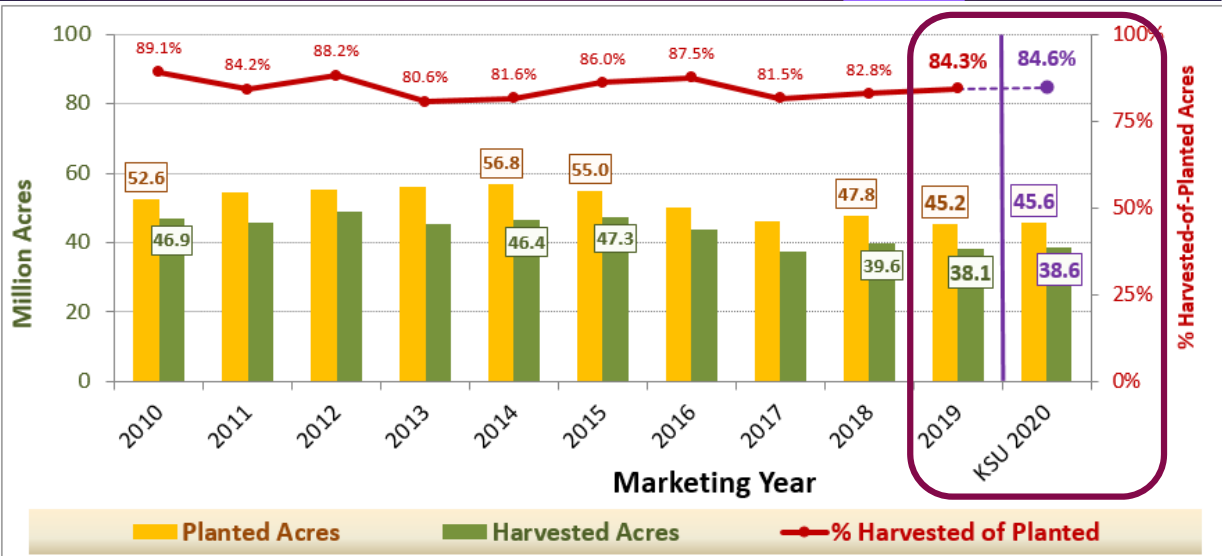


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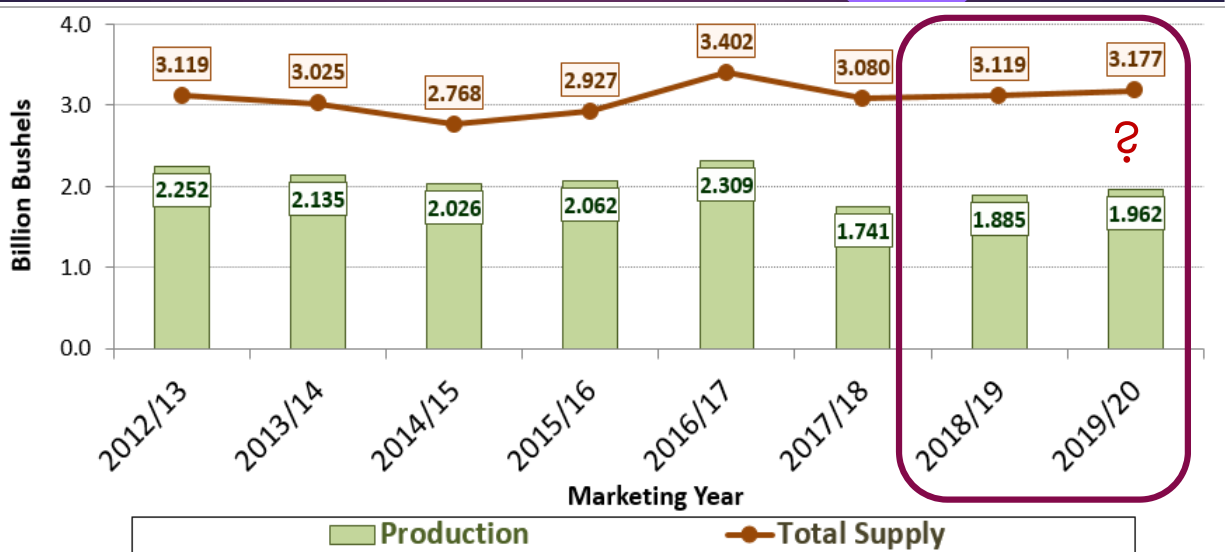
U.S. Wheat Seeded Acreage



