

# 2019 Grain Market Outlook

## 2018 Ag Lenders Conferences

Garden City & Manhattan, Kansas

October 9-10, 2018

DANIEL O'BRIEN

EXTENSION AGRICULTURAL ECONOMIST

**KANSAS STATE**  
UNIVERSITY

Department of Agricultural Economics



## Topics to be discussed.....

### 1) U.S. Foreign Trade Uncertainty & U.S. Dollar Trends

### 2) Grain Market Analysis & Outlook

- Soybeans & Cotton
- Corn & Grain Sorghum
- Wheat

## 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)

## USDA Market Facilitation Payments (MFP)

### A. Direct payments to farmers of soybeans, sorghum, corn, wheat, cotton, dairy & hogs.

- **Soybean MFPs** = \$1.65 /bu x 50% of production (\$3.700 bln)
- **Sorghum MFPs** = \$0.86 /bu x 50% of production (\$156 mln)
- **Wheat MFPs** = \$0.14 /bu x 50% of production (\$119 mln)
- **Corn MFPs** = \$0.01 /bu x 50% of production (\$ 96 mln)
- **Cotton MFPs** = \$0.06 /lb x 50% of production (\$277 mln)

## Market Facilitation Payments (MFP) *more*

### A. Direct payments to farmers of soybeans, sorghum, corn, wheat, cotton, dairy & hogs.

- **Hog MFPs** = \$8.00 /head x 50% of production (\$290 mln)
- **Dairy MFPs** = \$0.12 /cwt milk x 50% of MPP Production (\$127 mln)

### ❑ No Adjustments for Low Yields in 2018

*“The aid is based on this year's production. It will not be adjusted for those who suffered low yields due to factors such as drought.”*

**DTN Chris Clayton 8/27/2018**

## USDA Market Facilitation Payments (MFP)

### 2) Purchases of foods including fruits, nuts, rice, legumes, beef, pork & milk for distribution to food banks & nutrition programs.

- **Pork purchases** = \$ 558.8 mln
- **Dairy purchases** = \$ 84.9 mln
- **Beef purchases** = \$ 14.8 mln
- **Apple purchases** = \$ 93.4 mln
- **Other purchases** = \$ 578.1 mln
- **Total purchases** = \$1.238 bln

## USDA Market Facilitation Payments (MFP)

### Farmers apply after harvest is 100 percent complete

- 1) Eligible applicants must have an ownership interest in the commodity, be actively engaged in farming.
- 2) Adjusted Gross Income (AGI) limit is \$900,000.
- 3) \$125,000 payment limits (*separate \$125K limits for crops & livestock*)

## Economic Impact of U.S.-China Tariffs (Hayes, Hart <sup>ISU</sup>)

- ▶ The **U.S.** will continue to export soybeans to **China**, BUT this means that a 25% wedge will exist (i.e., 25% Tariff = 25% “Wedge”)
  - IF the **U.S.** was equal to 50% the World Soybean Production, **THEN** the U.S. Soybean price should fall by 12.5% (*1/2 of 25% “wedge”*)
  - **BUT** the **U.S.** *only* produces 33% of World Soybean Production, **SO** the U.S. Soybean price will be down  $\approx$  \$1.75 /bu
  - IF Soybeans are \$1.75 lower **THEN** U.S. Corn will be \$0.70 /bu lower



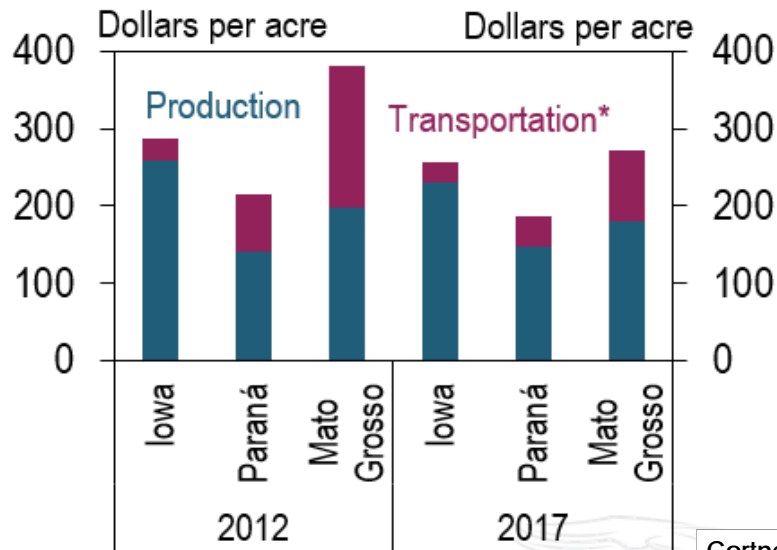
## MFP Questions at this time....

1. Will MFP be paid on bushels indemnified for price loss?
2. Is conservation compliance required? **YES**
3. Is the \$125,000 payment limit a new limit? Some farmers will have already hit the limit via other programs. (*Likely separate limit for MFP only*)
4. Will payments be made on minor oilseeds (Sunflower, Canola, Dry Beans)?
5. Can farmers wait until 2019 to file the MFP claim?
6. With the low corn yields in Eastern Kansas this year, it will cost more to cut the check than the face value of the check. A penny payment will generate some *very small* payments for a large number of corn producers. (Barnaby<sup>KSU</sup>)

## Economic Impact of U.S.-China Tariffs (Hayes, Hart<sup>ISU</sup>)

- ▶ Based on “*old crop*” MY 2017/18 Ending Stocks, U.S. Corn \$s are now **\$0.50 /bu lower** than they would usually be (Down \$0.35-\$0.50 /bu - KSU)
- ▶ **U.S.-China Possible Impact on U.S. Export Competitiveness**
  - US soybean producers do not have a 25% cost advantage over Brazil
  - If this “*Trade War*” between the U.S. & China goes on long enough, the U.S. will *likely* need to downsize U.S. soybean production by 30%
  - **As a result** – “**IF** Soybeans are \$1.75 lower **THEN U.S. Corn** will be \$0.70 /bu lower.” (*because U.S. Corn Acres-Production will have increased*)

## Soybean Costs in the U.S. and Brazil



\* Costs to ship from farm to port.  
Sources: [Gavilon](#) and USDA.

Cortney Cowley  
Federal Reserve Bank of KC  
Omaha Branch

## Grain Market Events to Come ....

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

- **Corn<sup>2018</sup>** < 14.8 bln bu? ➡ End Stocks < 1.774 bb?
- **Soybeans<sup>2018</sup>** < 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 <sup>So-Am 2019</sup> *Up 5-10% ?* ➔ 'Existing' or 'New' Acres?
- Corn <sup>So-Am 2019</sup> *Down 5% ?* ➔ 2<sup>nd</sup> 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 <sup>U.S 2019</sup> *Down* ≈ 4+ mln ac. ? ➔ *U.S.-China Trade Status?*
- Corn <sup>U.S. 2019</sup> *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 <sup>2019</sup> ⇒ *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 <sup>2019</sup> ⇒ 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*)

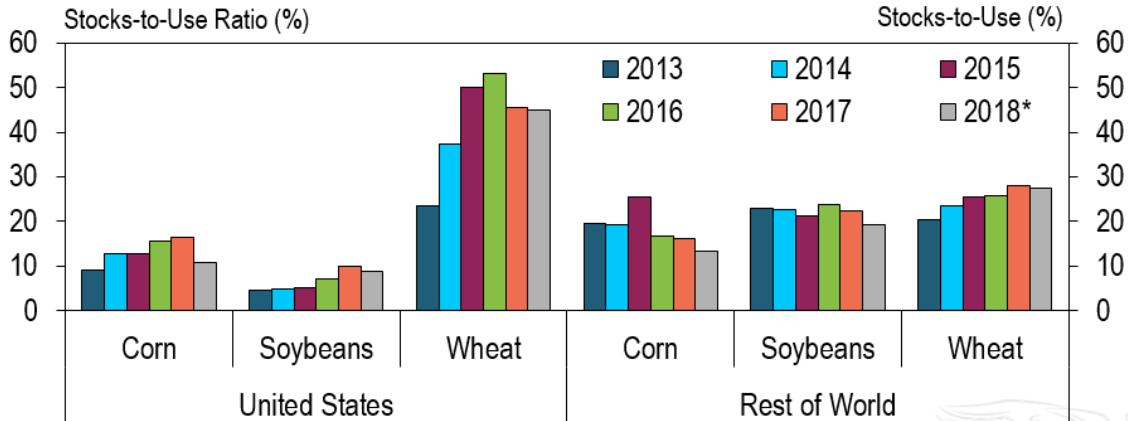
Q. Yields: What are the odds of “normal”-“large” 2019 U.S. HRW crop yield & production vs a “short” one ???

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!

Inventories have been record large, but are expected to decline in 2018.

Inventories



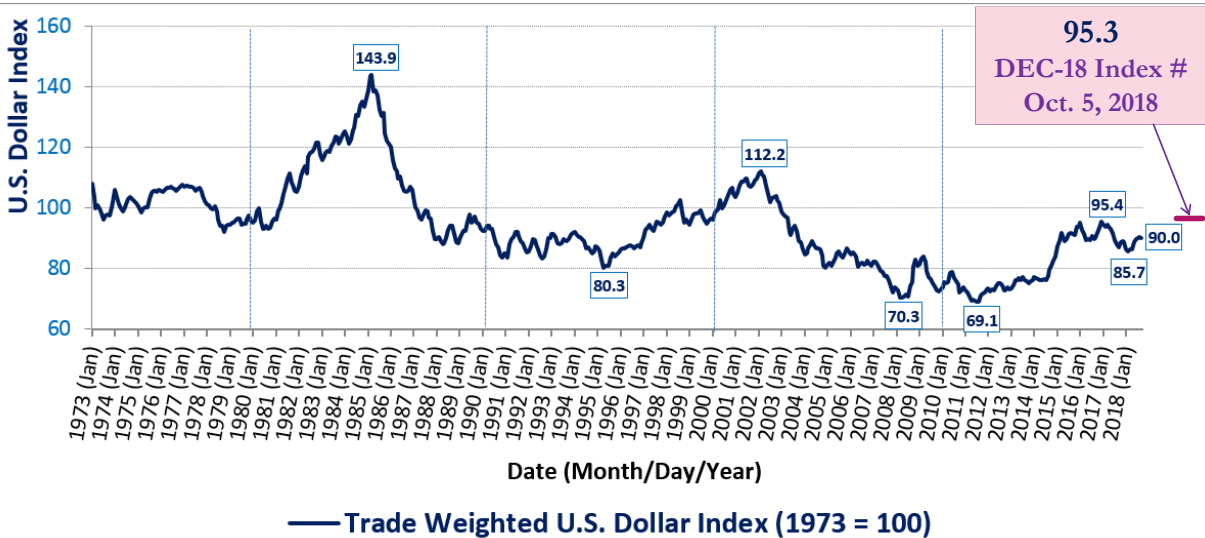
\*Forecast for 2018.  
Source: USDA.

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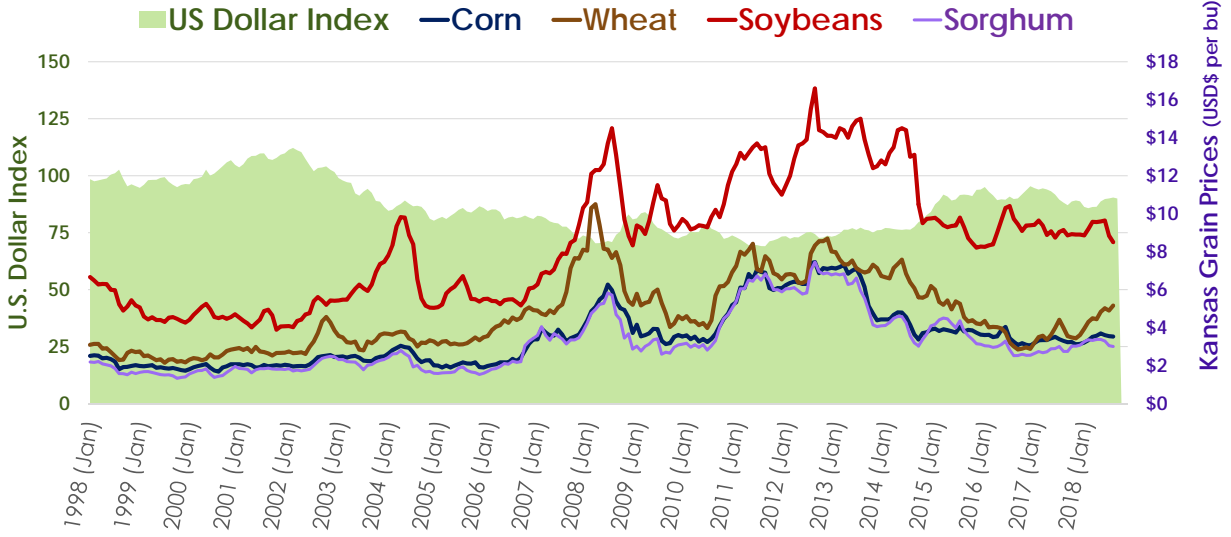
Cortney Cowley  
Federal Reserve Bank of KC  
Omaha Branch

U.S. Dollar Index (ICE Futures)

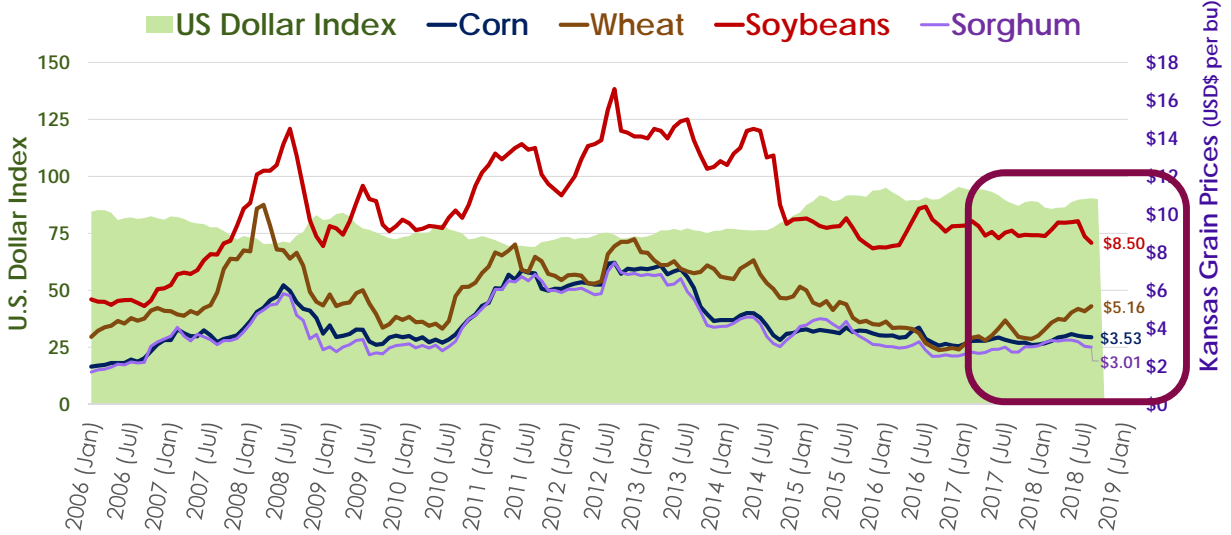
Monthly Chart: January 1973 through September 28, 2018



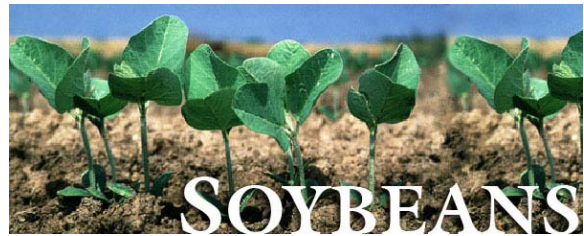
# U.S. Dollar Index vs Kansas Grain \$'s 1998 – Oct. 5, 2018



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



# Soybean & Cotton Markets

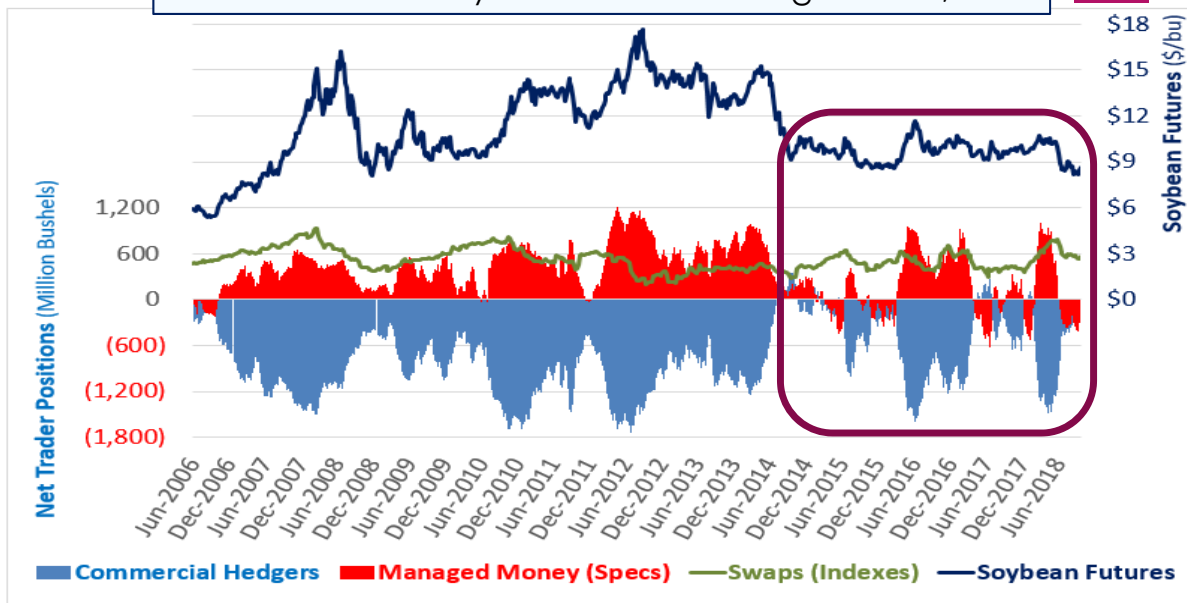


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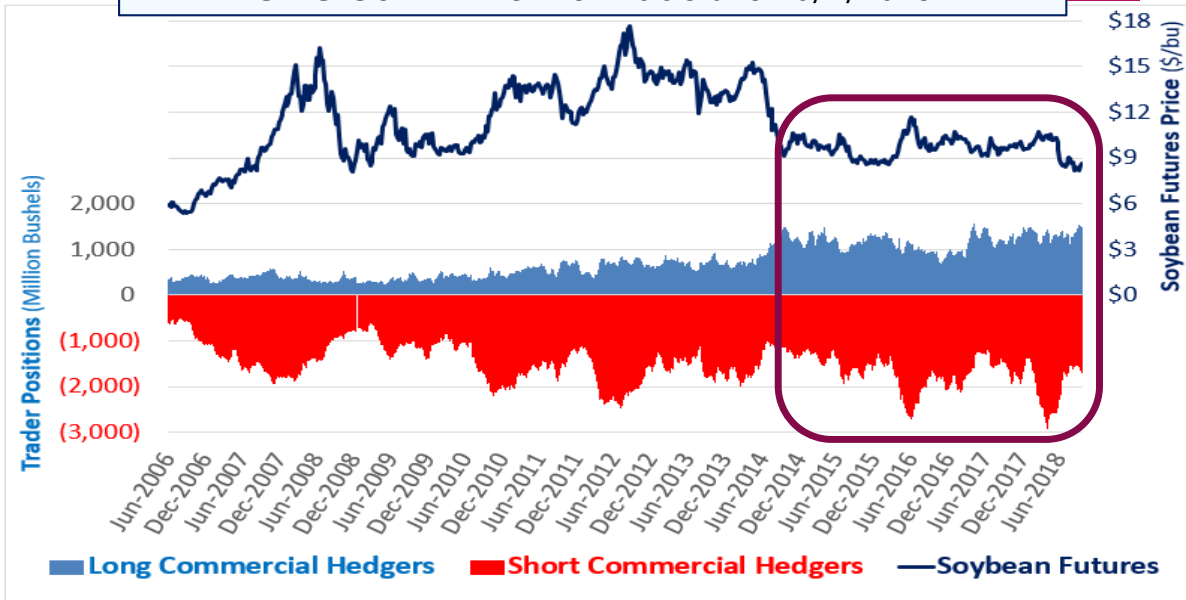
## CFTC Commitment of Traders Report