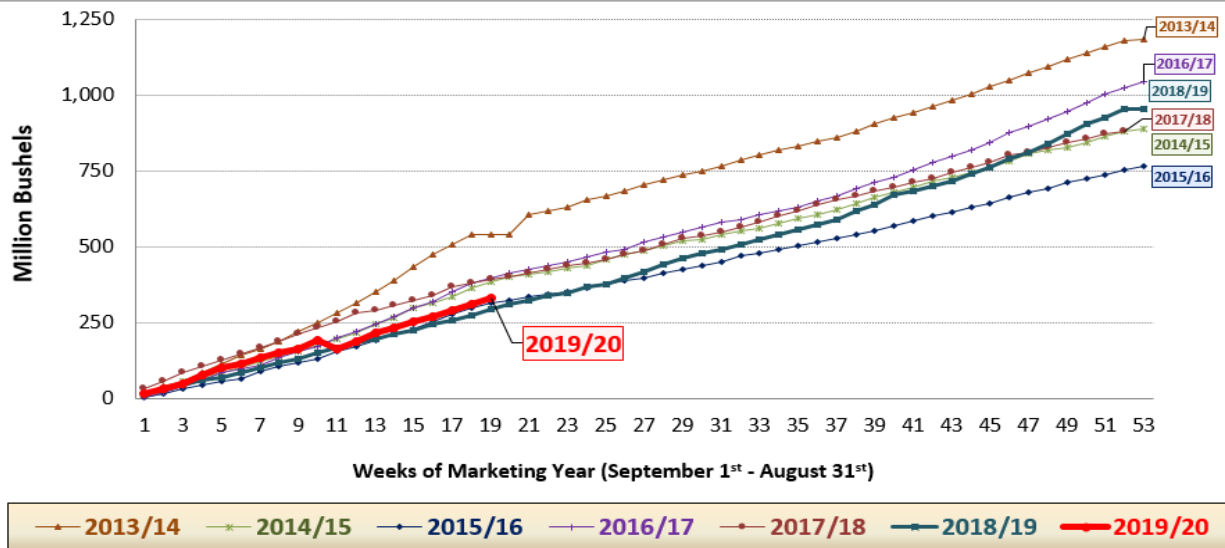
U.S. Wheat Planted & Harvested Acres



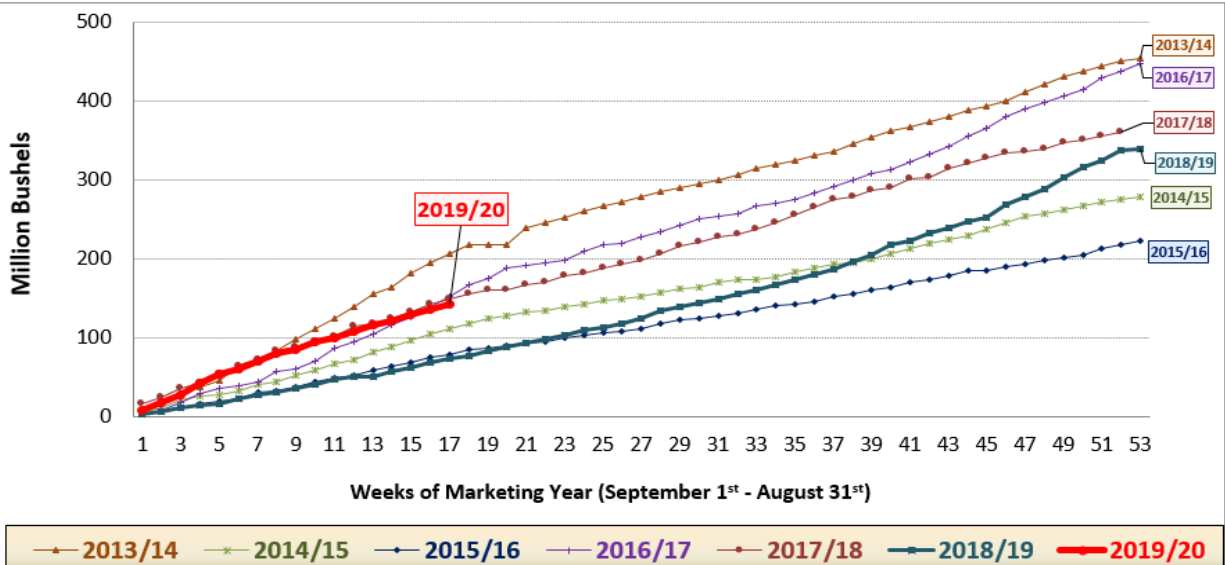
U.S. Wheat Production & Supplies



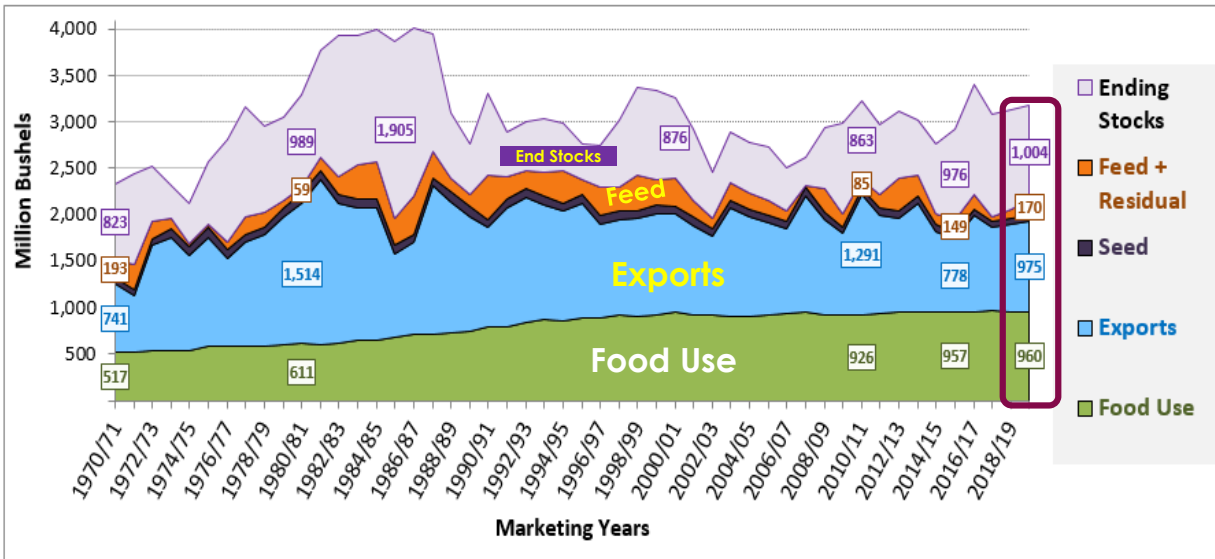
U.S. All Wheat Exports – Weekly thru September 26, 2019



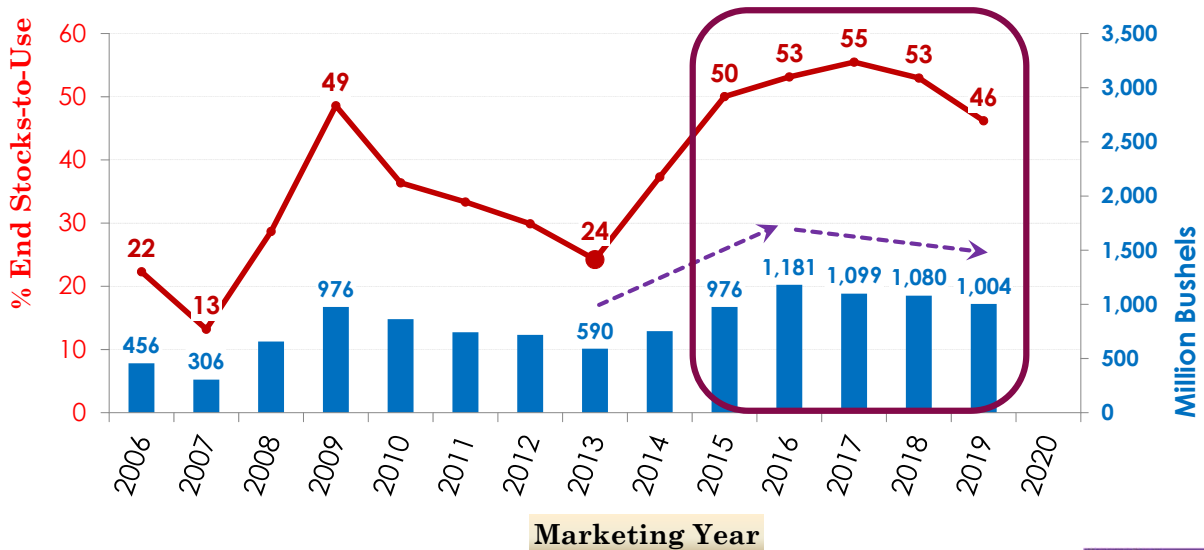
U.S. HRW Wheat Exports – Weekly thru Sept. 26, 2019



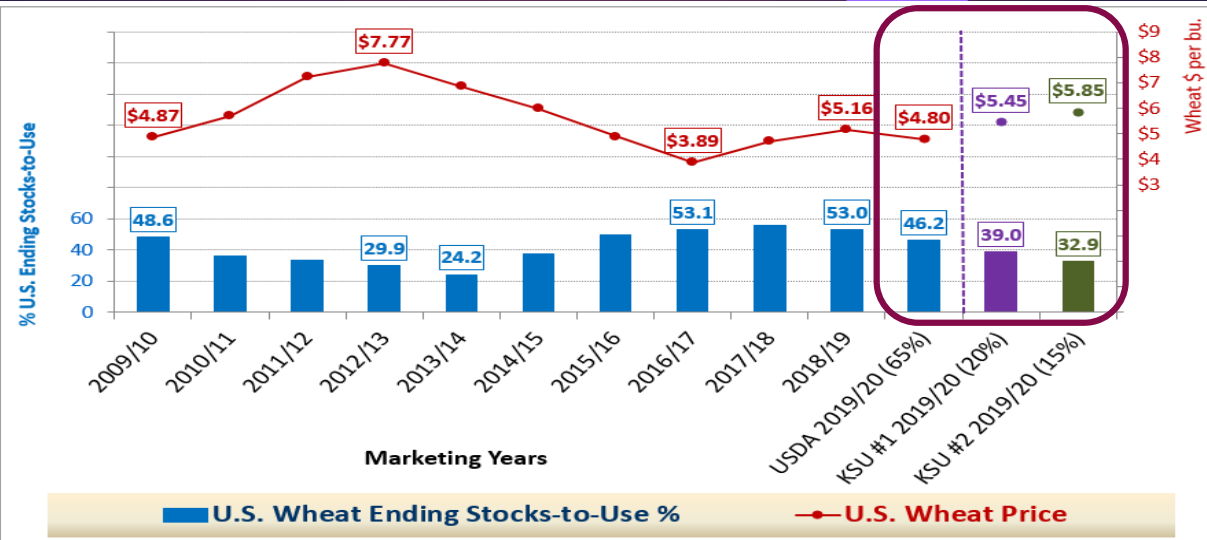
U.S. Wheat Use – By Category



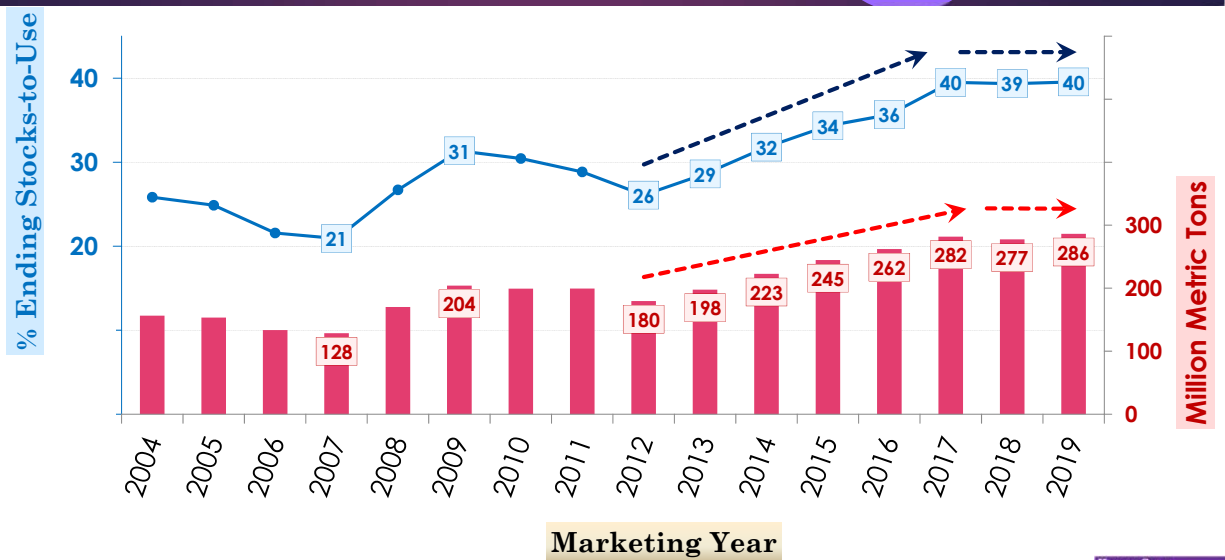
U.S. Wheat Ending Stocks & % Stx/Use



U.S. Wheat Ending Stocks/Use & Prices

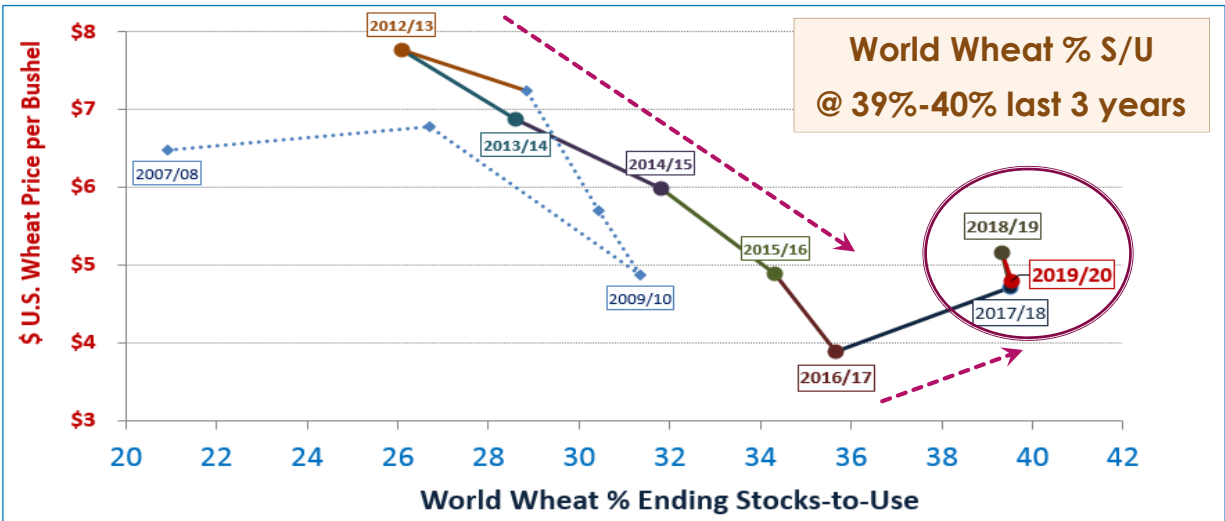


World Wheat Ending Stocks & % Stx/Use



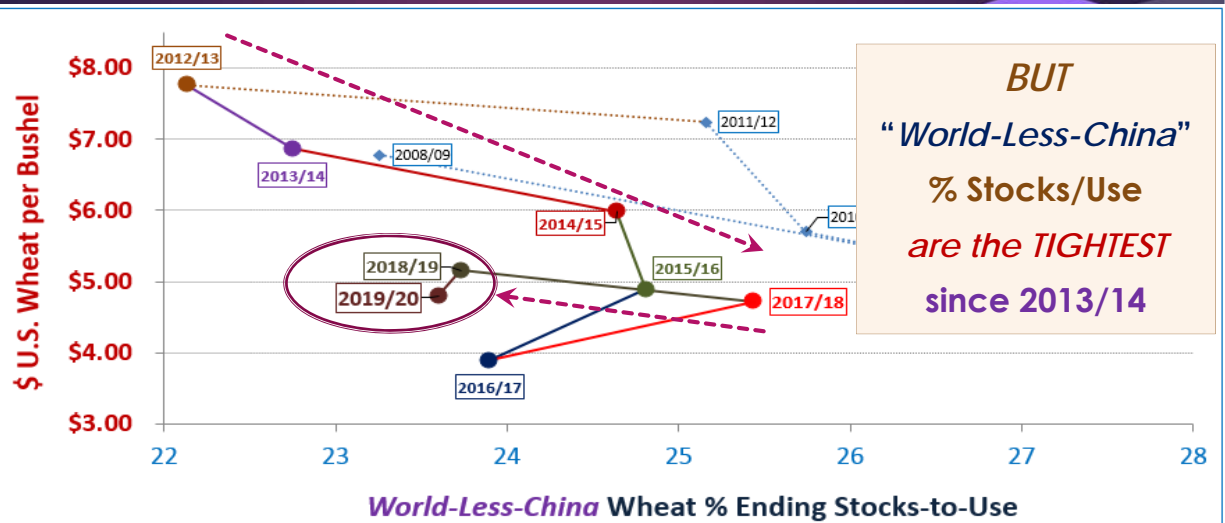
U.S. Wheat Price (\$) vs World % Stx/Use