Positions in CME Soybean Futures through Oct. 2, 2018



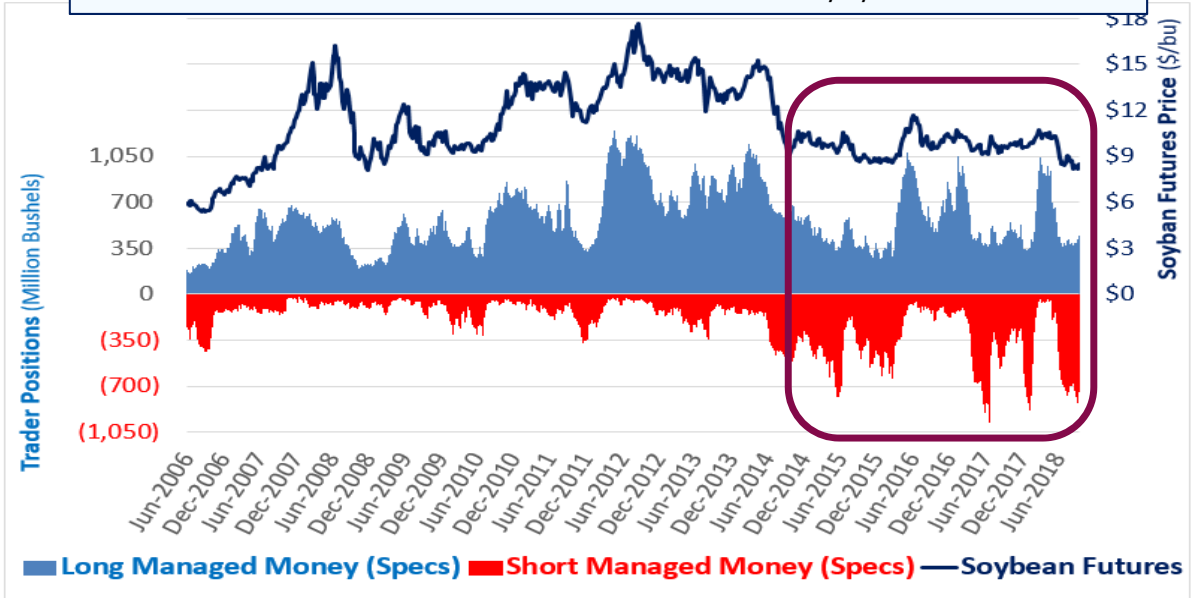
## Commercial Hedge Positions in Soybeans

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 Supply-Use

- Soybean crop record high in September Crop 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> = 2.070 bln bu (*Record* – vs 2.055 bb last year)
  - Exports<sup>2018/19</sup> = 2.060 bln bu (*Down* – vs 2.130 & 2.166 bb last 2 years)
  - Total Use<sup>2018/19</sup> = 4.268 bln bu (*Down* – vs 4.321 bb last year)
  - SBM Exports<sup>2018/19</sup> = 13.500 mln tons (vs 14.4 & 11.6 mln tons last 2 years)

# 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)



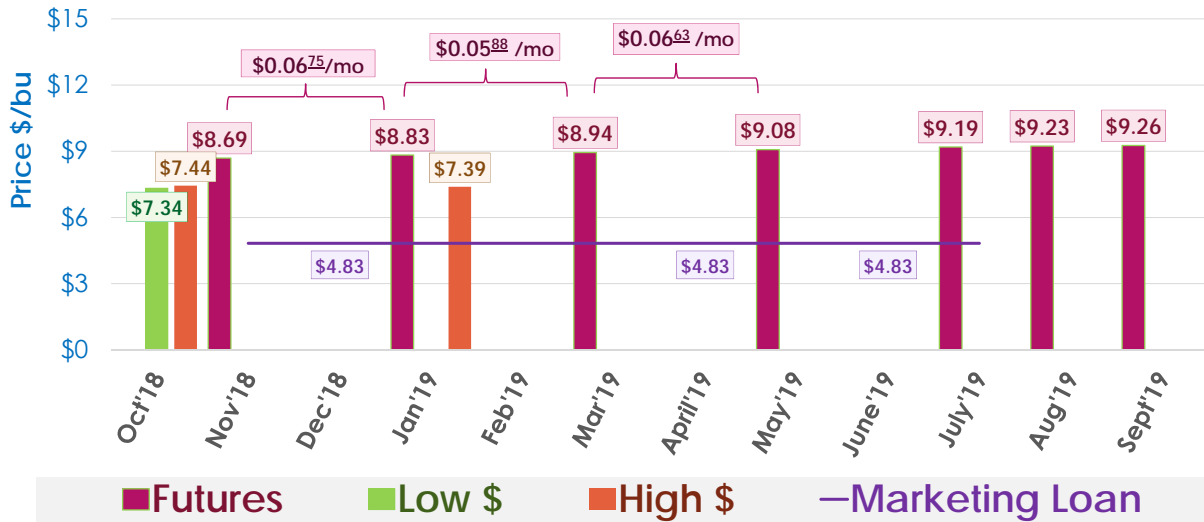
## CME Soybean Futures

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



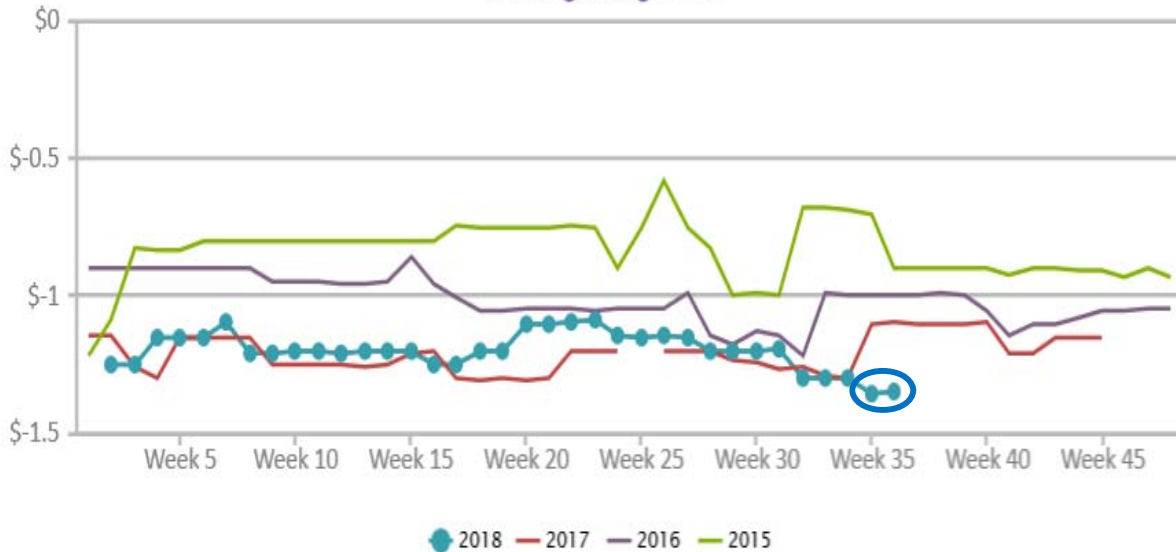
# Soybean Cash & Futures Price\$'s

Garden City, KS Local Elevators - October 5, 2018



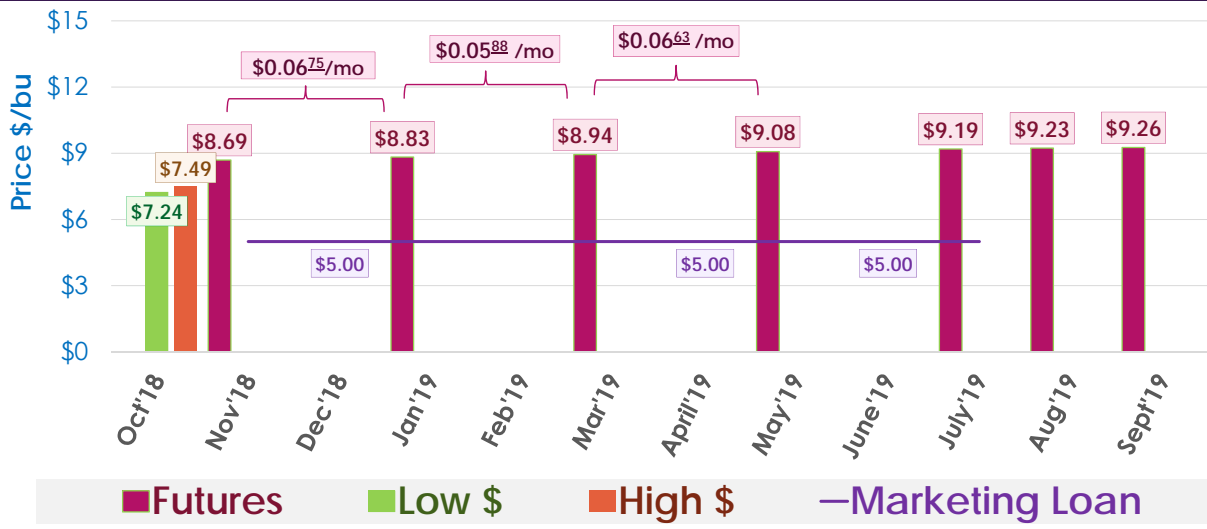
## GARDEN CITY, KS: Soybeans Basis - GARDEN CITY COOP

www.AgManager.info



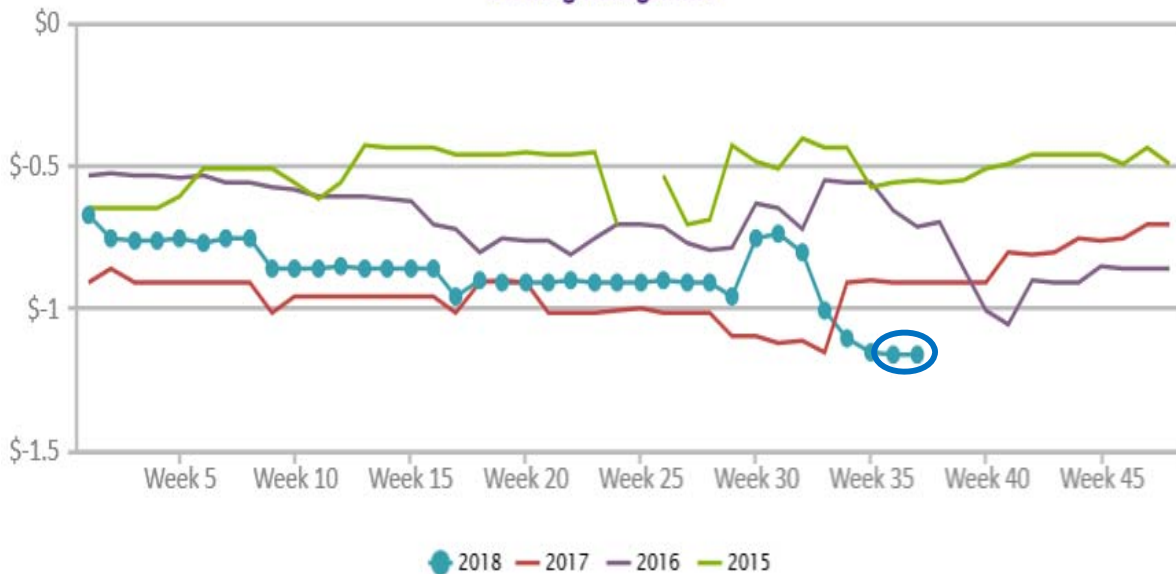
# Soybean Cash & Futures Price\$'s

Salina, KS Local Elevators - October 5, 2018



## SALINA, KS: Soybeans Basis - CARGILL

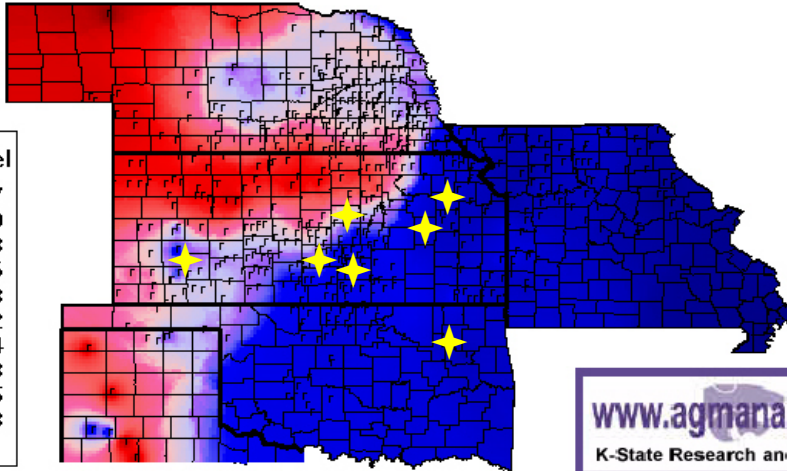
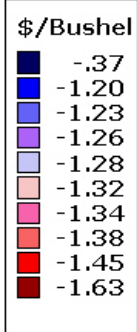
www.AgManager.info



## Soybean Basis, 10-03-2018

Basis = Cash Price - Nearby Futures Price

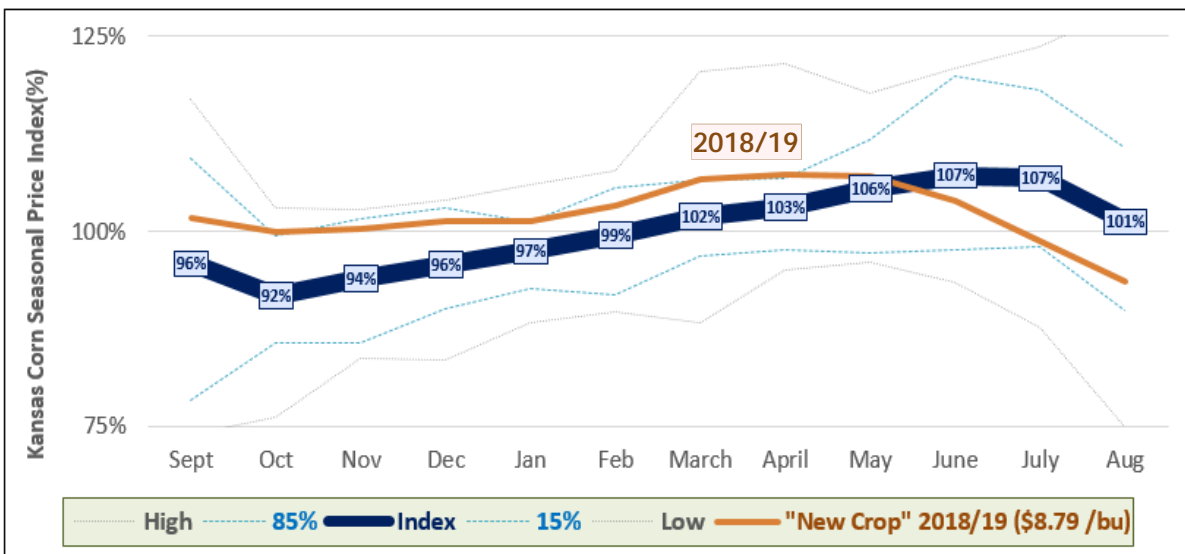
CBT Nov  
Futures  
Price: \$8.62



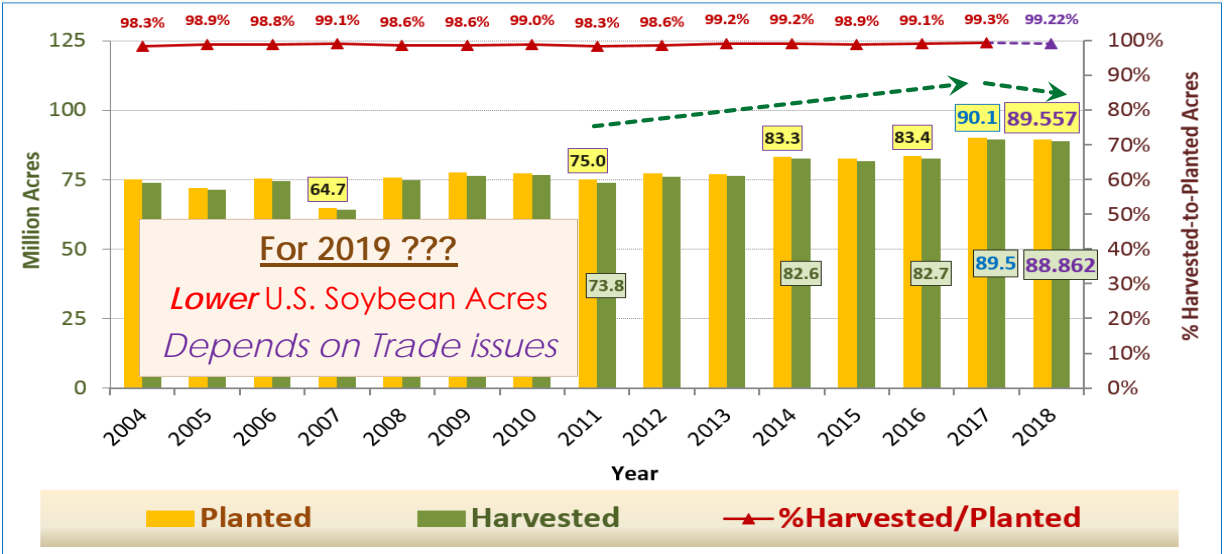
[www.agmanager.info](http://www.agmanager.info)  
K-State Research and Extension

## Kansas Soybean Seasonal Cash \$ Index

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



# U.S. Soybean Acreage



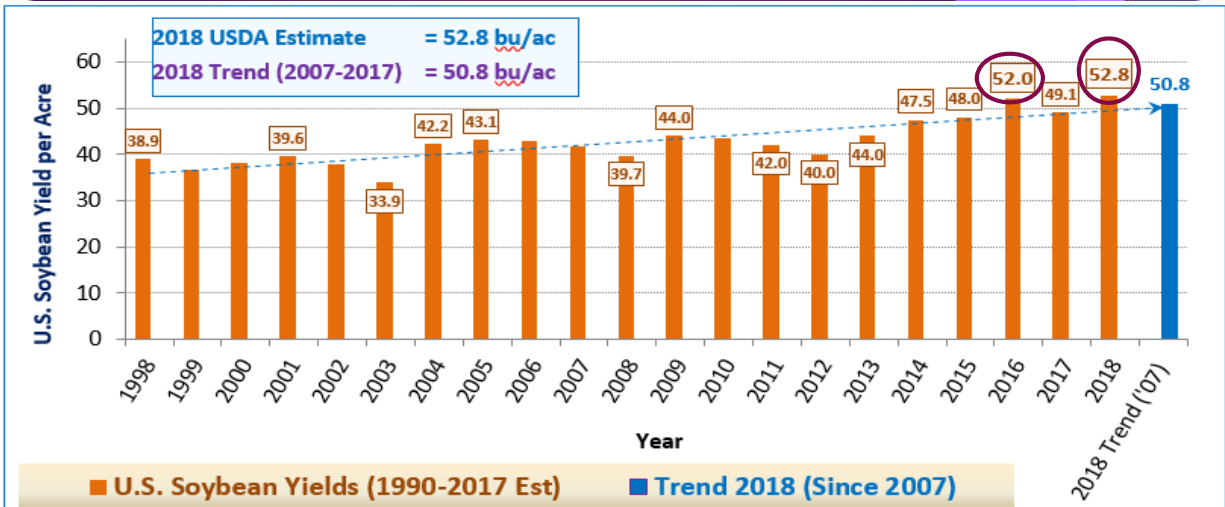
# U.S. Soybean Yields

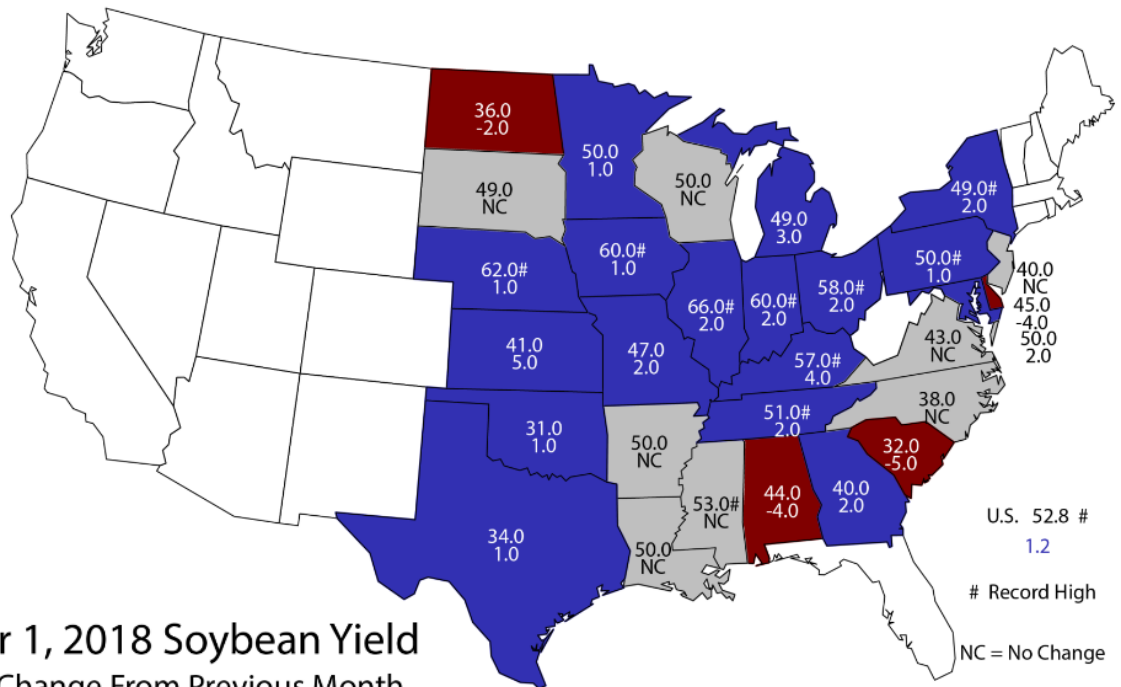
USDA 2018 = 52.8 bu/ac

Final 2018???

Impact of Wet Harvest???

49-50 bu/ac is still possible?