MY 2007/08 – “New Crop” MY 2019/20

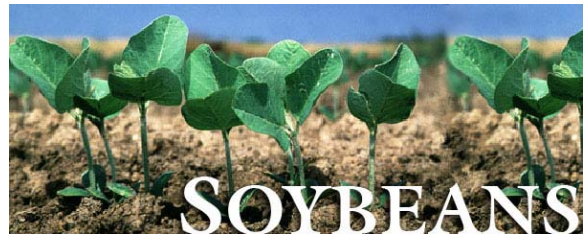


U.S. Wheat \$ vs Non-China % Stx/Use

MY 1973/74 – “New Crop” MY 2017/18



Soybean & Cotton Markets

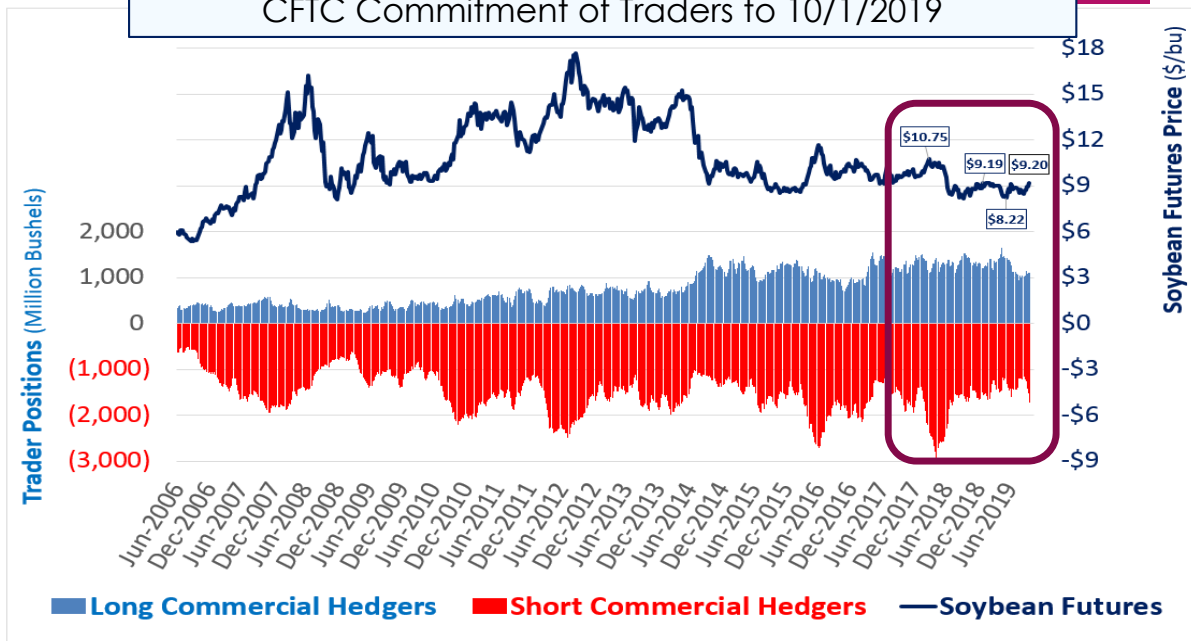


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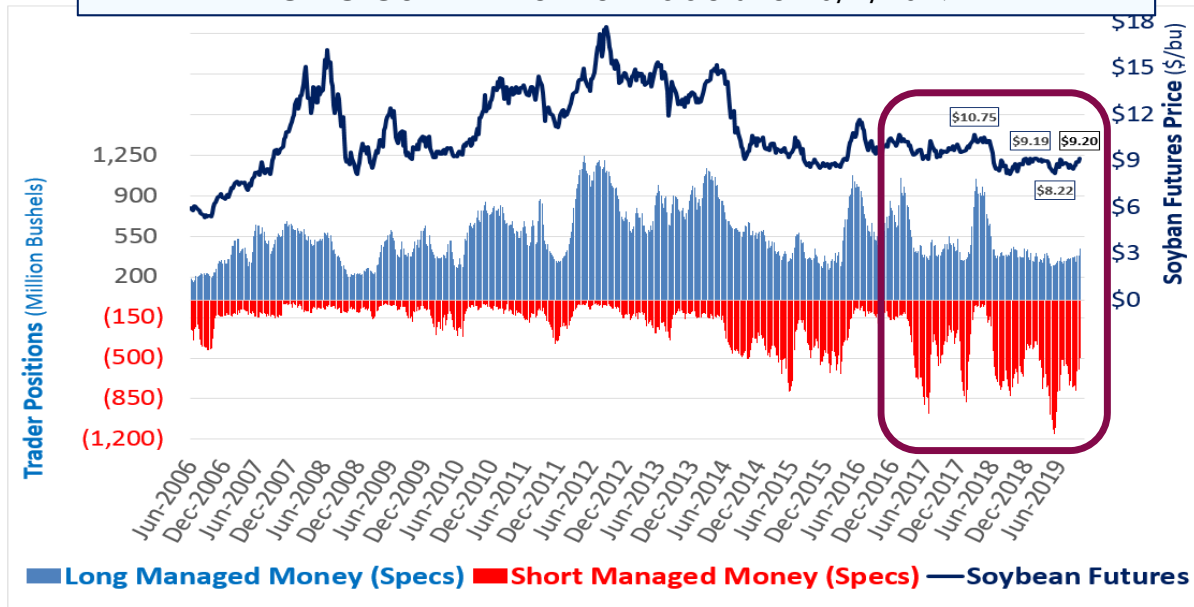
Commercial Hedge Positions in Soybeans

CFTC Commitment of Traders to 10/1/2019



Managed Money (Spec) Positions in Soybeans

CFTC Commitment of Traders to 10/1/2019



U.S. Soybean Market Prospects in 2018-19

A. U.S.-China Trade Dispute

- *HAS* affected U.S. Soybean export shipments, forward purchases & prices, with recent positive negotiation news

B. U.S. Exports forecast *down 17%+* vs 2-3 years ago highs

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

C. Market Focus in Fall-Winter 2018-19

- **So. America** crops – response to China demand in 2019

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

- **Soybean: “Large” Stocks & % S/U**

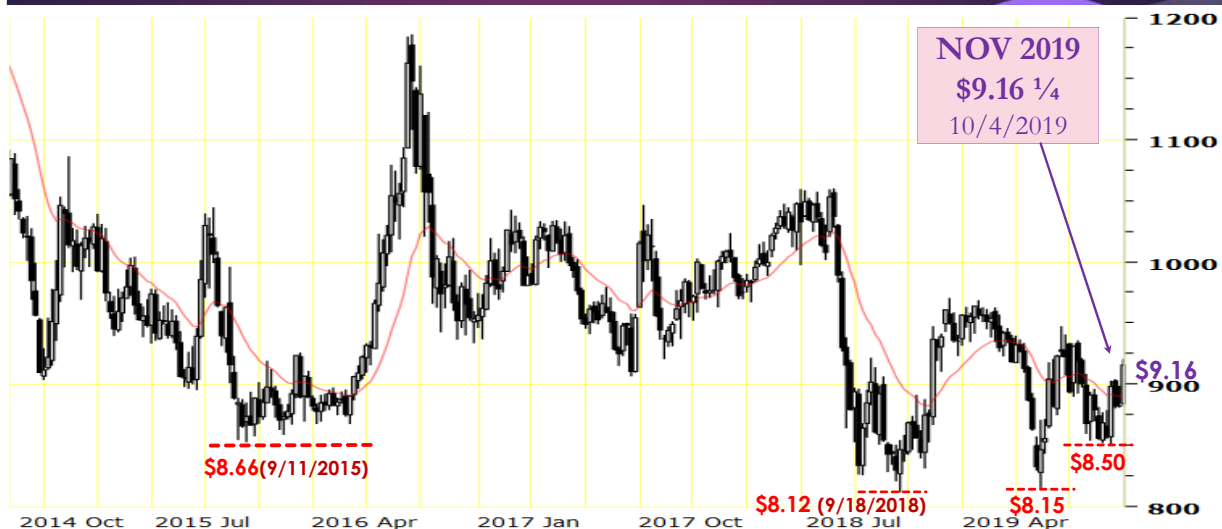
- **End Stocks** 2019/20 ⇒ 548 mln bu (Down vs 913 mb last year)
- **% Stocks/Use** 2019/20 ⇒ 13.6% S/U (Down vs 23.0% last year)

- **Cotton: Large % Stocks/Use & Lower \$'s in MY 2019/20**

- **Production** 2019/20 ⇒ 21.9 mln bales (18.4 & 20.9 mb last 2 years)
- **End Stocks** 2019/20 ⇒ 7.2 mln bales (4.85 & 4.2 mb last 2 years)
- **% Stocks/Use** 2019/20 ⇒ 36.9% S/U (27.3% & 21.5% last 2 years)