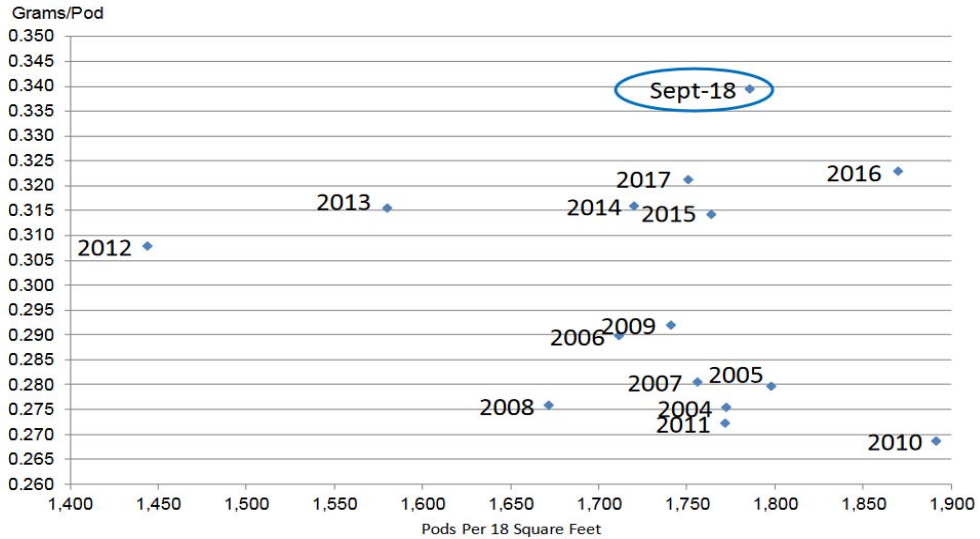


September 1, 2018 Soybean Yield  
Bushels and Change From Previous Month

U.S. 52.8 #  
1.2  
# Record High  
NC = No Change



### Soybean Objective Yield Region Pods Per 18 Square Feet vs. Implied Pod Weight

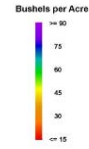
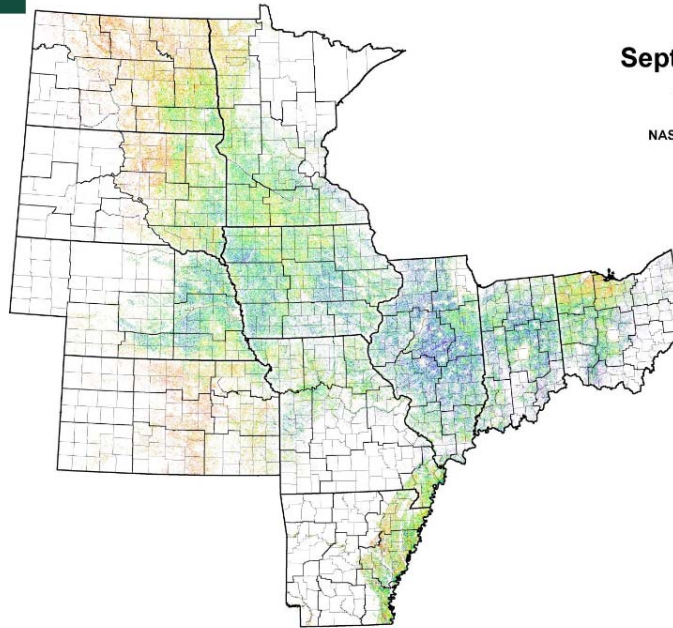


Implied Pod Weight = (Published Yield / Pods) / 0.0889



## September 1, 2018 Soybeans

NASA Terra MODIS Modeled



USDA-NASS  
9-12-18

## U.S. Soybean Supply & Demand

Items	MY 2017/18	MY 2018/19	Vs Aug 2018	Vs Year Ago
Beginning Stocks (mln bu)	302	395	(35)	+93
<b>Production</b>	<b>4,392</b>	<b>4,693</b>	<b>+107</b>	<b>+301</b>
<u>Imports</u>	<u>22</u>	<u>25</u>		<u>+3</u>
<b>Total Supply (mln bu)</b>	<b>4,715</b>	<b>5,113</b>	<b>+73</b>	<b>+398</b>



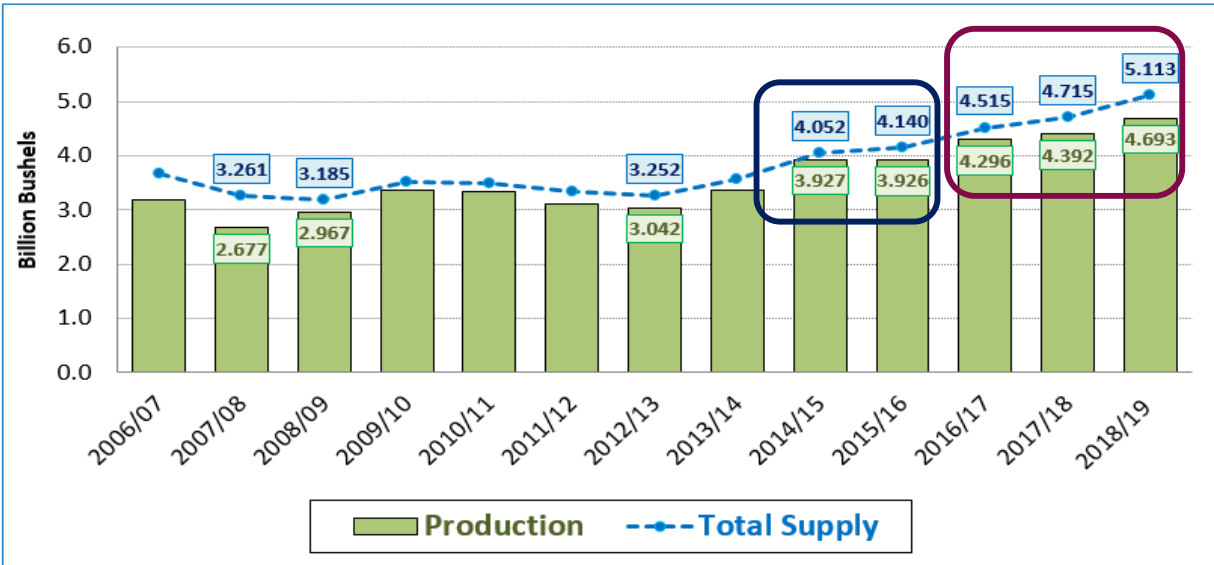
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<b>Domestic Crush</b>	<b>2,055</b>	<b>2,070</b>	<b>+10</b>	<b>+15</b>
<b>Exports</b>	<b>2,130</b>	<b>2,060</b>		<b>(130)</b>
<u>Seed &amp; Residual</u>	<u>136</u>	<u>137</u>	<u>+1</u>	<u>+1</u>
<b>Total Use (mln bu)</b>	<b>4,321</b>	<b>4,268</b>	<b>+12</b>	<b>(53)</b>

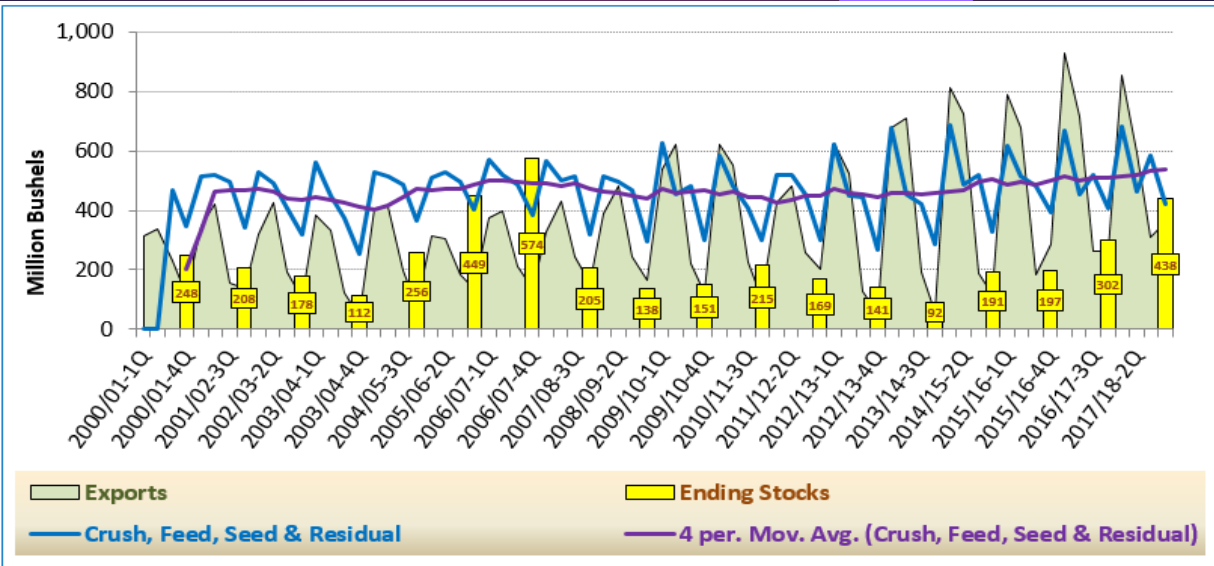
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<b>Ending Stocks (mln bu)</b>	<b>395</b>	<b>845</b>	<b>+60</b>	<b>+450</b>
<b>% Ending Stocks-to-Use</b>	<b>9.1%</b>	<b>19.8%</b>	<b>+1.4%</b>	<b>+10.7%</b>
<b>U.S. Avg. Price\$ (\$/bu)</b>	<b>\$9.35</b>	<b>\$8.60</b>	<b>(\$0.30)</b>	<b>(\$0.75)</b>

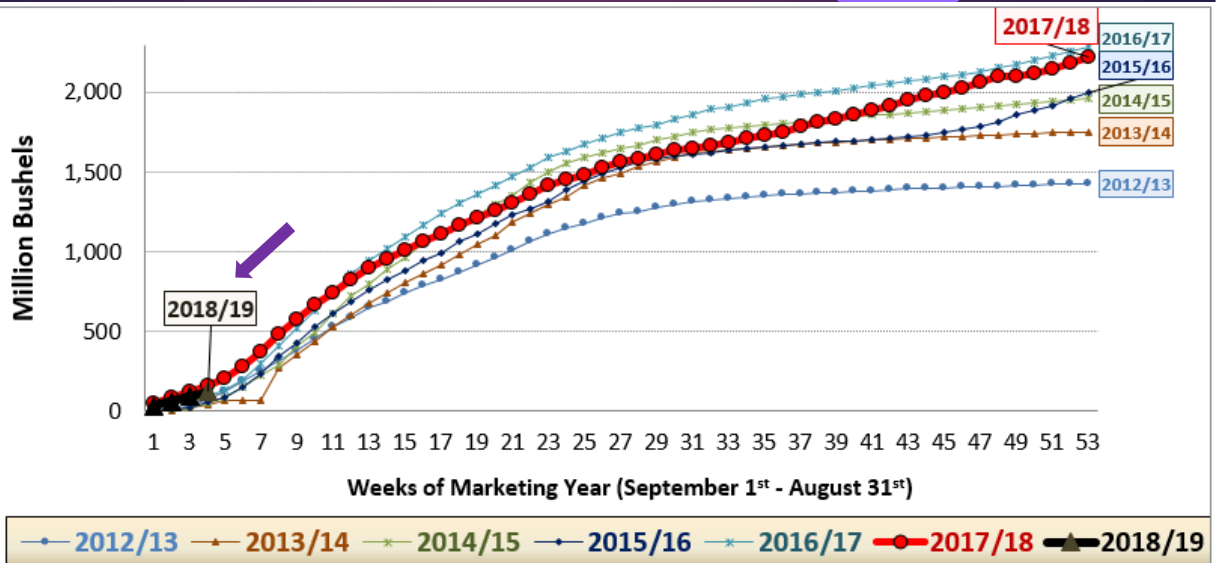
# U.S. Soybean Production & Supplies



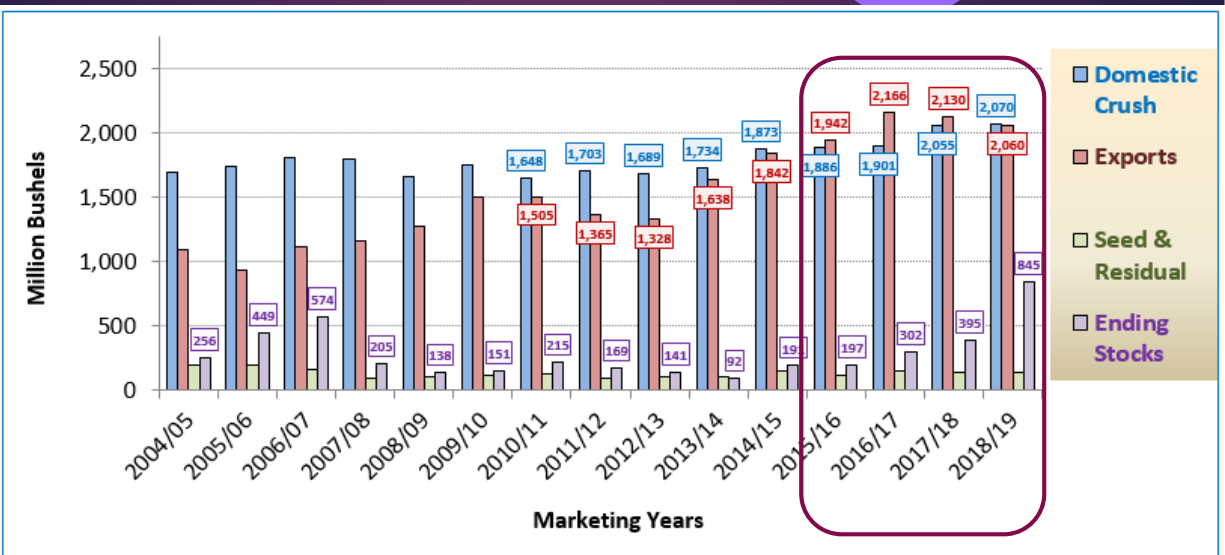
# U.S. Soybean Quarterly Use & End Stocks



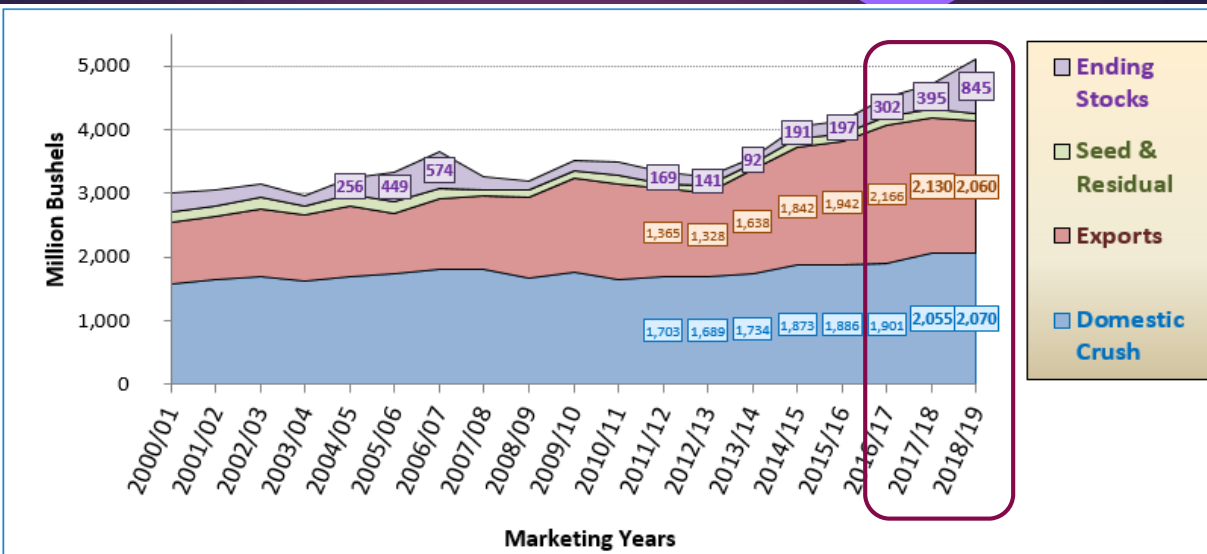
# U.S. Soybean Exports - Cumulative Weekly



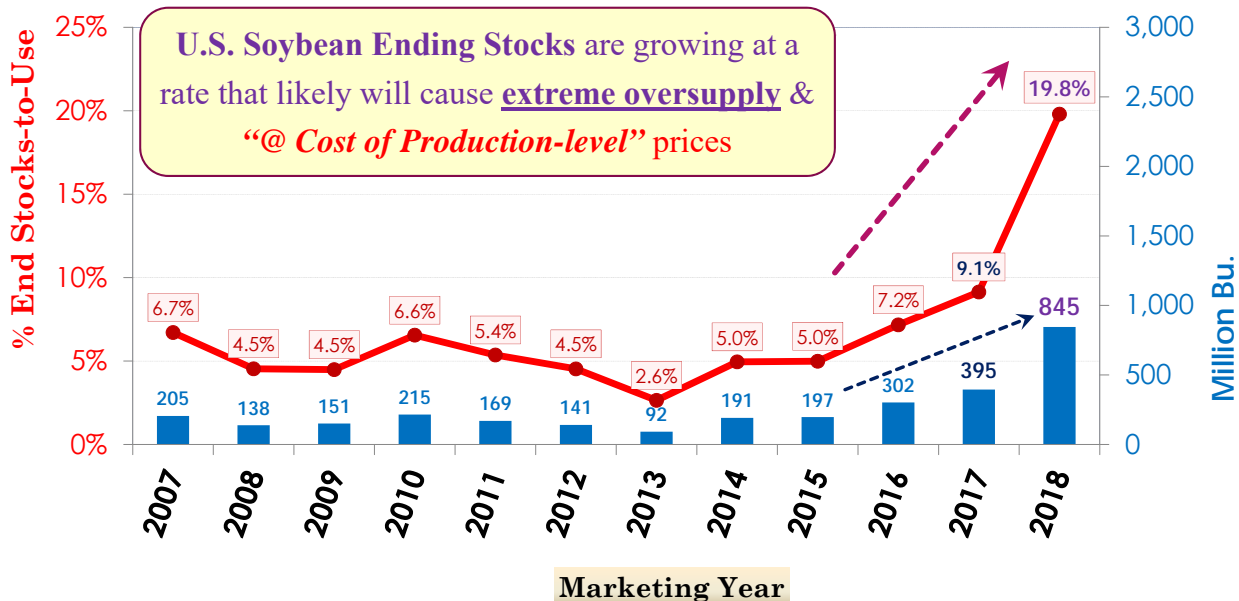
# U.S. Soybean Use & End Stocks



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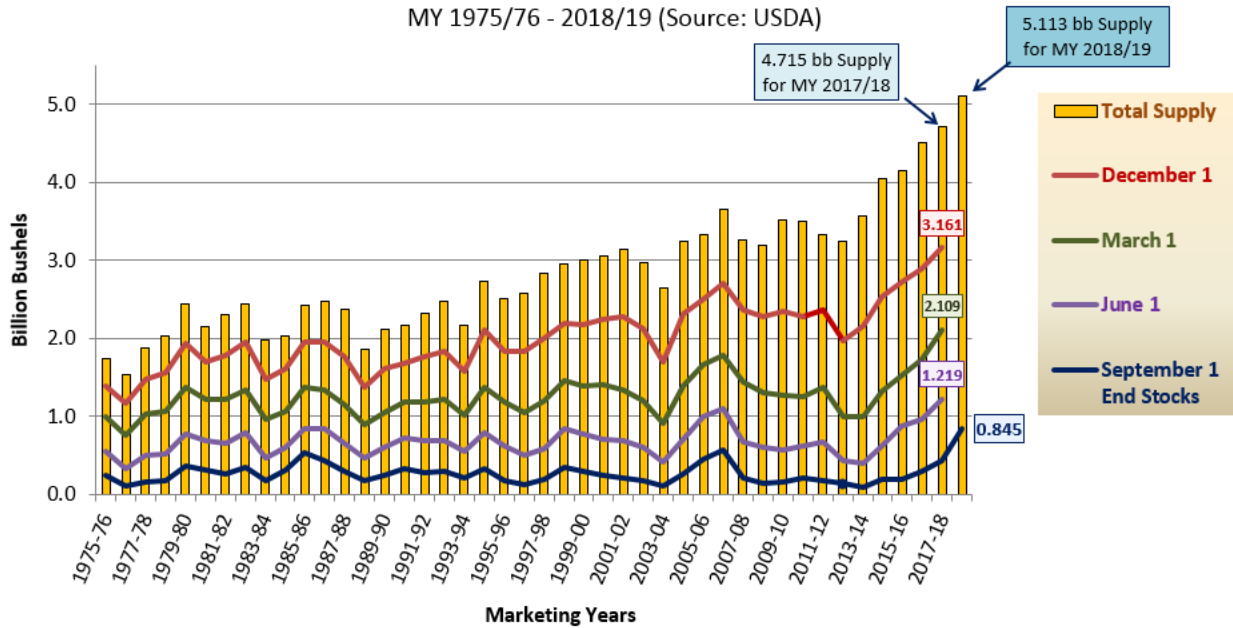


# U.S. Soybean Ending Stocks & % Stx/Use

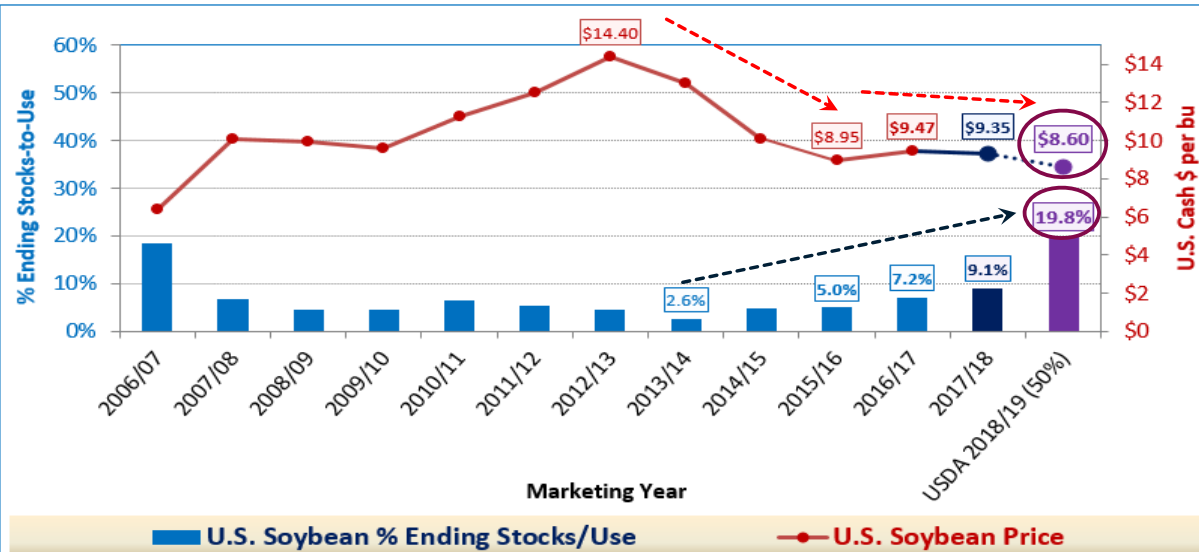


## U.S. Soybean Total Supply & Quarterly Stocks

MY 1975/76 - 2018/19 (Source: USDA)



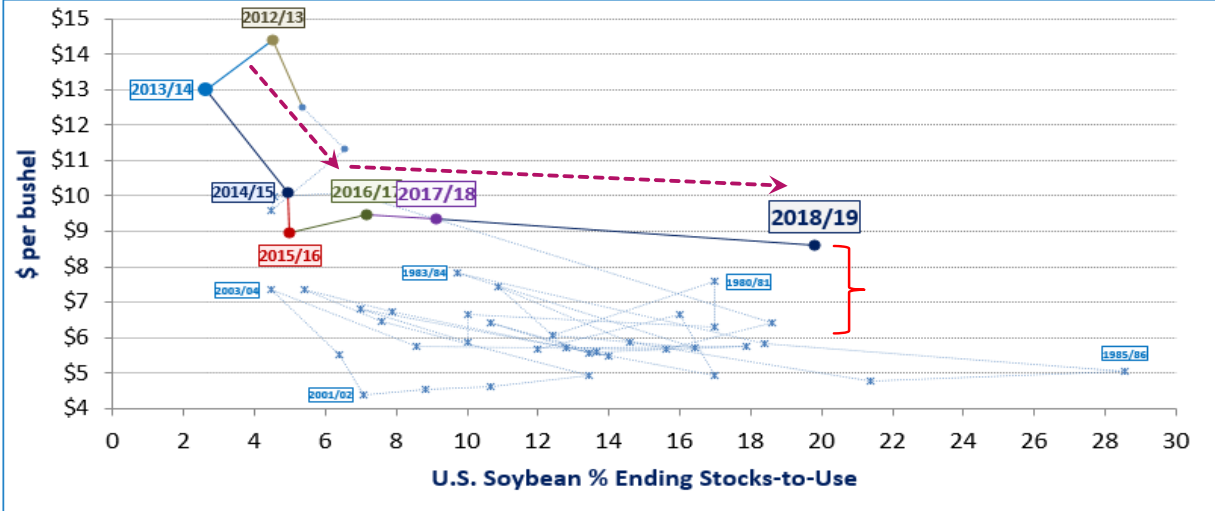
## U.S. Soybean % Stocks/Use vs Price\$



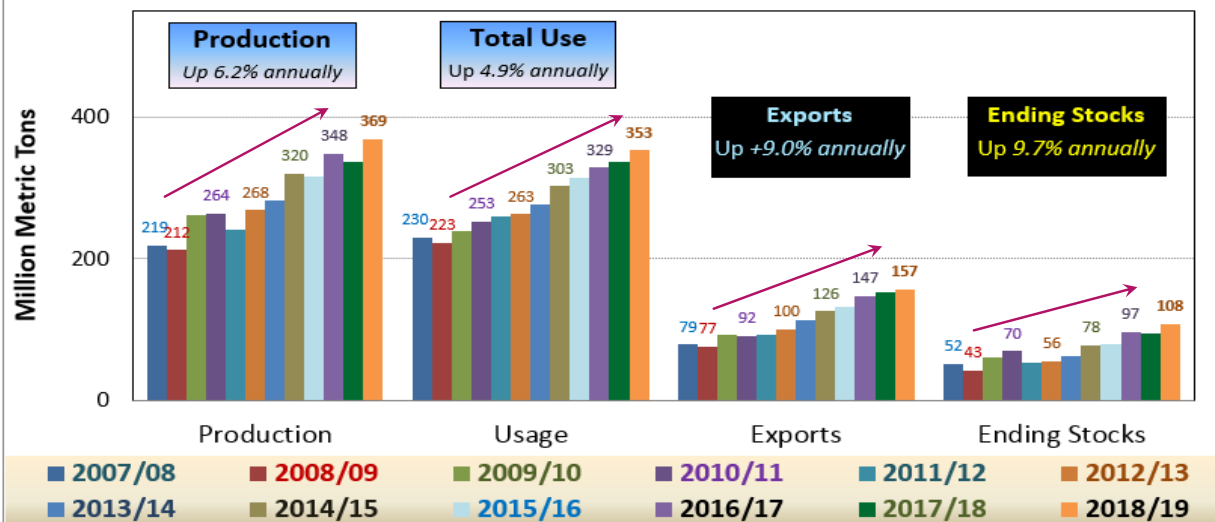
# U.S. Soybean \$ vs U.S. Stx-to-Use



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



# World Soybean Supply, Use & Stocks



# World Soybean Production

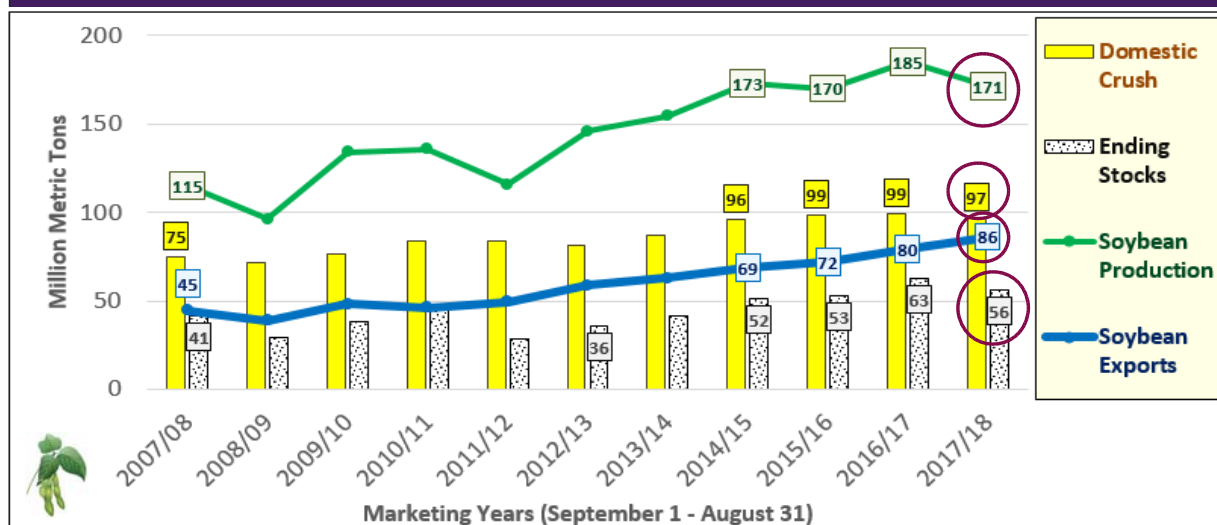
Country or Region	2017/2018		2018/2019		
	Estimate	Change from August 10	Forecast	Change from August 10	Change from 2017/2018
----- Million Tons -----					
World	336.8	0.1	369.3	2.2	32.5
United States	119.5	--	127.7	2.9	8.2
Foreign	217.3	0.1	241.6	-0.7	24.3
Argentina	37.8	0.8	57.0	--	19.2
Brazil	119.5	--	120.5	--	1.0
Paraguay	10.0	--	9.8	--	-0.2
Canada	7.7	-0.3	7.0	-0.3	-0.7
India	8.4	--	10.5	-0.3	2.2
China	14.2	--	15.0	0.5	0.8

# World Soybean Supply and Use

Item	2017/2018		2018/2019		
	Estimate	Change from August 10	Forecast	Change from August 10	Change from 2017/2018
----- Million Tons -----					
Beginning stocks	96.7	**	94.7	-0.9	-1.9
Production	336.8	0.1	369.3	2.2	32.5
Total Supply	433.5	0.1	464.1	1.3	30.6
Crush	293.7	-0.7	308.2	-0.5	14.5
Total use	337.0	-0.5	353.0	-0.6	16.0
Trade	153.6	-0.1	156.9	-1.1	3.3
Ending Stocks	94.7	-0.9	108.3	2.3	13.5
<b>Addendum</b>					
Beginning stocks					
Argentina plus Brazil	61.9	--	55.7	0.7	-6.3
Imports*					
China	94.0	-2.0	94.0	-1.0	--

# So. America Soybean Supply-Demand

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



# China Soybean Supply and Use

Item	2017/2018		2018/2019		
	Estimate	Change from August 10	Forecast	Change from August 10	Change from 2017/2018
Harvested area (million hectares)	7.85	--	8.40	0.30	0.55
Yield (tons per hectare)	1.81	--	1.79	**	-0.02
----- Million tons -----					
Beginning stocks	20.4	--	22.5	-1.0	2.1
Production	14.2	--	15.0	0.5	0.8
Imports	94.0	-2.0	94.0	-1.0	--
Total supply	128.6	-2.0	131.5	-1.5	2.9
Crush	90.0	-1.0	93.5	-1.5	3.5
Food and feed	16.0	--	17.1	--	1.1
Domestic use	106.0	-1.0	110.6	-1.5	4.6
Exports	0.1	**	0.1	--	**
Total use	106.1	-1.0	110.7	-1.5	4.6
Ending stocks	22.5	-1.0	20.8	**	-1.7
----- Percent -----					
Stocks to use ratio	21.2	-0.8	18.7	0.2	-2.4

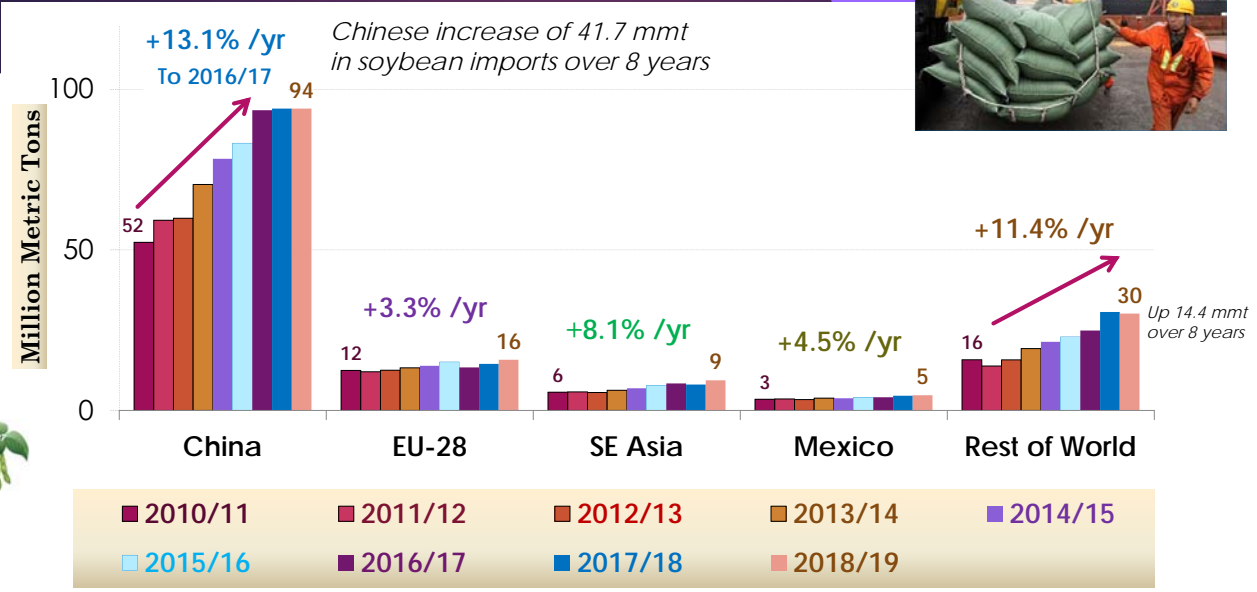


# China Soybean Supply-Demand

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



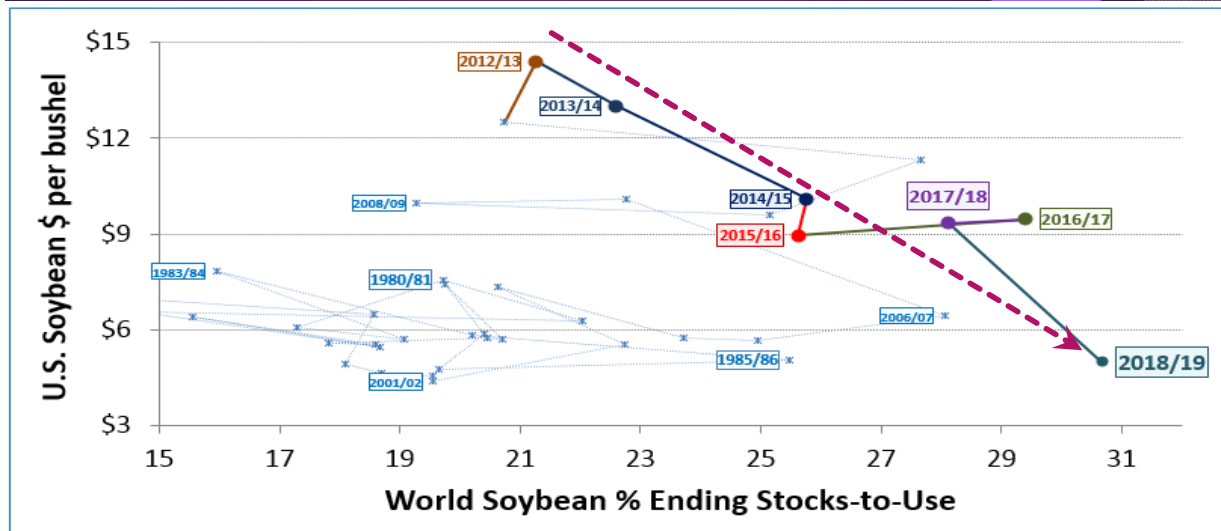
# Soybean Importer Purchases



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



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



# 2018 U.S. Cotton Production

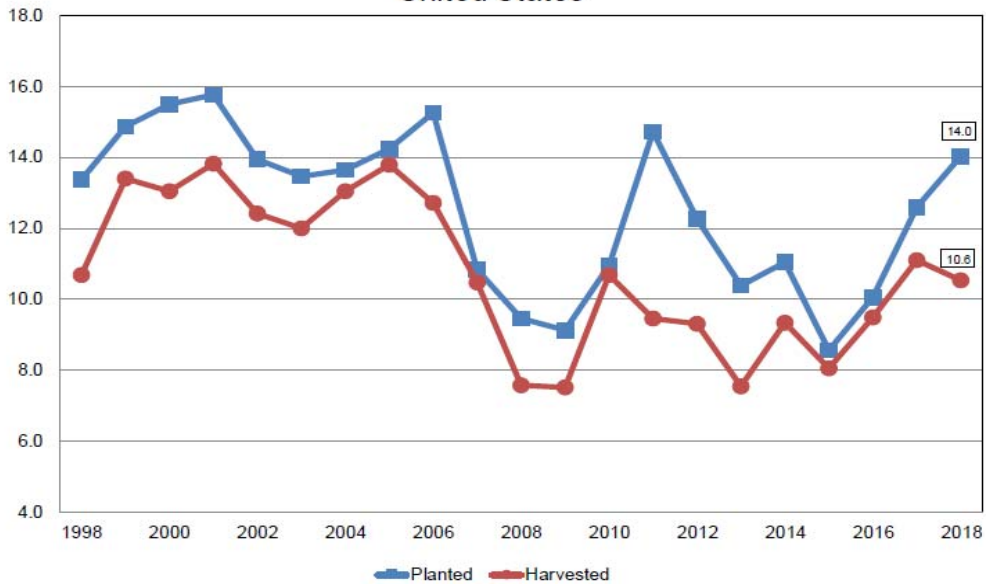
September 2018 USDA Reports

Crop	Unit	September 2018	% Change From Previous Forecast	% Change From Previous Season
All Cotton				
Planted	Mil Ac	14.0	+3.9	+11.3
Harvested	Mil Ac	10.6	+4.1	-4.9
Yield	Lb/Ac	895	-1.8	-1.1
Production	Mil Bls	19.7	+2.3	-5.9



## All Cotton Acres United States

Million Acres



USDA-NASS  
9-12-18



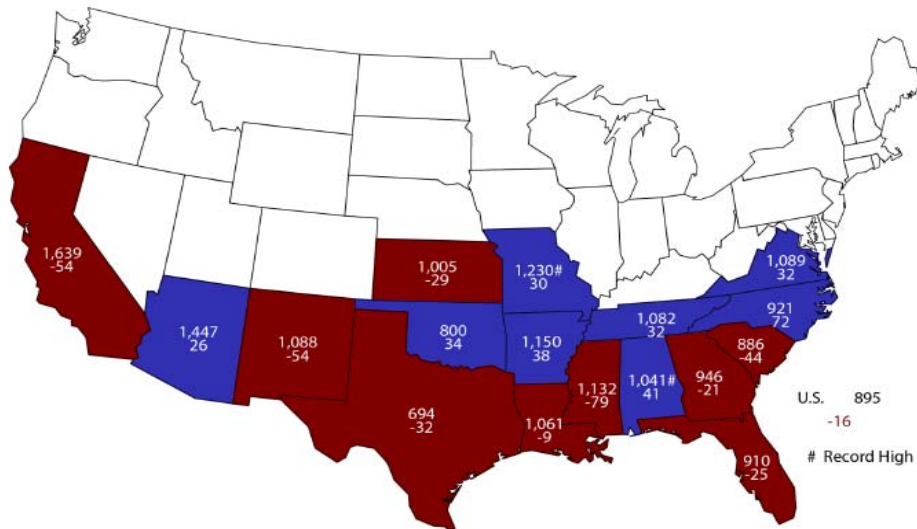
## All Cotton Production United States

Million Bales





## September 1, 2018 All Cotton Yield Pounds and Change From Previous Forecast



USDA-NASS  
9-12-18

## 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

## World Cotton Production

Country or Region	2017/2018		2018/2019		
	Estimate	Change from August 10	Forecast	Change from August 10	Change from 2017/2018
----- Million bales -----					
World	123.5	**	122.0	1.4	-1.5
United States	20.9	--	19.7	0.4	-1.2
Foreign	102.6	**	102.3	1.0	-0.3
Argentina	0.8	--	1.1	0.1	0.3
Brazil	9.2	**	10.0	0.5	0.8
Turkey	4.0	--	4.5	--	0.5
Australia	4.7	--	3.0	-0.6	-1.7
China	27.5	--	27.5	1.0	--
India	29.0	--	28.7	--	-0.3
Pakistan	8.2	--	8.5	--	0.3
Uzbekistan	4.0	--	3.3	--	-0.7
Turkmenistan	1.4	--	1.3	--	-0.1
African Franc Zone	5.2	--	5.3	--	0.1