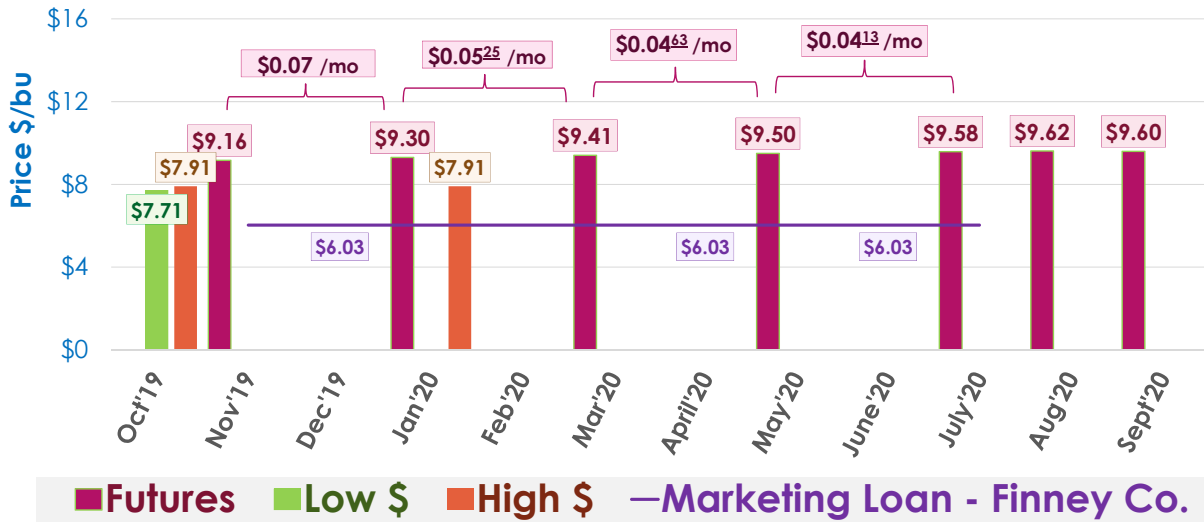
CME Soybean Futures

Weekly Chart: September 2014 through October 4, 2019



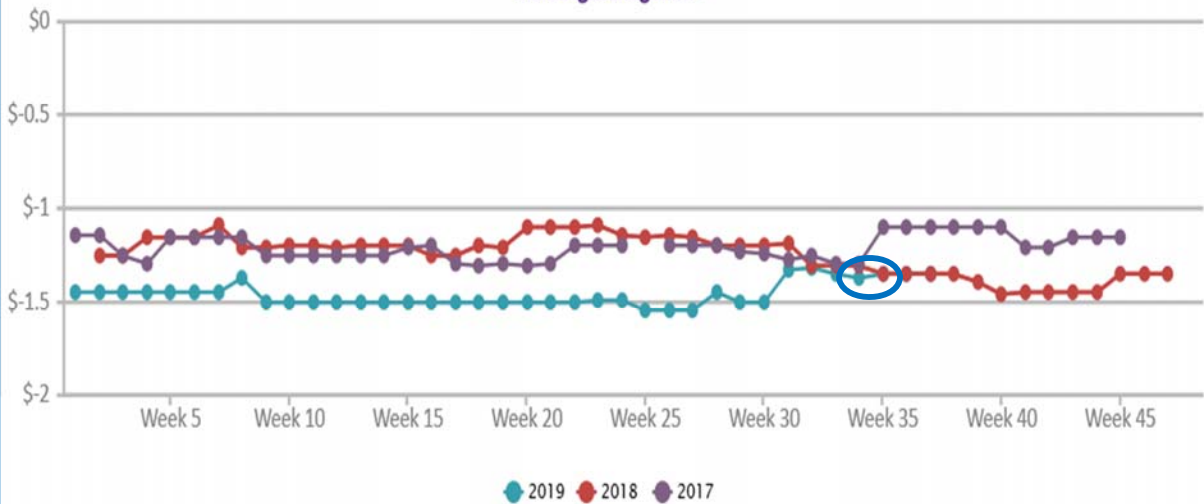
Soybean Cash & Futures Price\$'s

Garden City, KS Local Elevators - October 4, 2019

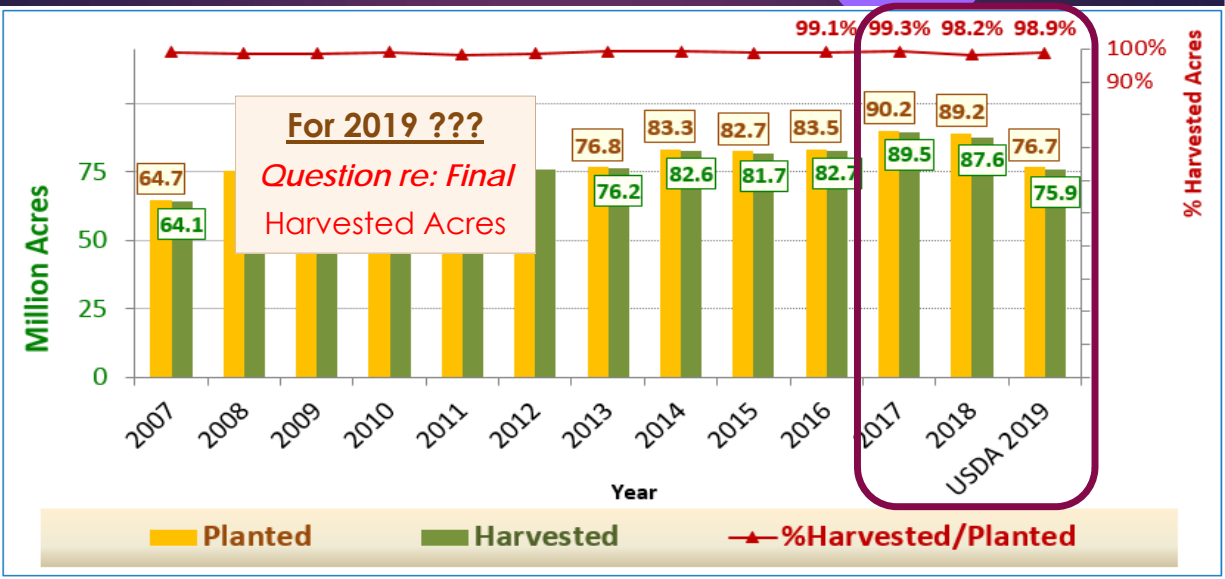


GARDEN CITY, KS: Soybeans Basis - GARDEN CITY COOP

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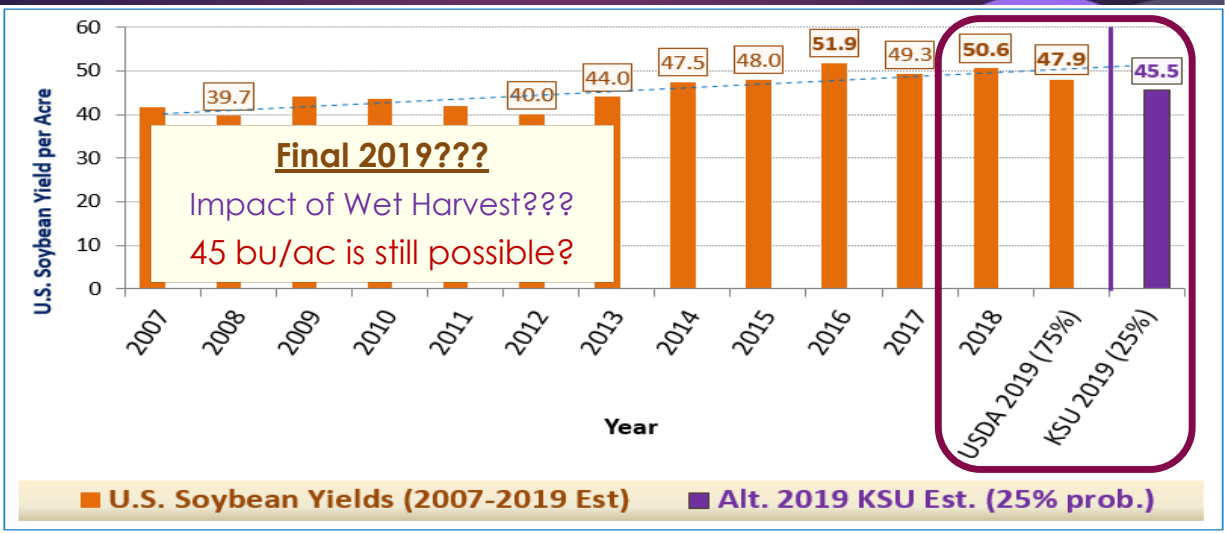


U.S. Soybean Acreage

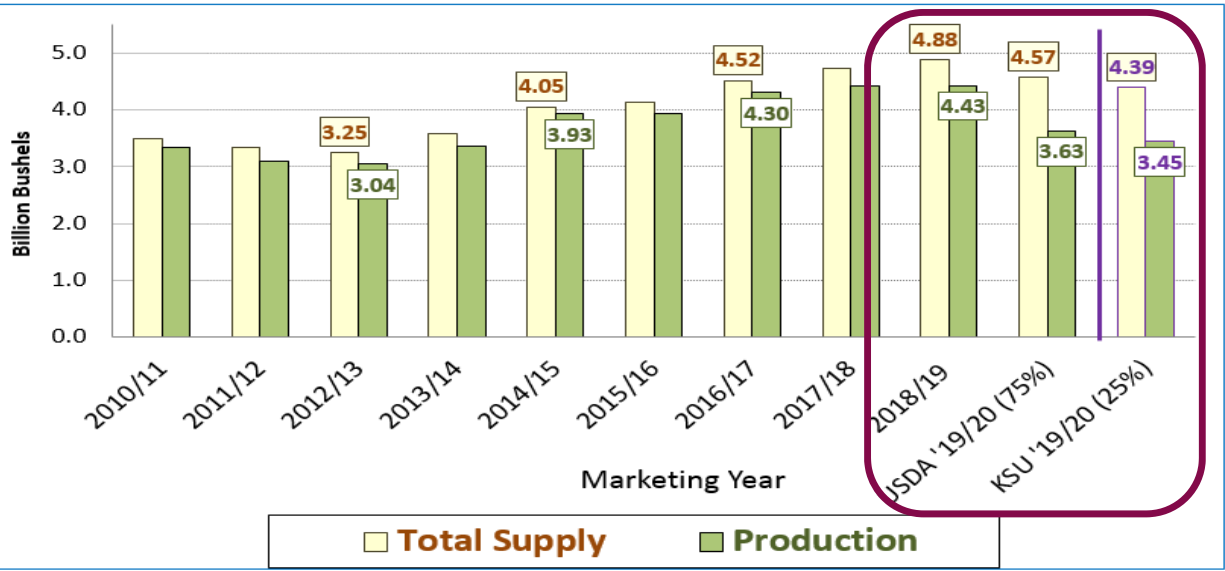


U.S. Soybean Yields

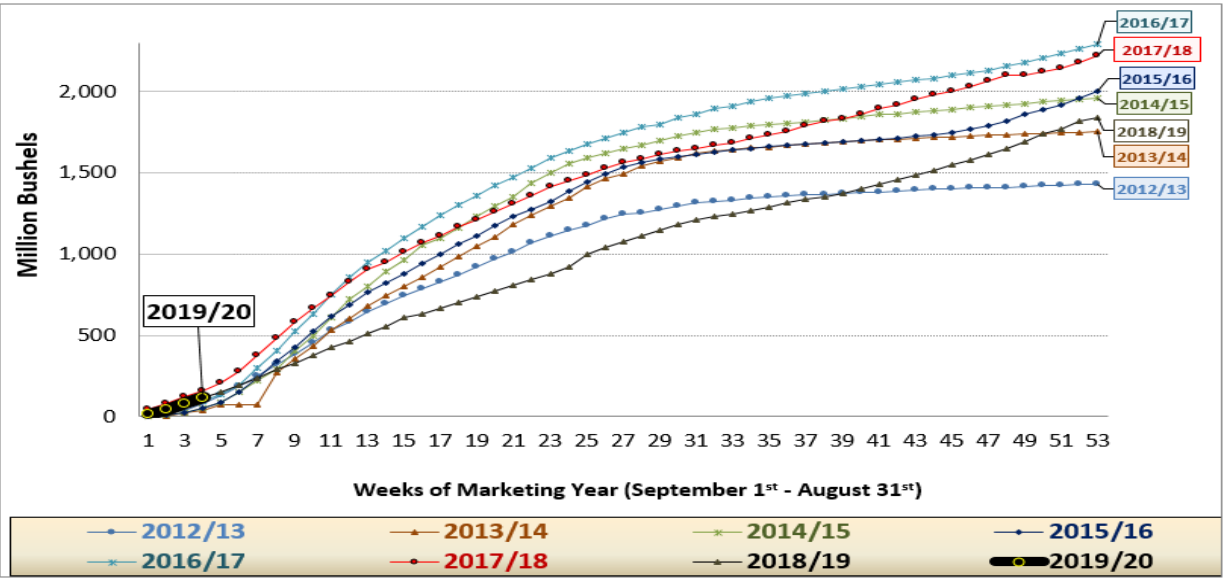
USDA 2019 = 47.9 bu/ac



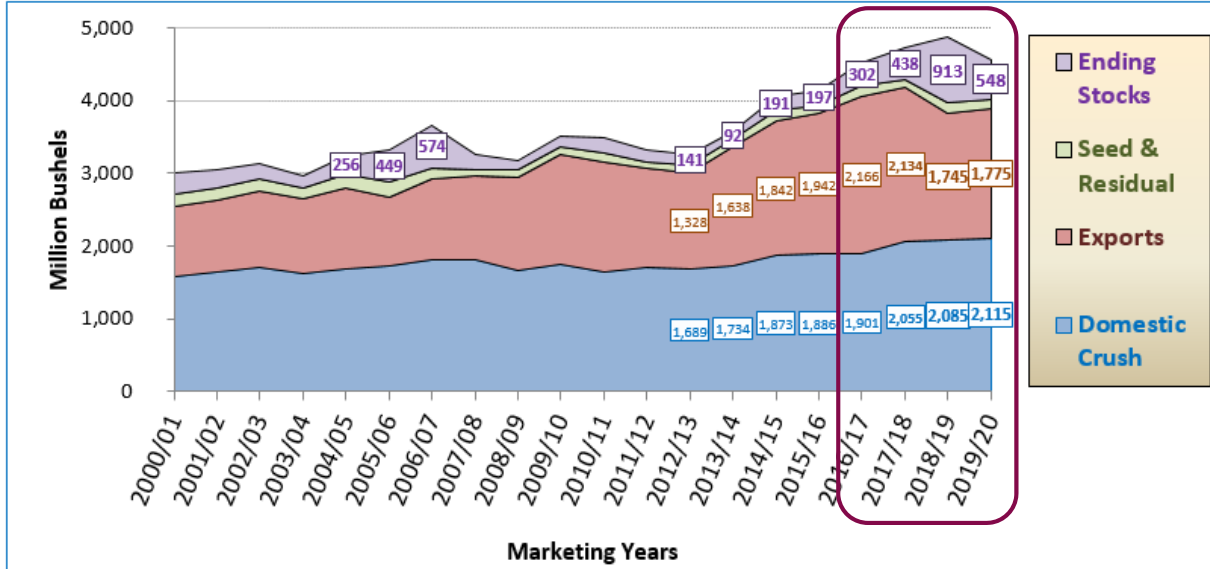
U.S. Soybean Production & Supplies



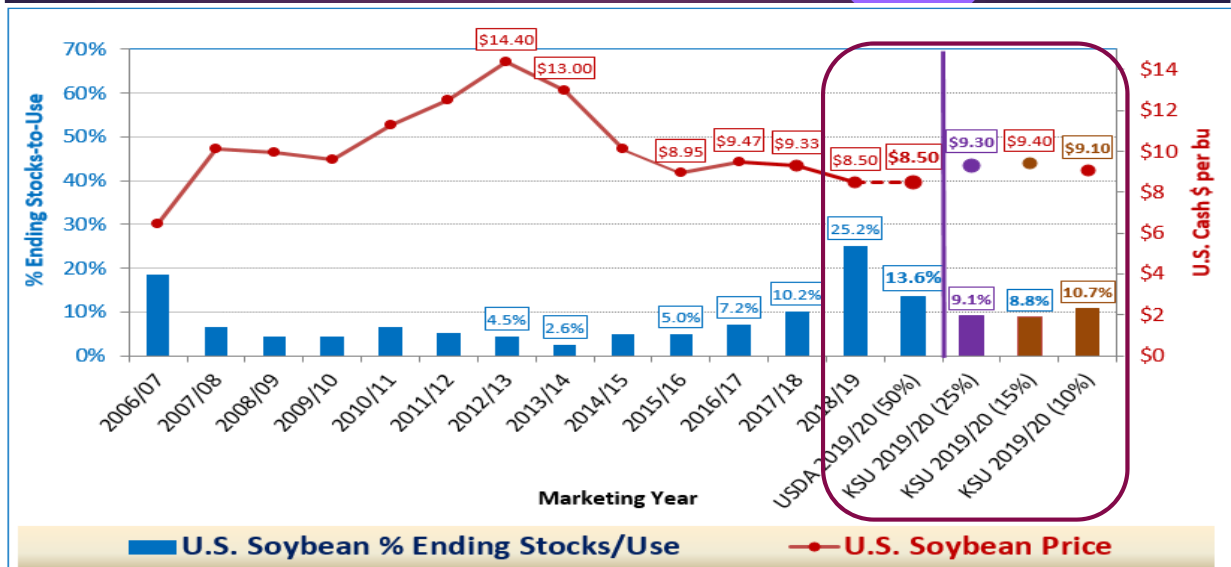
U.S. Soybean Exports – Weekly thru September 26, 2019