September 12, 2018

## 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
<b>Addendum</b>					
China ending stocks	38.0	0.2	29.9	1.2	-8.2

September 12, 2018

# Corn & Sorghum Markets

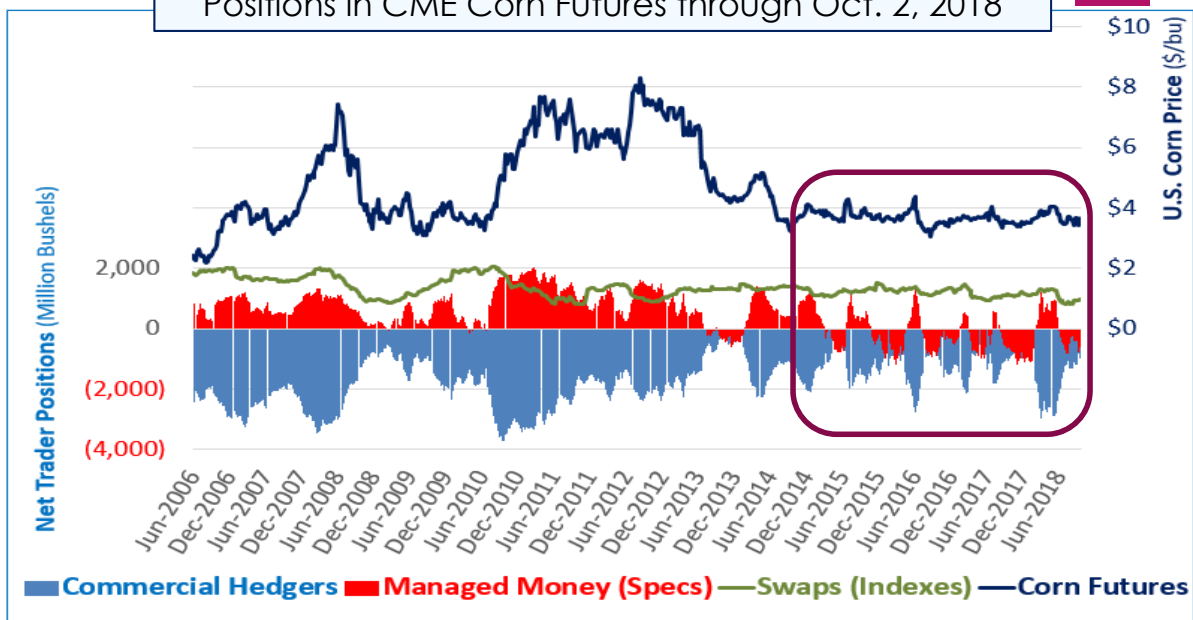


**KANSAS STATE UNIVERSITY**

Department of Agricultural Economics

## CFTC Commitment of Traders Report

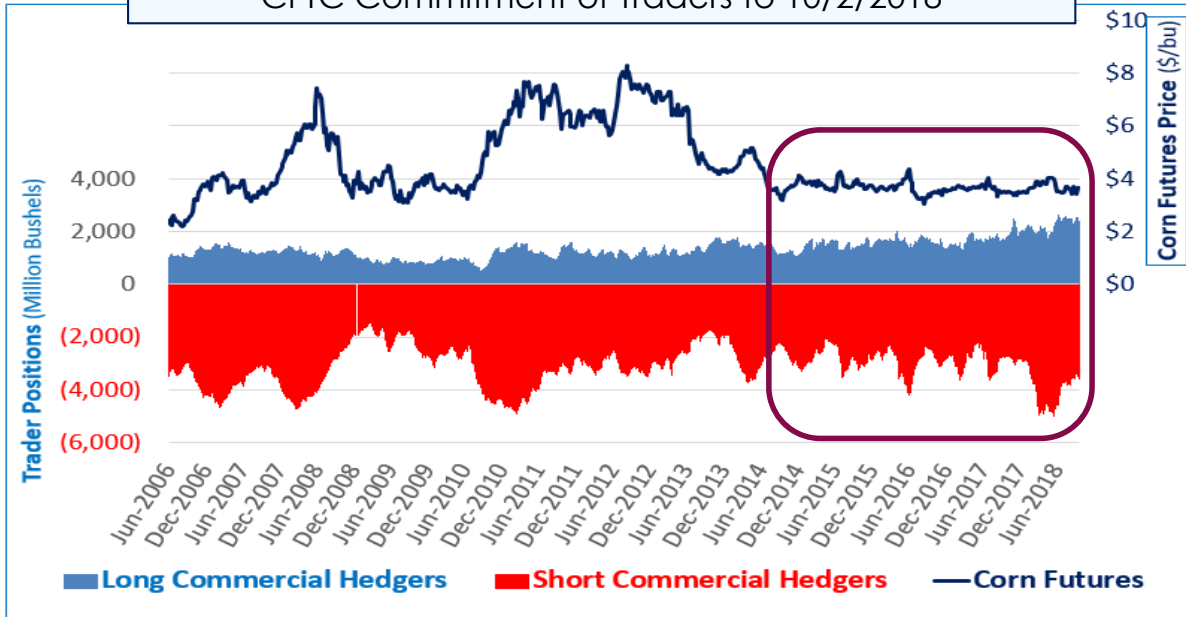
Positions in CME Corn Futures through Oct. 2, 2018





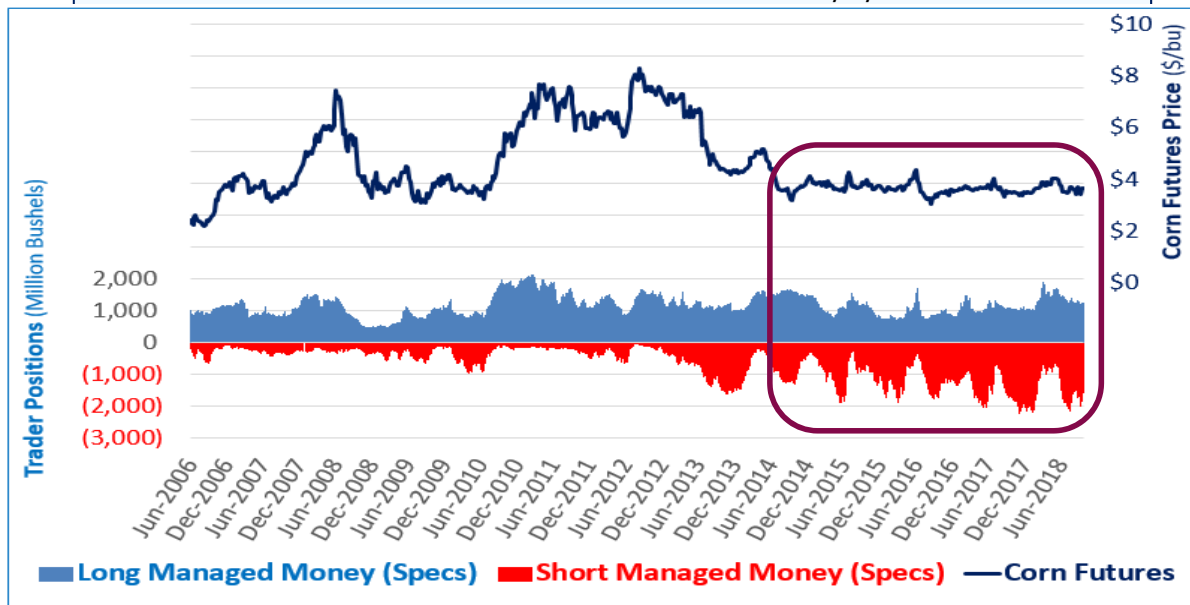
## Commercial Hedge Positions in CME Corn

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 Supply-Use

- 2018 U.S. Corn & Sorghum Production  $\geq$  2017 Crops
- Large Corn Stocks are limiting Feedgrain Price\$'s
- Low Price\$'s supporting "*New Crop*" MY 2018/19 Corn Use
  - Ethanol<sup>2018/19</sup> = 5.650 bln bu (*Record high* – vs 5.600 bb last year)
  - Livestock Feed<sup>2018/19</sup> = 5.575 bln bu (*10 year high* – vs 5.858 bb in 2007/08)
  - Exports<sup>2018/19</sup> = 2.400 bln bu (vs 2.425 bb in '17/18 & 2.294 in '15/16)
  - Other FSI<sup>2018/19</sup> = 1.480 bln bu (*Record high* – vs 1.460 bb in 2011/12)

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

- Corn: "*Moderate*" Stocks & % S/U
  - End Stocks<sup>2018/19</sup>  $\Rightarrow$  1.774 bln bu (vs 2.002 bb last year)
  - % Stocks/Use<sup>2018/19</sup>  $\Rightarrow$  11.7% S/U (vs 13.4% S/U last year)
- Grain Sorghum: "*Low*" Price\$'s (*Hurt by trade issues*)
  - End Stocks<sup>2018/19</sup>  $\Rightarrow$  46 mln bu ( $\downarrow$  Exports &  $\uparrow$  Ethanol Use)
  - % Stocks/Use<sup>2018/19</sup>  $\Rightarrow$  12.1% S/U ( $\downarrow$  vs 14.0% S/U last year)



# CME Corn Futures

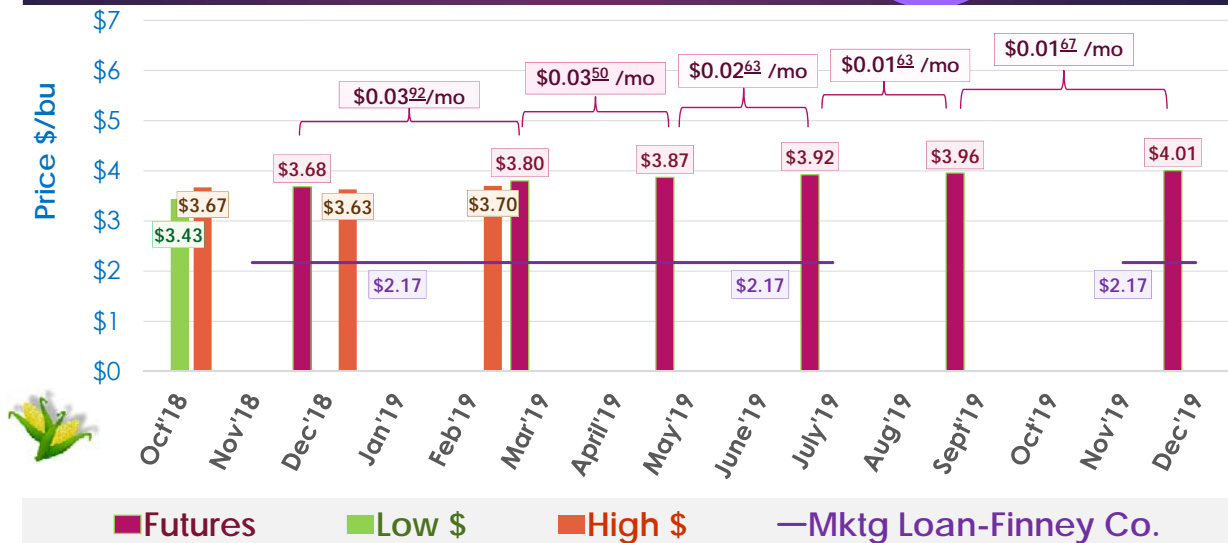


Weekly Chart: August 2009 – September 2018 + 10/5/2018



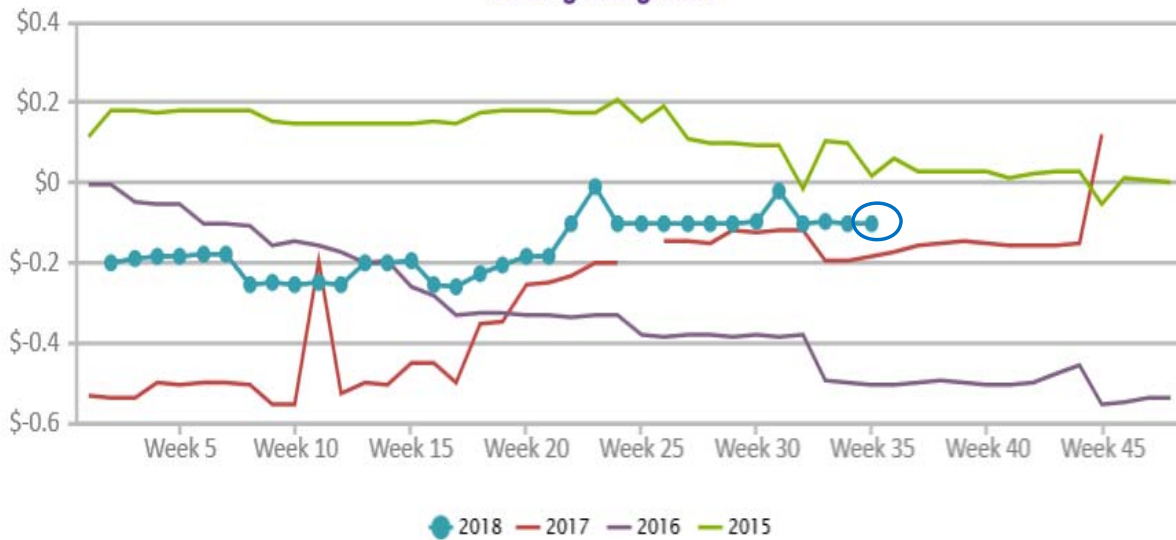
# Corn Cash & Futures \$'s

Garden City, KS Local Elevators – October 5, 2018



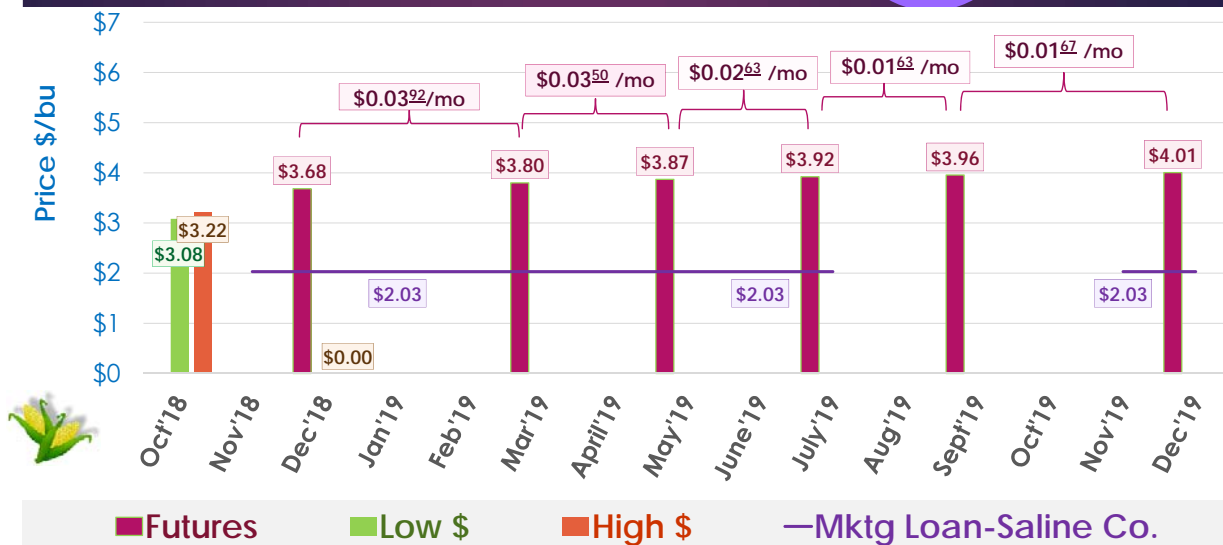
# GARDEN CITY, KS: Corn Basis - GARDEN CITY COOP

www.AgManager.info



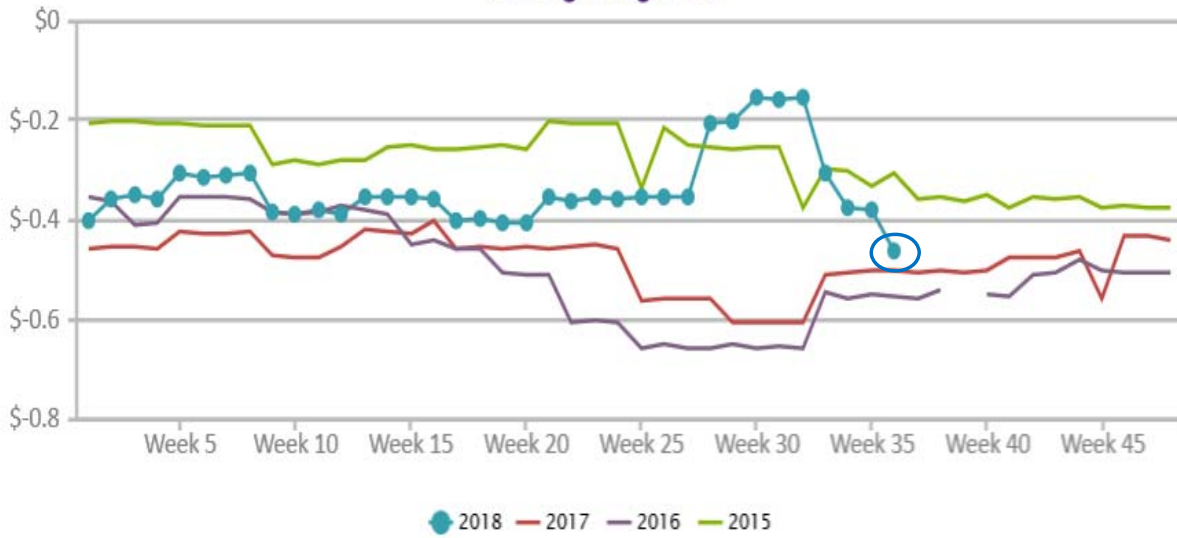
## Corn Cash & Futures \$'s

Salina, KS Local Elevators – October 5, 2018



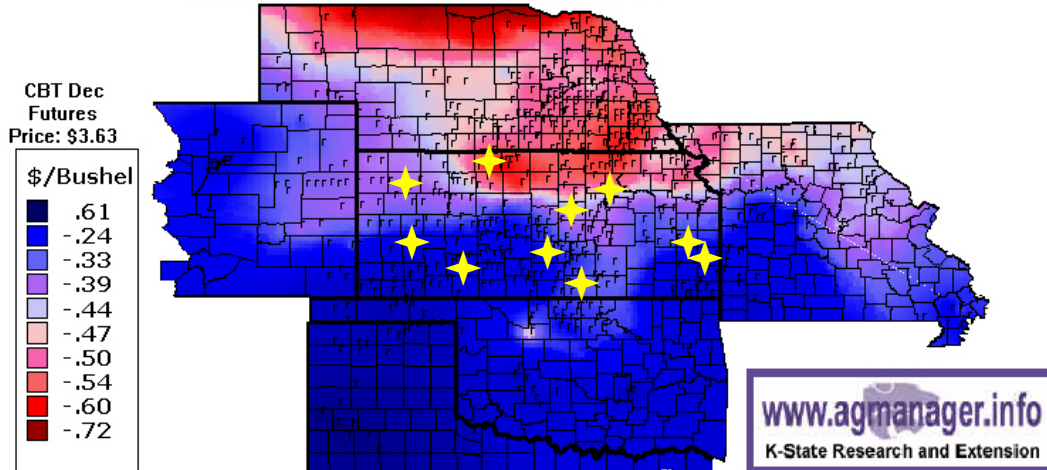
# SALINA, KS: Corn Basis - CARGILL

www.AgManager.info



# Corn Basis, 09-26-2018

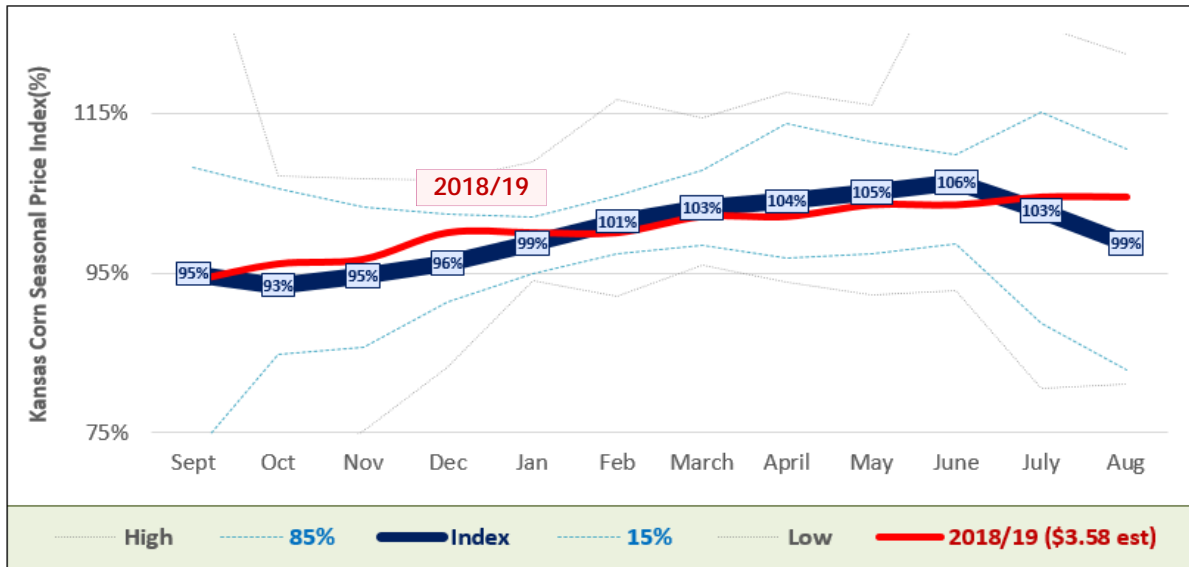
Basis = Cash Price - Nearby Futures Price



www.agmanager.info  
K-State Research and Extension

# Kansas Corn Seasonal Cash \$ Index

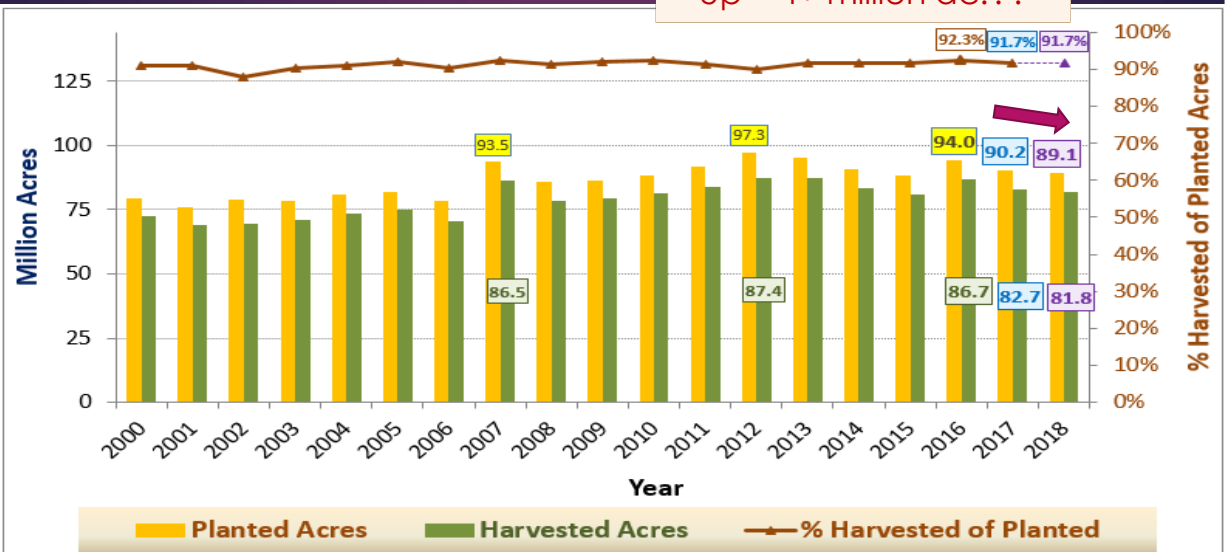
Monthly: 1999/00 thru 2017/18 + "New Crop" MY 2018/19