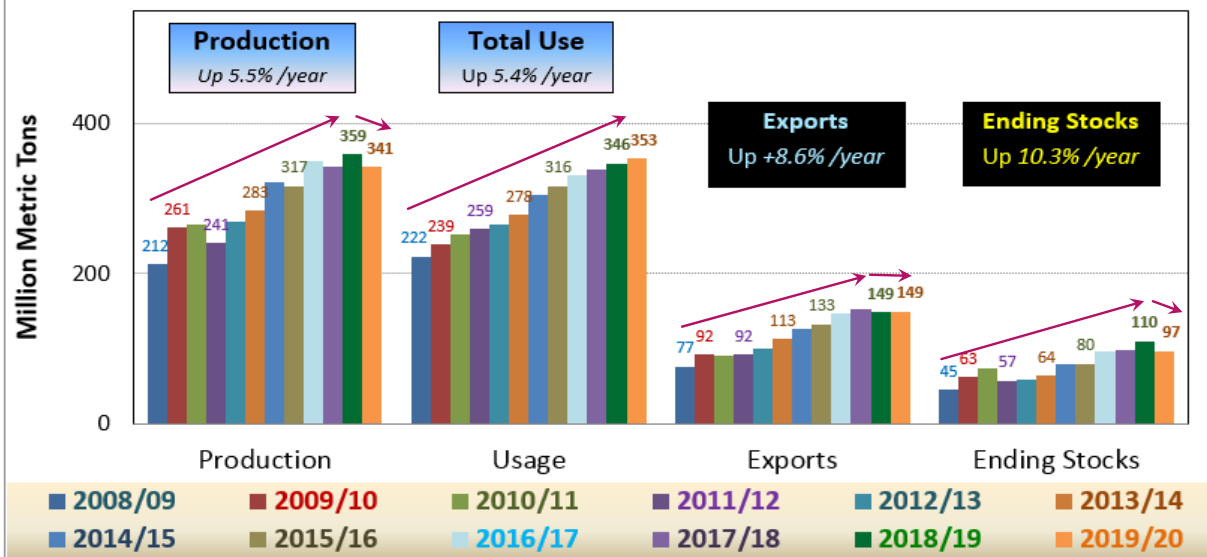
U.S. Soybean Use & End Stocks



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

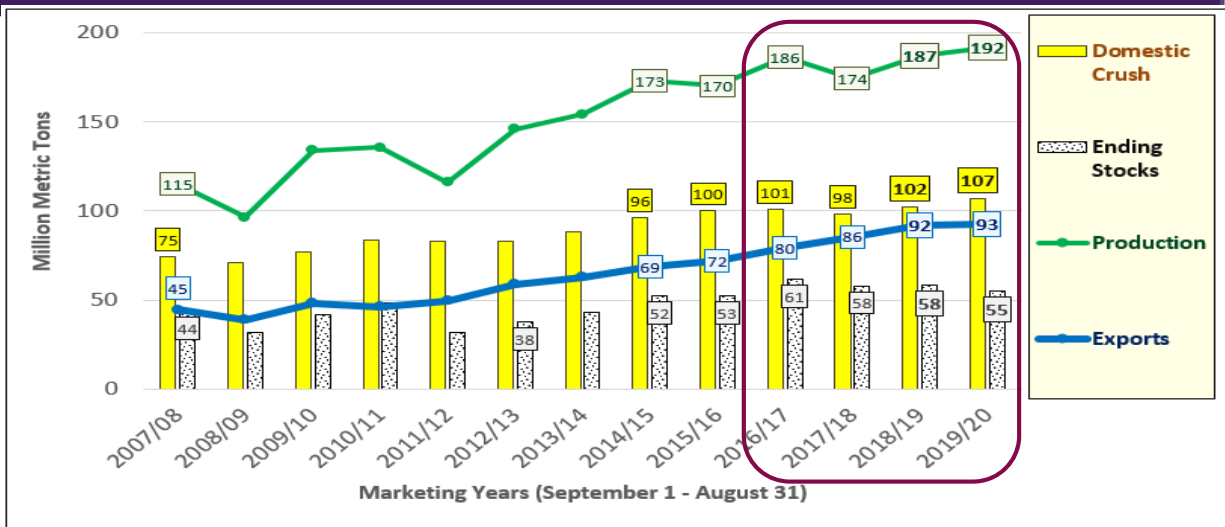


World Soybean Supply, Use & Stocks



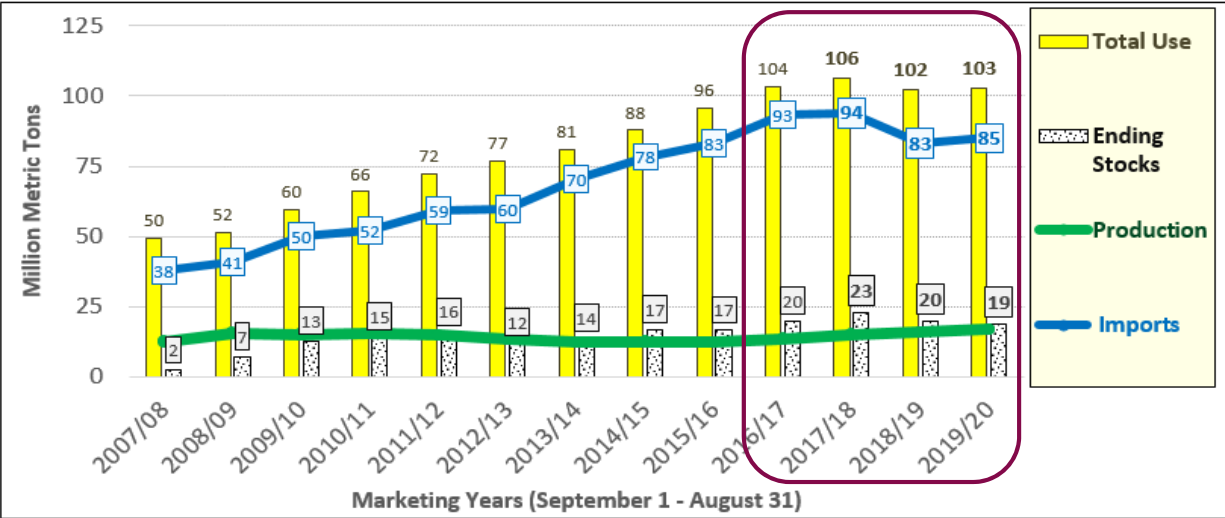
So. America Soybean Supply-Demand

MY 2007/08 through "New Crop" MY 2019/20



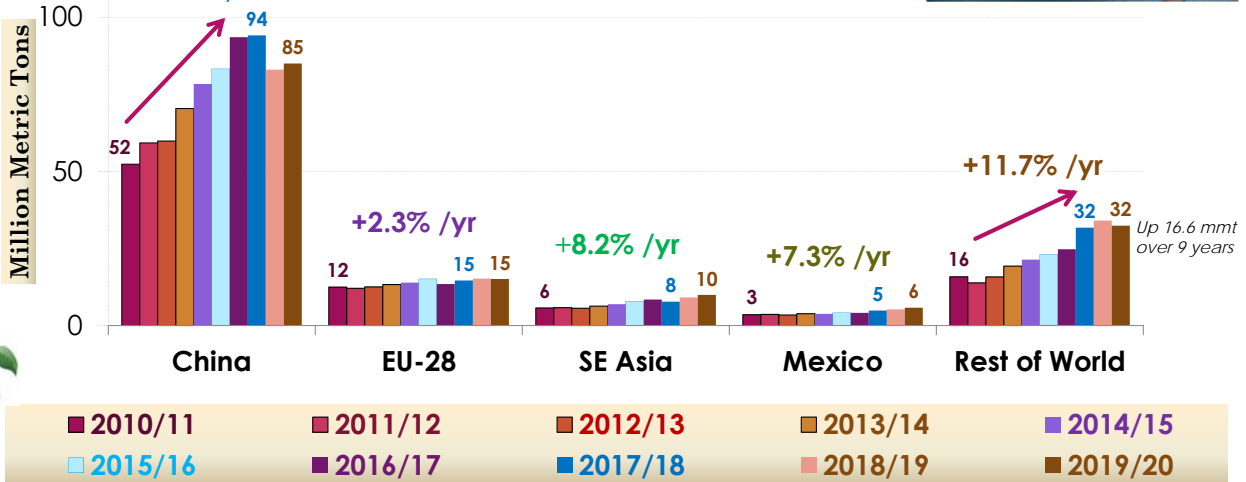
China Soybean Supply-Demand

2007/08 through "New Crop" MY 2019/20



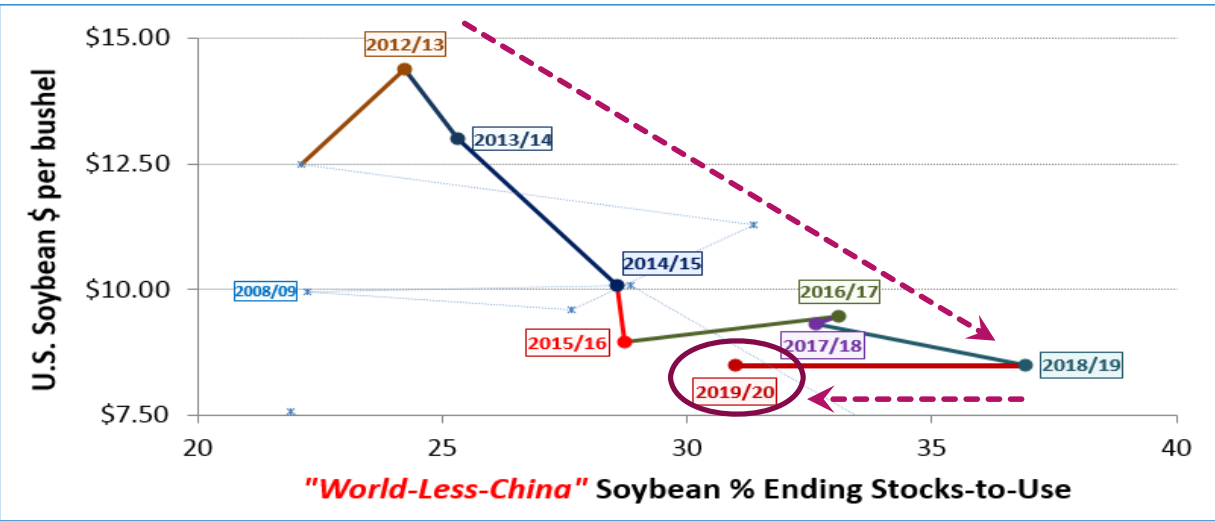
Soybean Importer Purchases

China ↑ of 32.7 mmt in soybean imports over the last 9 years – but declines last 2 years



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

MY 2007/08 through "New Crop" MY 2019/20



World Cotton Production

Country or Region	2018/2019 estimate	2019/2020 forecast	Change from August 12	Change from 2018/2019
----- Million bales -----				
World	119.0	124.9	-0.7	5.9
United States	18.4	21.9	-0.7	3.5
Foreign	100.7	103.0	-0.1	2.4
Argentina	1.1	1.0	--	-0.1
Brazil	12.8	12.0	--	-0.8
Turkey	3.7	4.1	--	0.4
Australia	2.2	1.4	-0.5	-0.8
China	27.8	27.8	--	--
India	26.5	29.5	0.5	3.0
Pakistan	7.6	8.0	--	0.4