# U.S. Corn Acreage

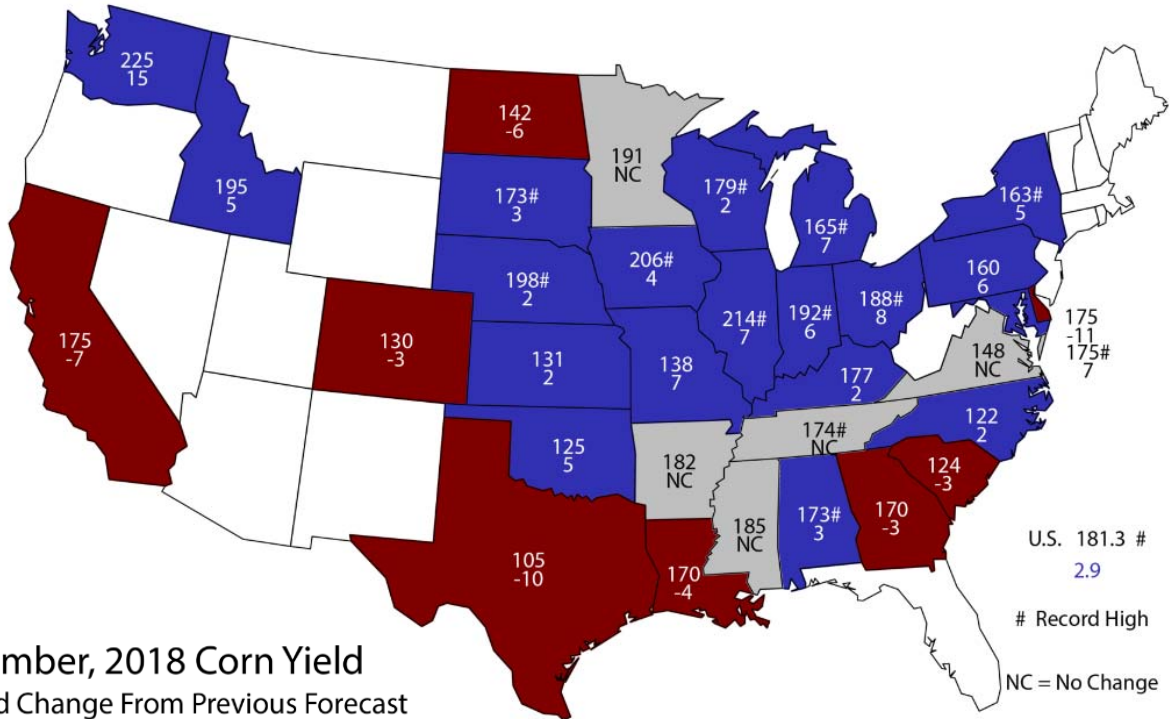
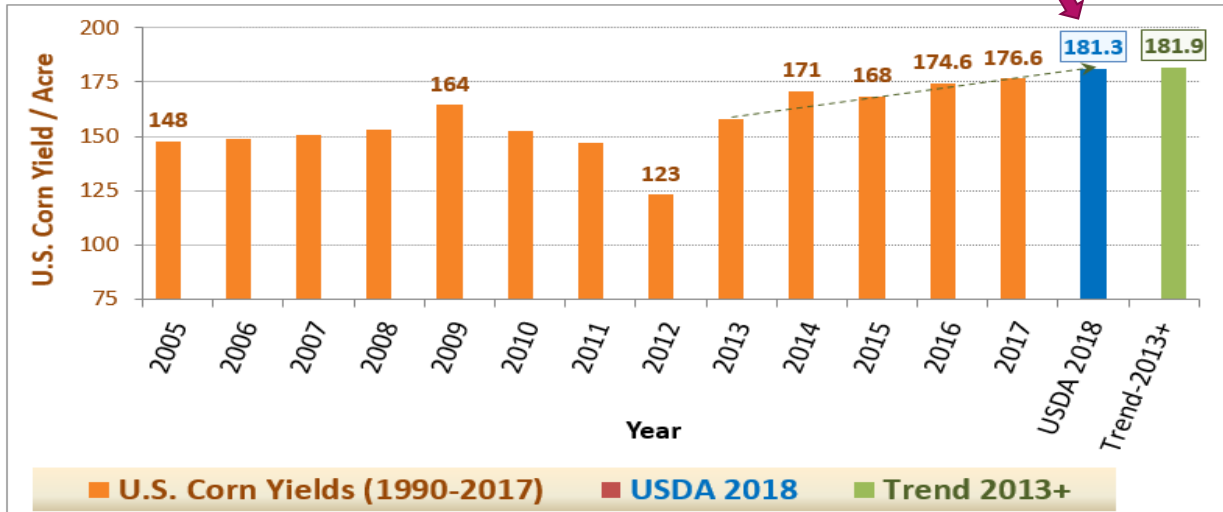
For 2019???

U.S. Corn Planted Acres  
Up ≈ 4+ million ac.??



# U.S. Corn Yields

USDA 2018 USDA Forecast = 181.3 bu/ac



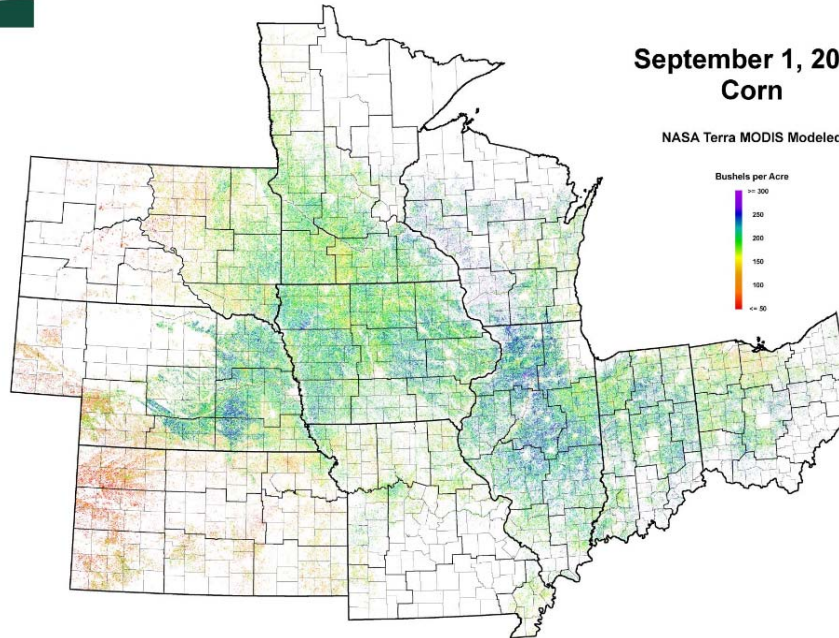
## September, 2018 Corn Yield

Bushels and Change From Previous Forecast

U.S. 181.3 #  
2.9  
# Record High  
NC = No Change



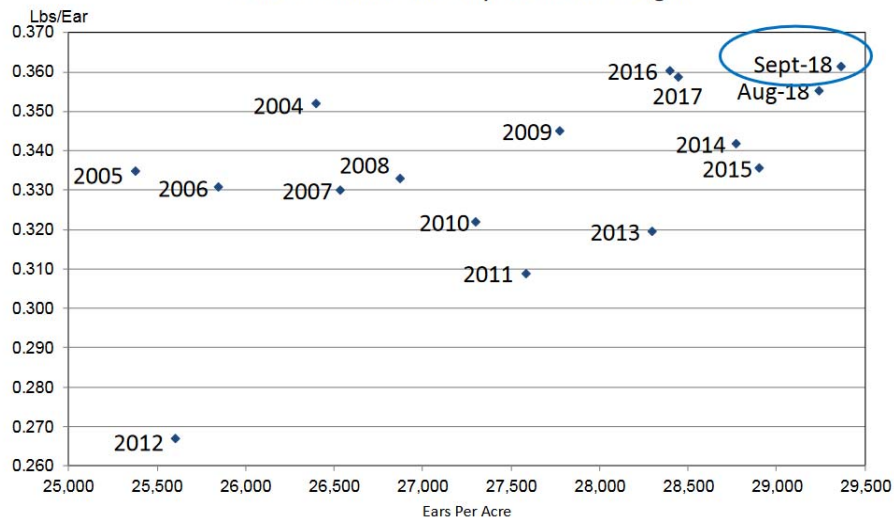
### September 1, 2018 Corn



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9-12-18



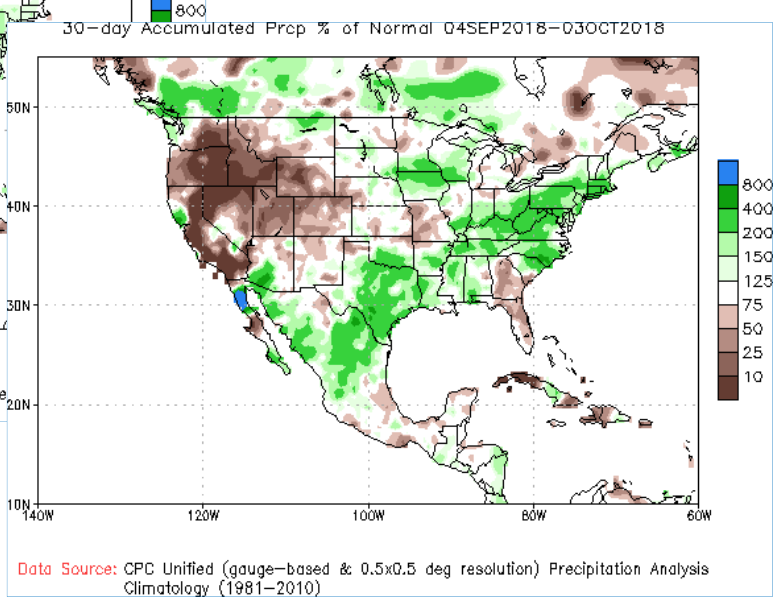
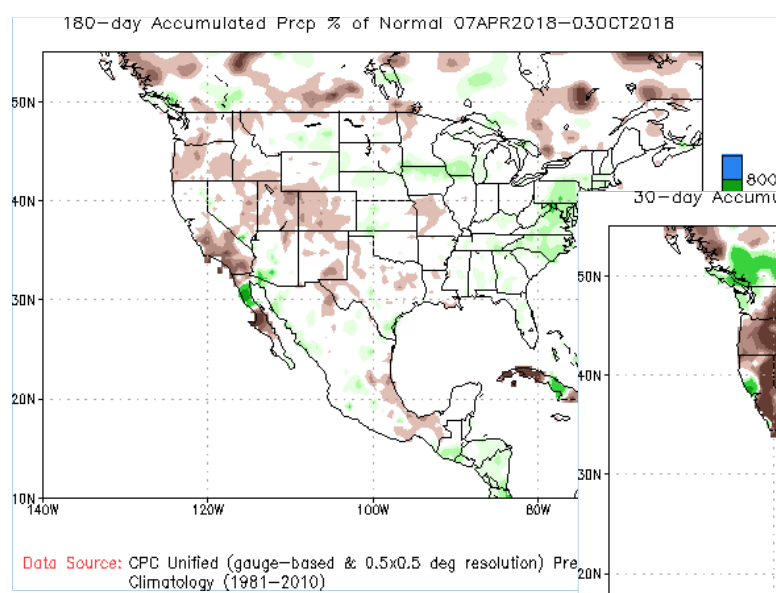
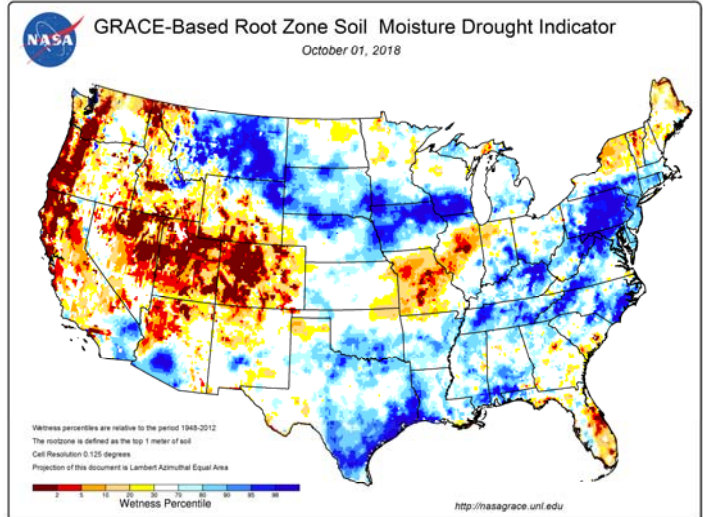
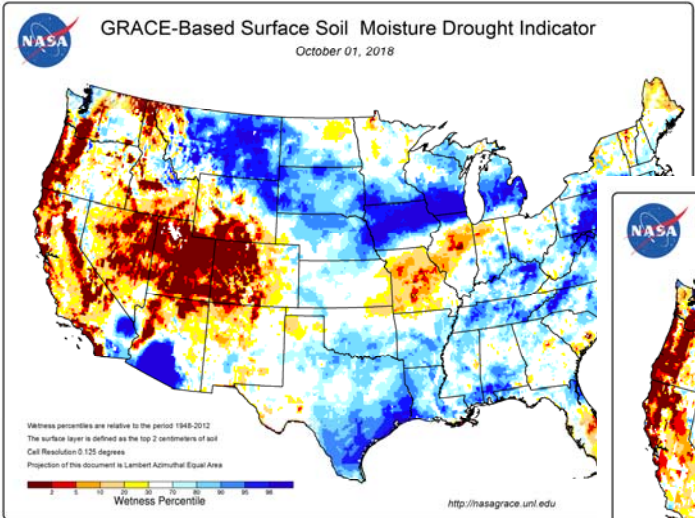
### Corn Objective Yield Region Ears Per Acre vs. Implied Ear Weight



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

USDA-NASS  
9-12-18





## U.S. Corn Supply & Demand

Items	MY 2017/18	MY 2018/19	Vs Aug 2018	Vs Year Ago
Beginning Stocks (mln bu)	2,293	2,002	(25)	(291)
<b>Production</b>	<b>14,604</b>	<b>14,827</b>	<b>+241</b>	<b>+223</b>
<u>Imports</u>	<u>40</u>	<u>50</u>		<u>+10</u>
<b>Total Supply (mln bu)</b>	<b>16,937</b>	<b>16,879</b>	<b>+215</b>	<b>(58)</b>

## U.S. Corn Supply & Demand

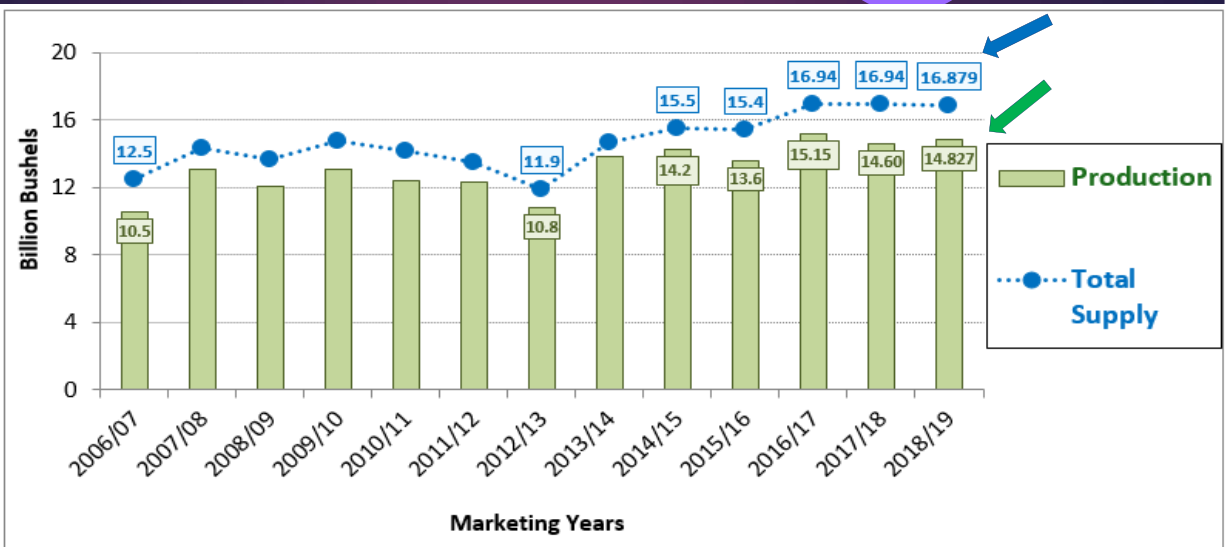
Items	MY 2017/18	MY 2018/19	Vs Aug 2018	Vs Year Ago
Beginning Stocks (mln bu)	2,293	2,002	(25)	(291)
<b>Production</b>	<b>14,604</b>	<b>14,827</b>	<b>+241</b>	<b>+223</b>
<u>Imports</u>	<u>40</u>	<u>50</u>		<u>+10</u>
<b>Total Supply (mln bu)</b>	<b>16,937</b>	<b>16,879</b>	<b>+215</b>	<b>(58)</b>
Ethanol Use	5,600	5,650	+25	+50
Other Food, Seed, Industrial	1,460	1,480		+20
Exports	2,425	2,400	+50	(25)
<u>Feed &amp; Residual</u>	<u>5,450</u>	<u>5,575</u>	<u>+50</u>	<u>+125</u>
<b>Total Use (mln bu)</b>	<b>14,935</b>	<b>15,105</b>	<b>+125</b>	<b>+170</b>



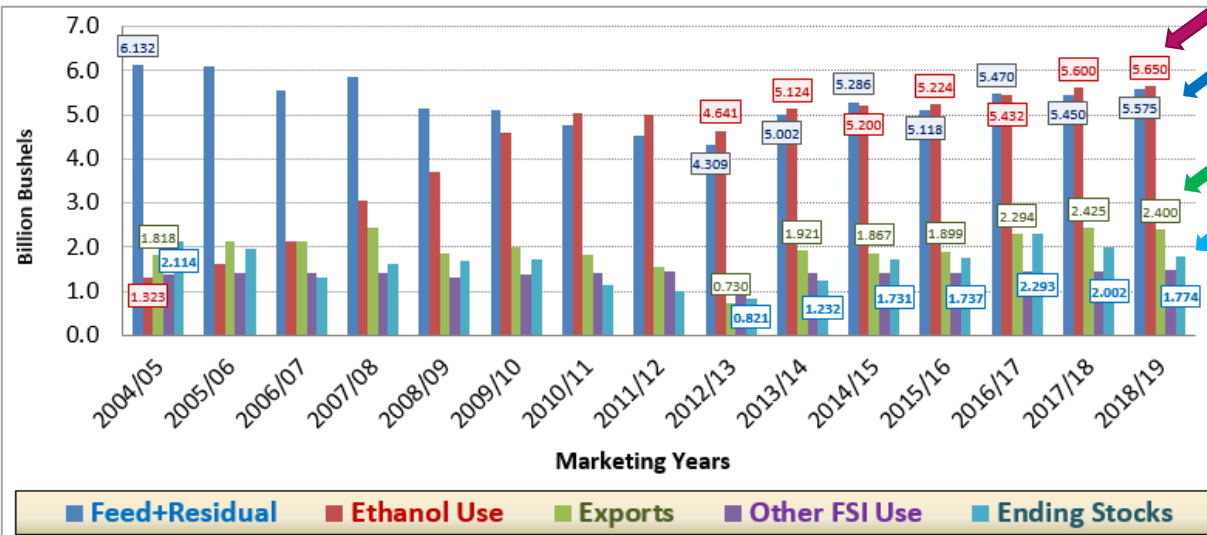
# U.S. Corn Supply & Demand

Items	MY 2017/18	MY 2018/19	Vs July 2018	Vs Year Ago
Beginning Stocks (mln bu)	2,293	2,002	(25)	(291)
<b>Production</b>	<b>14,604</b>	<b>14,827</b>	<b>+241</b>	<b>+223</b>
Imports	40	50		+10
<b>Total Supply (mln bu)</b>	<b>16,937</b>	<b>16,879</b>	<b>+215</b>	<b>(58)</b>
Ethanol Use	5,600	5,650	+25	+50
Other Food, Seed, Industrial	1,460	1,480		+20
Exports	2,425	2,400	+50	(25)
Feed & Residual	5,450	5,575	+50	+125
<b>Total Use (mln bu)</b>	<b>14,935</b>	<b>15,105</b>	<b>+125</b>	<b>+170</b>
<b>Ending Stocks (mln bu)</b>	<b>2,002</b>	<b>1,774</b>	<b>+90</b>	<b>(228)</b>
<b>% Ending Stocks-to-Use</b>	<b>13.4%</b>	<b>11.7%</b>	<b>(0.2%)</b>	<b>(1.7%)</b>
<b>U.S. Avg. Price\$ (\$/bu)</b>	<b>\$3.40</b>	<b>\$3.60</b>		<b>+\$0.20</b>

## U.S. Corn Production & Supplies



# U.S. Corn Use – By Category

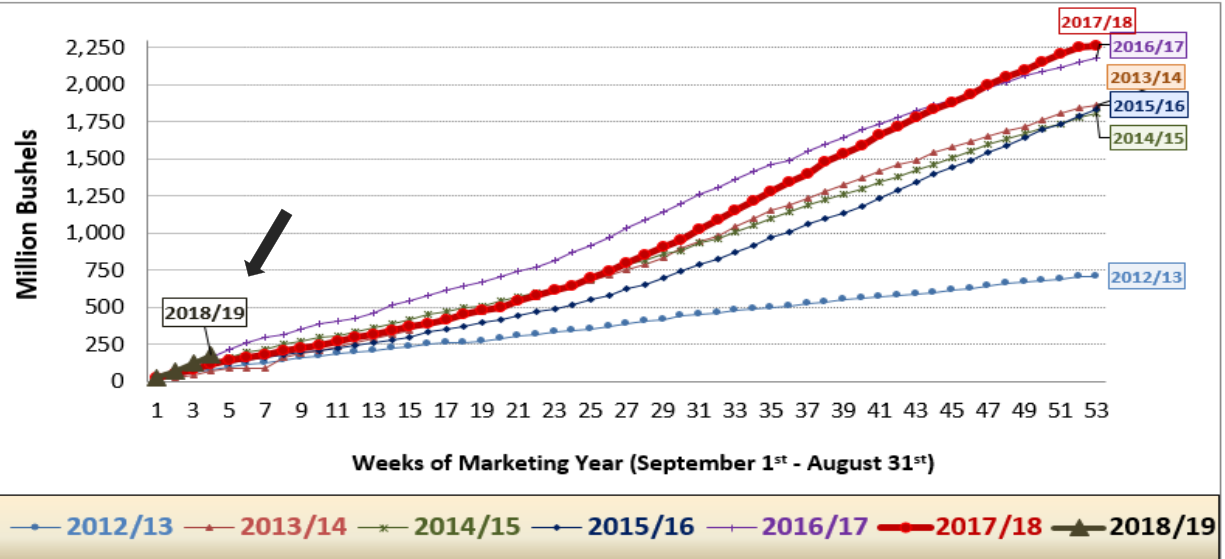


## U.S. Meat Production and Prices

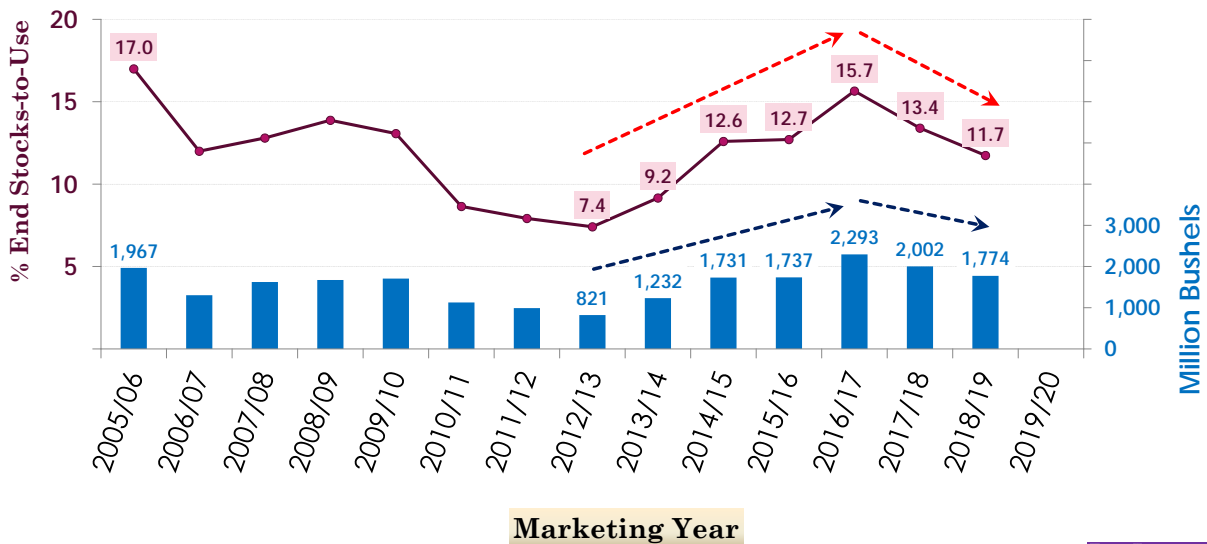
Item	2018		2019		
	Estimate	Change from August 10	Forecast	Change from August 10	Change from 2018
<b>Production</b>					
----- <i>Billion Pounds</i> -----					
Beef	27.09	--	27.72	--	0.63
Pork	26.67	-0.04	27.88	--	1.20
Broilers	42.62	**	43.42	--	0.80
Turkey	5.93	-0.01	5.99	0.02	0.06
Total Meat	103.08	-0.03	105.76	0.02	2.68
<b>Prices</b>					
----- <i>Dollars per cwt</i> -----					
Steers	115.71	-0.13	117.75	--	2.05
----- <i>Cents per pound</i> -----					
			95.8	-4.0	-1.3
			84.5	-3.0	3.4

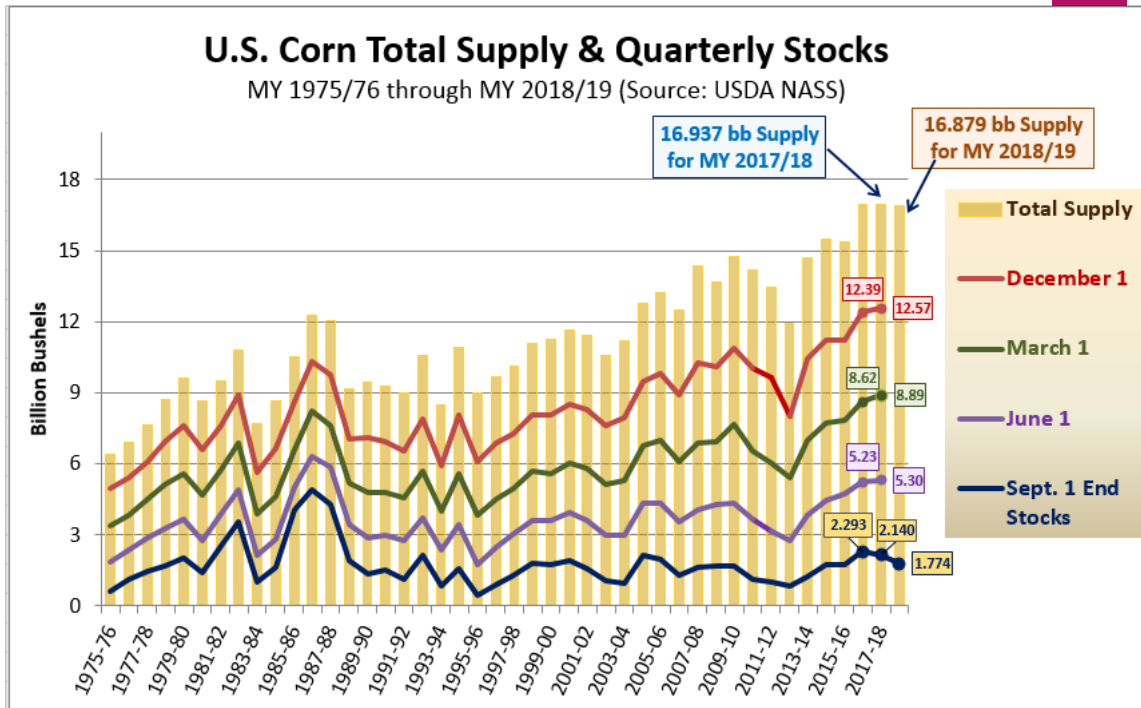
**2019 U.S. Meat Production**  
 Beef, Pork, & Broilers, & Turkey  
 production are all projected to  
 be higher in 2019

# U.S. Corn Exports - Weekly thru September 27, 2018

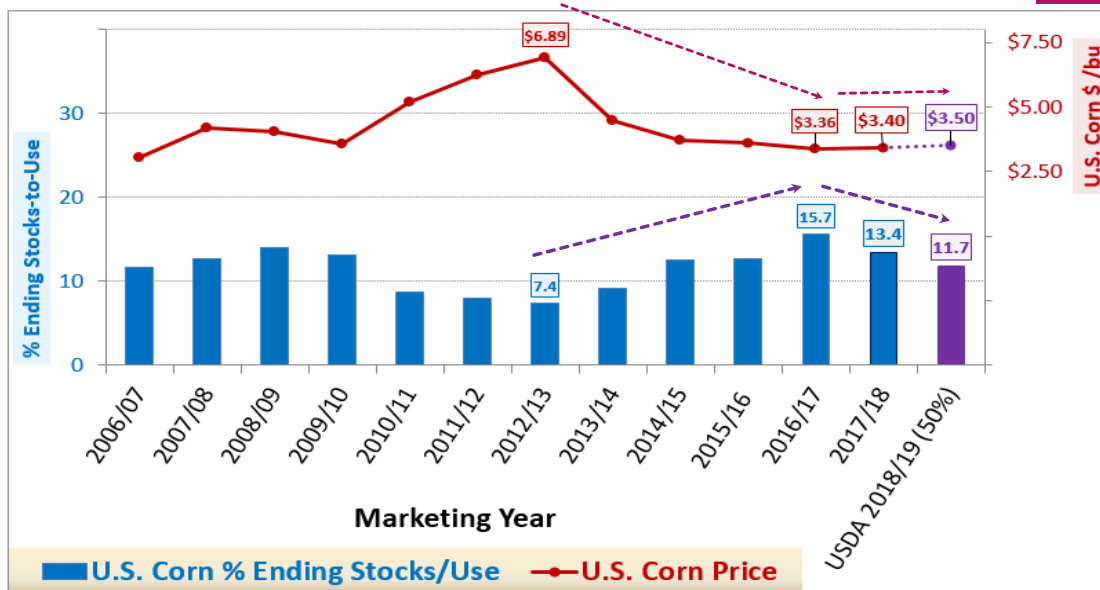


# U.S. Corn Ending Stocks & % Stx/Use

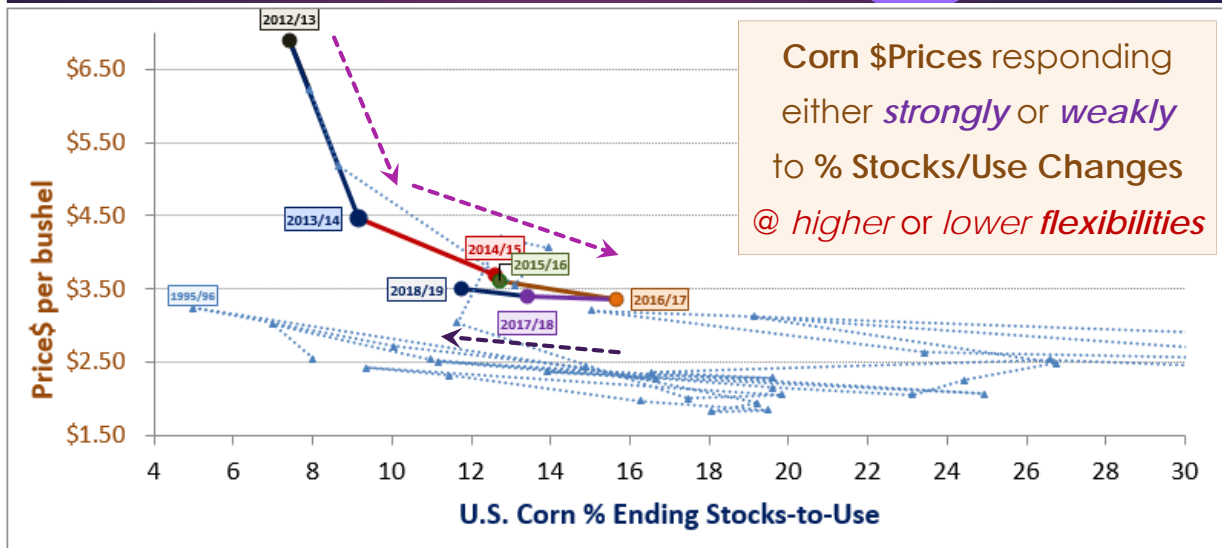




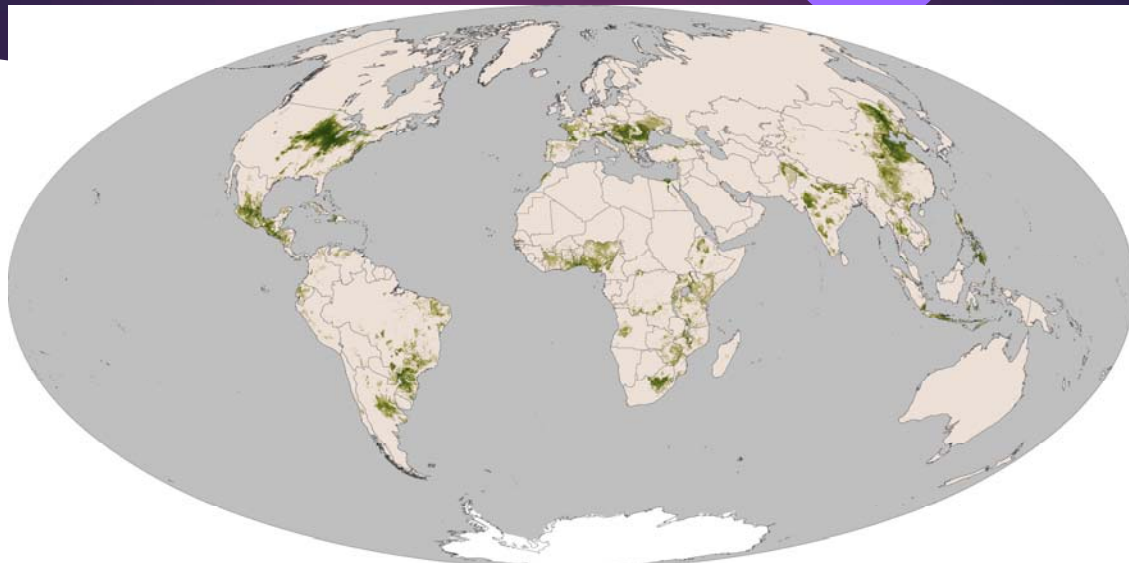
## U.S. Corn % Stocks/Use vs Price\$



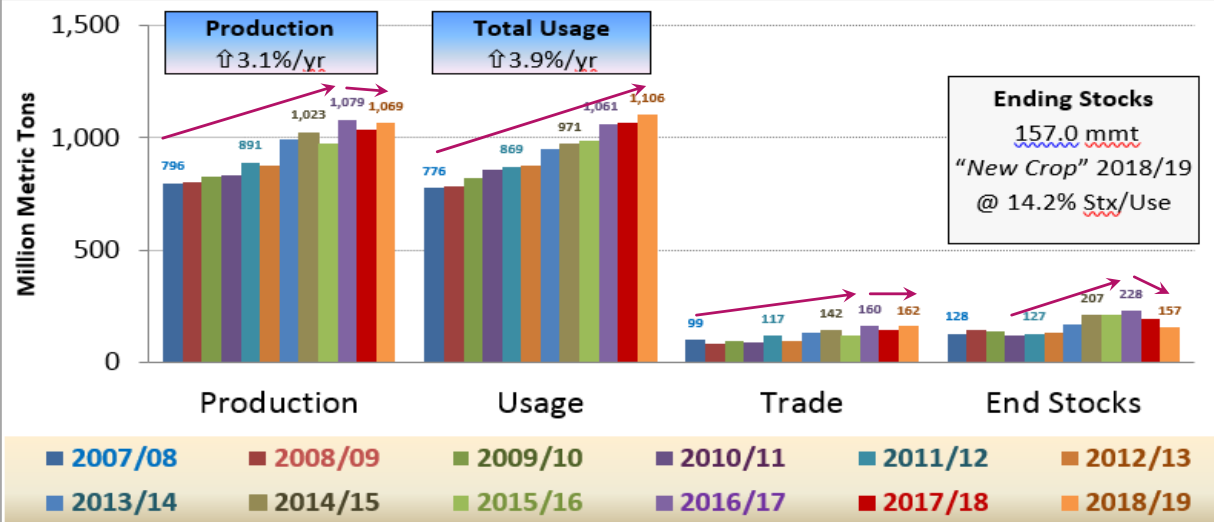
# U.S. Corn % Stocks/Use vs Price\$



# World Corn (Maize) Production Regions



# World Corn Supply, Use & Stocks



## World Corn Production

Country or Region	2017/2018		2018/2019		
	Estimate	Change from August 10	Forecast	Change from August 10	Change from 2017/2018
----- Million Tons -----					
World	1,033.6	0.3	1,069.0	7.9	35.4
United States	371.0	--	376.6	6.1	5.7
Foreign	662.7	0.3	692.4	1.8	29.7
Argentina	32.0	-1.0	41.0	--	9.0
Brazil	82.0	-1.0	94.5	--	12.5
Mexico	26.8	--	26.0	--	-0.8
Canada	14.1	--	14.3	-0.5	0.2
European Union	62.3	--	60.8	1.0	-1.5
Serbia	4.0	--	6.8	0.2	2.8
FSU-12	42.1	--	47.8	0.1	5.7
Ukraine	24.1	--	31.0	--	6.9
Russia	13.2	--	12.0	--	-1.2
South Africa	13.8	--	13.0	-0.5	-0.8
China	215.9	--	225.0	--	9.1
India	28.7	1.8	26.0	--	-2.7

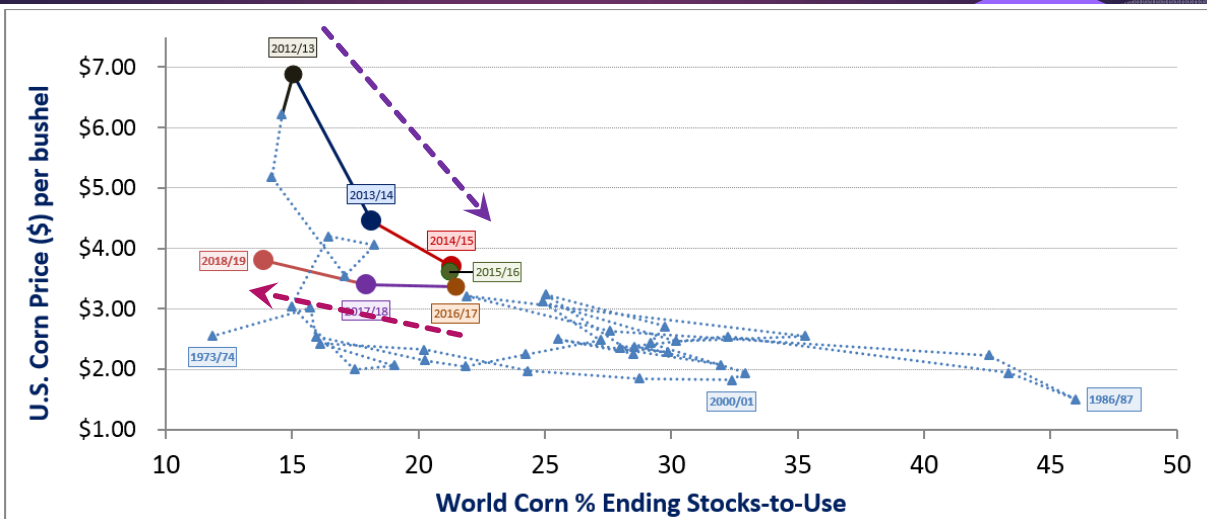
-- No change.

# World Corn Supply and Use

Item	2017/2018		2018/2019		
	Estimate	Change from August 10	Forecast	Change from August 10	Change from 2017/2018
----- Million Tons -----					
Beginning stocks	227.8	**	194.1	0.8	-33.7
Production	1,033.6	0.3	1,069.0	7.9	35.4
Total Supply	1,261.5	0.3	1,263.1	8.8	1.7
Feed use	652.6	1.9	676.9	5.5	24.3
Total use	1,067.3	-0.5	1,106.1	7.2	38.8
Trade	146.2	-1.3	161.7	2.1	15.5
Ending Stocks	194.1	0.8	157.0	1.5	-37.1

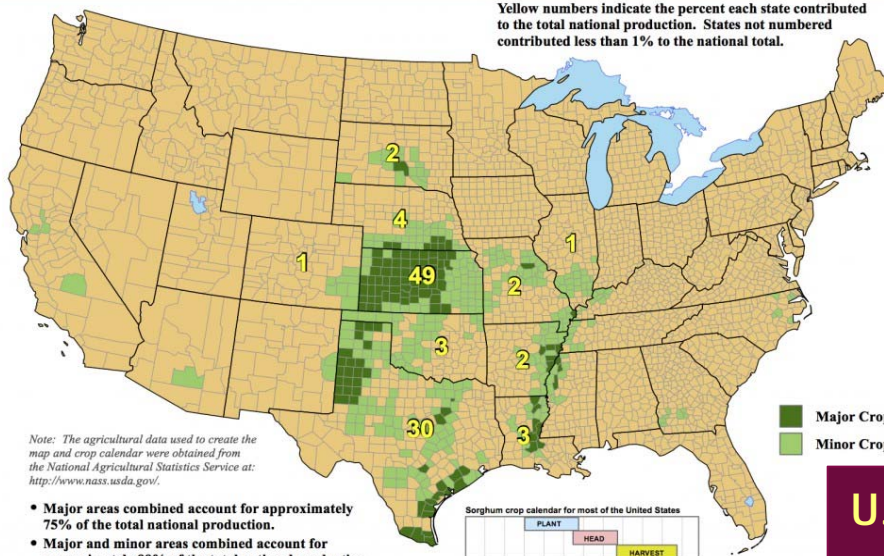
## U.S. Corn Price\$ vs World % Stocks-to-Use

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.

Sorghum crop calendar for most of the United States



Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec  
Crop calendar dates are based upon NASS crop progress data from 2006-2010. The field activities and crop development stages illustrated in the crop calendar represent the average time period when national progress advanced from 10 to 90 percent.