Uzbekistan	3.3	3.0	--	-0.3
Turkmenistan	0.9	1.2	0.1	0.2
African Franc Zone	5.4	5.9	-0.1	0.5

U.S. Cotton Supply and Demand

Item	2018/2019		2019/2020		
	Estimate	Change from August 12	Forecast	Change from August 12	Change from 2018/2019
Planted area (million acres)	14.10	--	13.76	-0.14	-0.34
Harvested area (million acres)	10.21	--	12.51	-0.13	2.30
Yield (pounds per acre)	864	--	839	-16	-25
----- Million bales -----					
Beginning stocks	4.20	-0.10	4.85	-0.40	0.65
Production	18.37	--	21.86	-0.65	3.50
Imports	0.00	**	0.01	--	**
Total supply	22.57	-0.10	26.72	-1.05	4.15
Mill use	2.98	-0.02	3.00	-0.10	0.02
Exports	14.76	0.55	16.50	-0.70	1.74
Total use	17.74	0.52	19.50	-0.80	1.76
Unaccounted	-0.02	-0.22	0.02	-0.25	0.04
Ending stocks	4.85	-0.40	7.20	--	2.35
----- Percent -----					
Stocks to use ratio	27.3	-3.2	36.9	1.5	9.6
----- Cents per pound -----					
Average market price	70.50	0.50	58.00	-2.00	-12.50



Questions?

Daniel O'Brien – Extension Ag Economist

Blog: www.ksugrains.wordpress.com

KSUGrains on Twitter

www.AgManager.info



KANSAS STATE UNIVERSITY

Department of Agricultural Economics