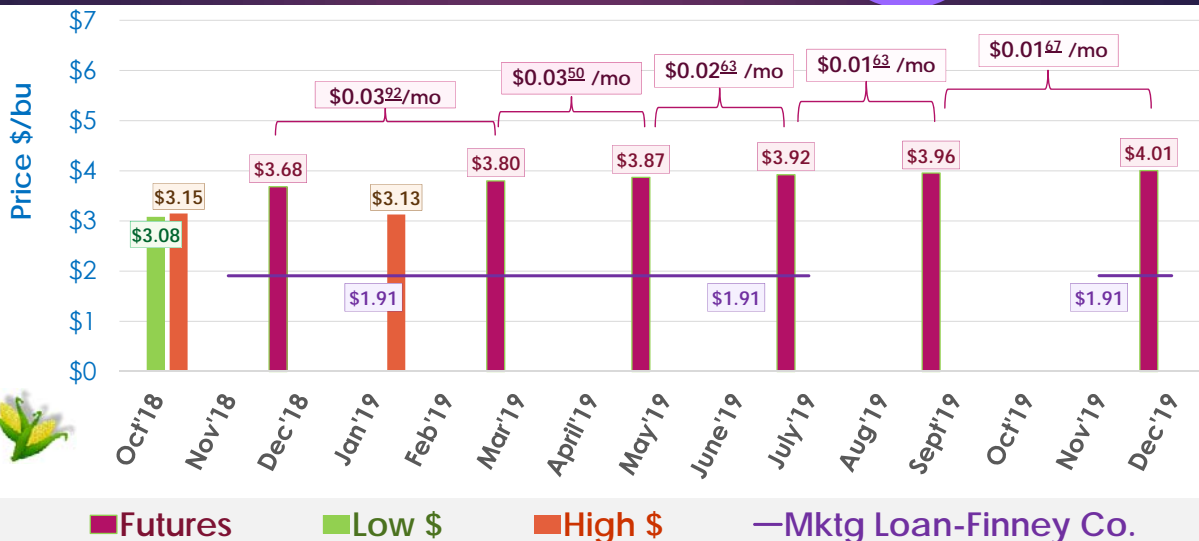
■ Major Crop Area  
■ Minor Crop Area

USDA Agricultural Weather Assessments  
World Agricultural Outlook Board

## U.S. Grain Sorghum Production Regions

## Grain Sorghum Cash & Futures \$'s

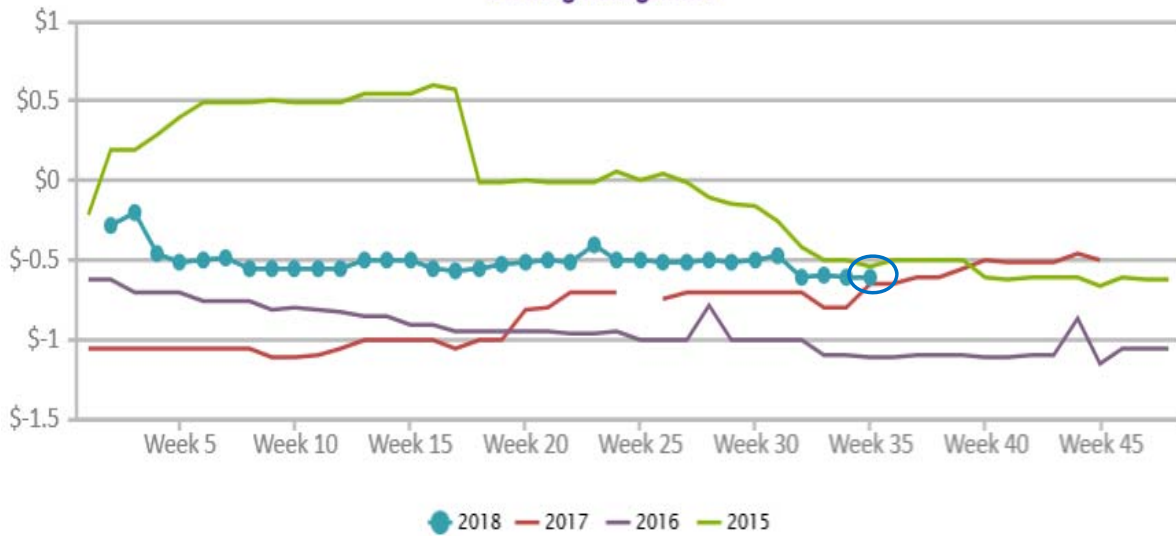
Garden City, KS Local Elevators – October 5, 2018





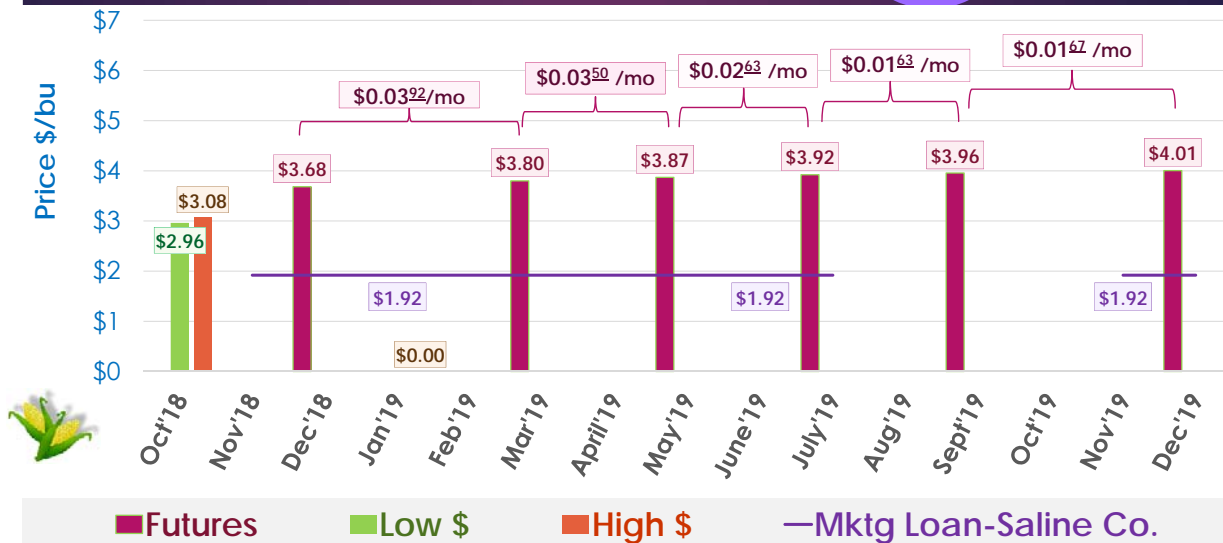
# GARDEN CITY, KS: Grain Sorghum Basis - GARDEN CITY COOP

www.AgManager.info



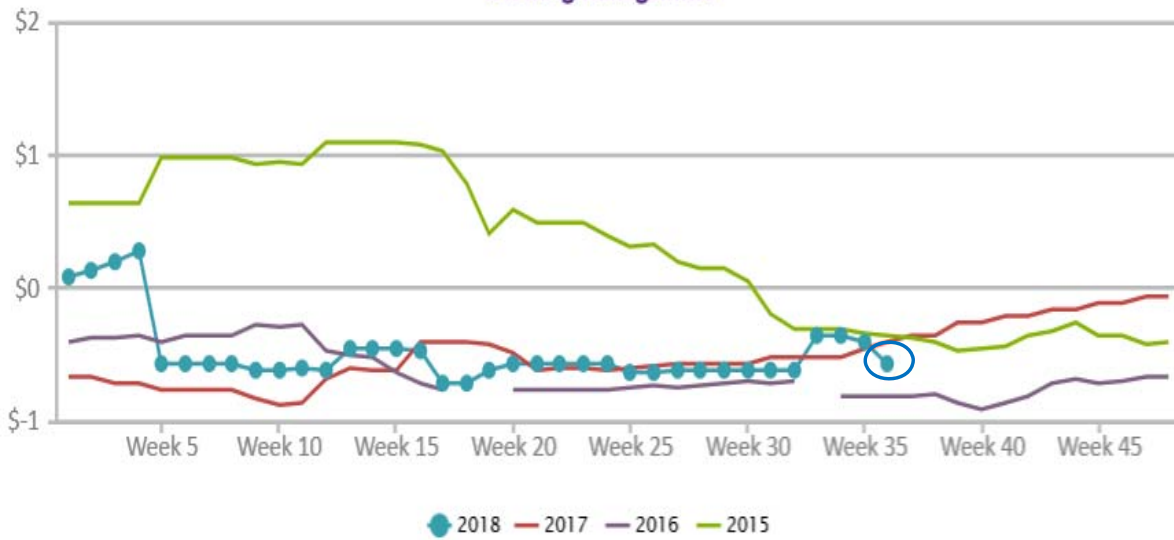
## Grain Sorghum Cash & Futures \$'s

Salina, KS Local Elevators – October 5, 2018



# SALINA, KS: Grain Sorghum Basis - CARGILL

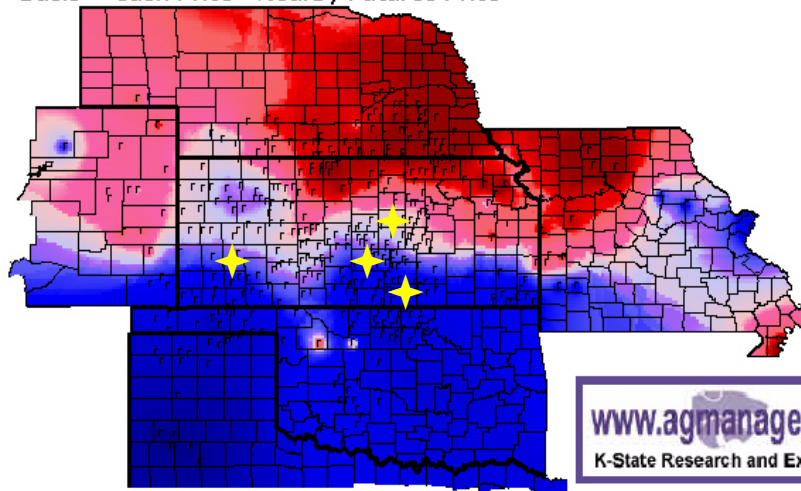
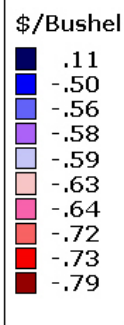
www.AgManager.info



## Grain Sorghum Basis, 09-26-2018

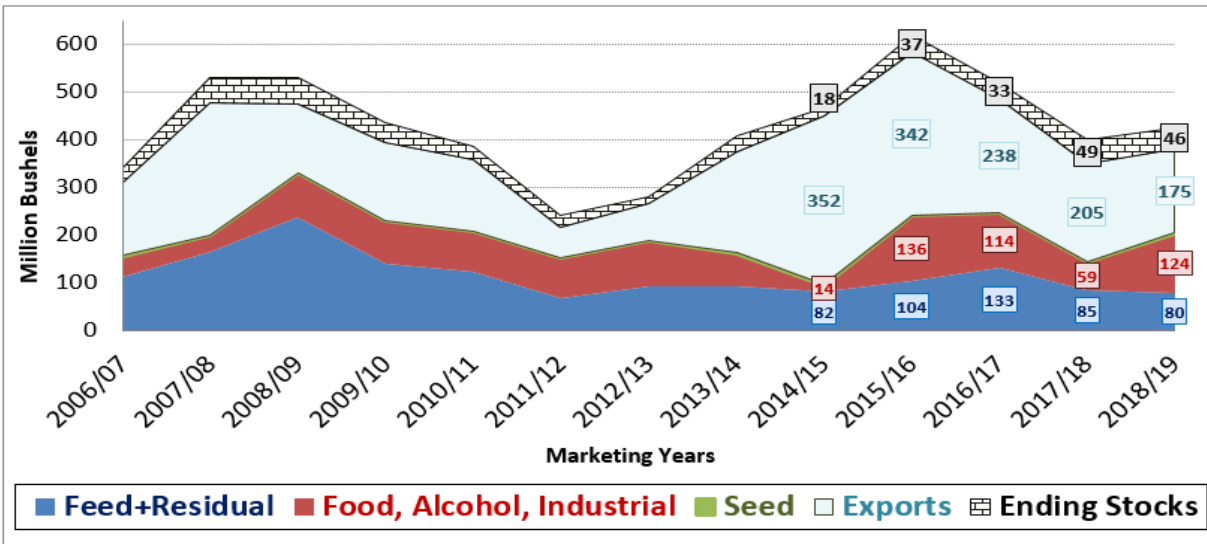
Basis = Cash Price - Nearby Futures Price

CBT Corn  
Dec Futures  
Price: \$3.63



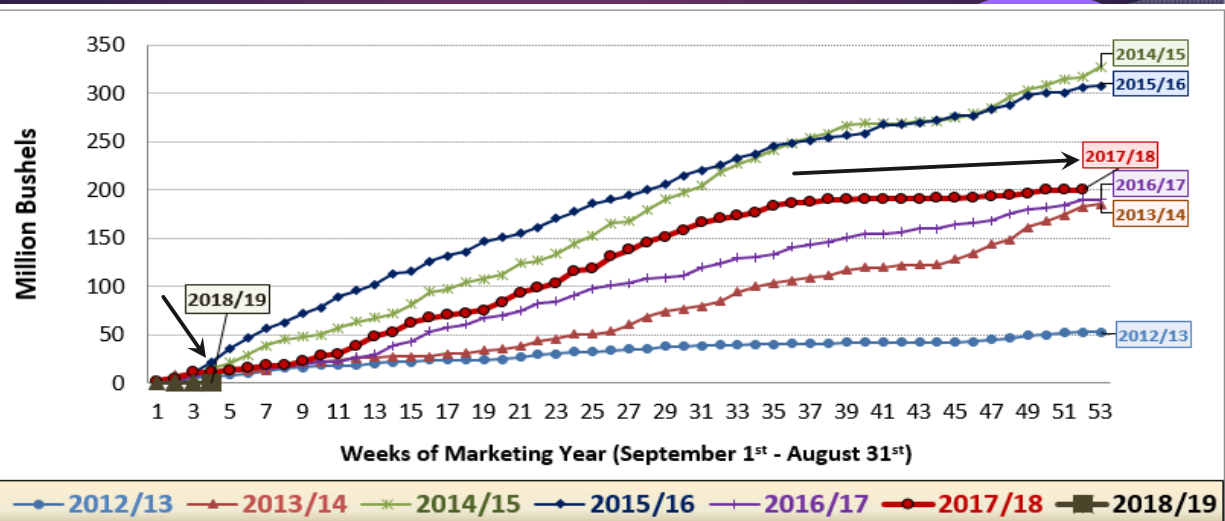
www.agmanager.info  
K-State Research and Extension

# U.S. Sorghum Use & End Stocks



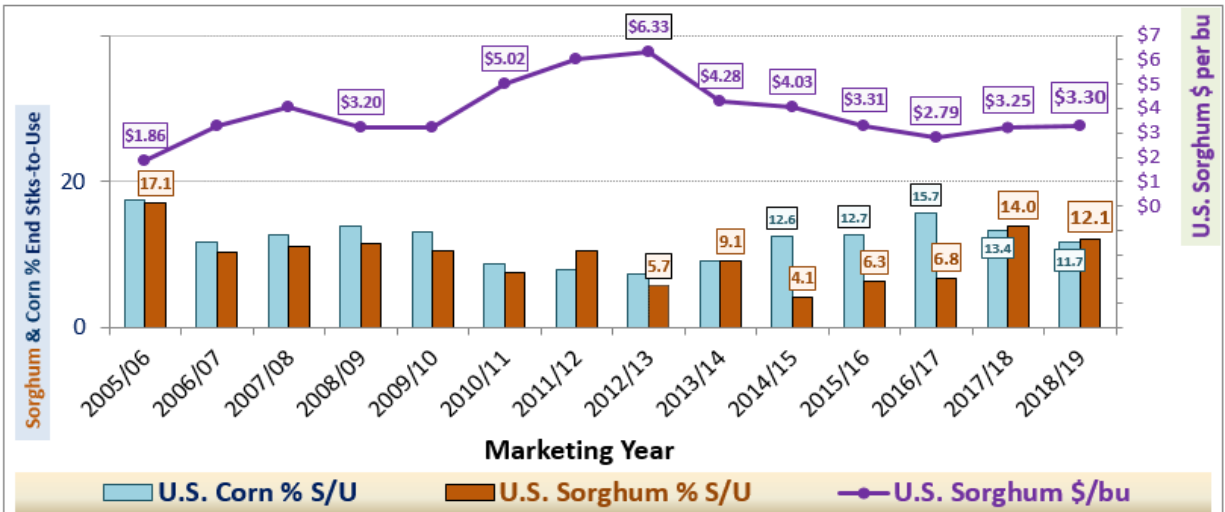
# U.S. Sorghum Exports

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



# U.S. Sorghum Stks/Use & Prices

Marketing Years 2005/06 thru 2018/19

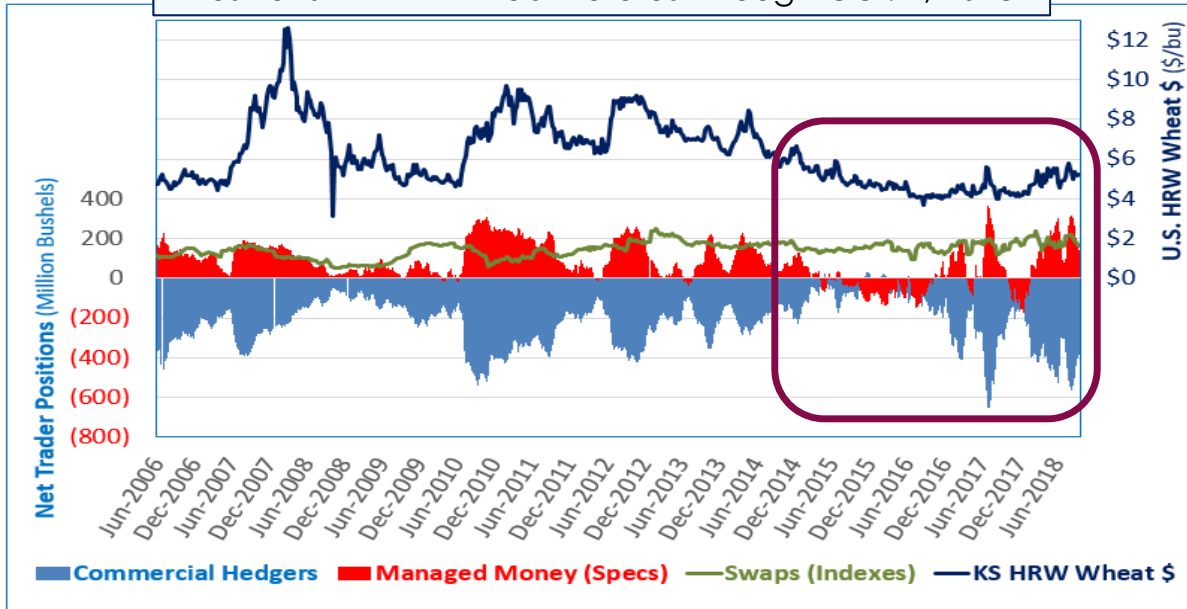


# Wheat Markets



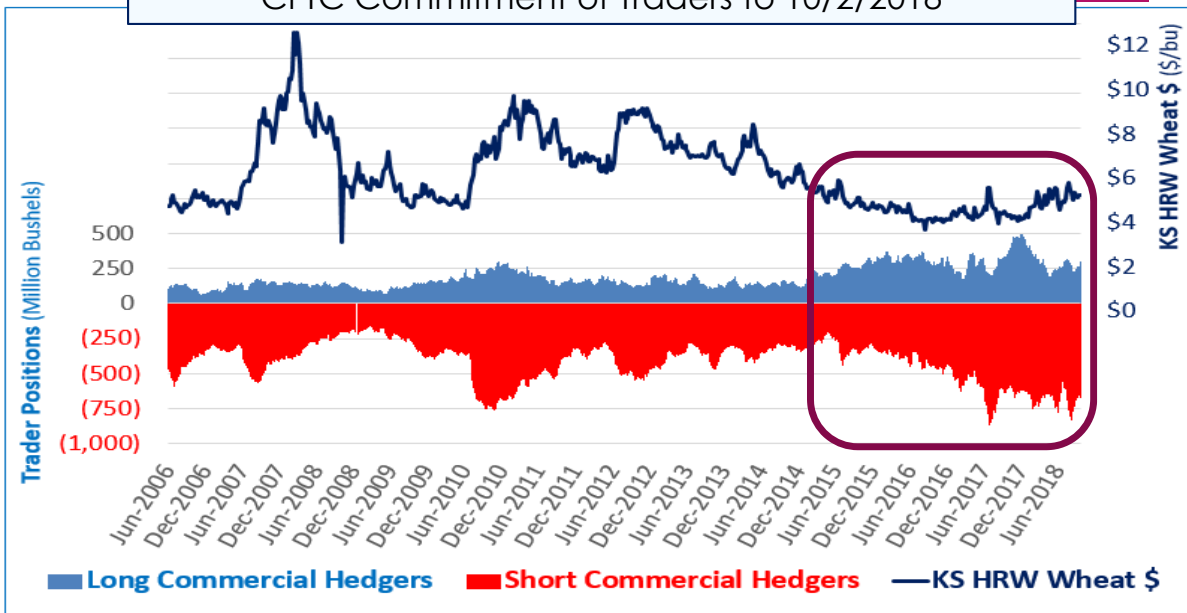
# CFTC Commitment of Traders Report

Positions in HRW Wheat Futures through Oct. 2, 2018



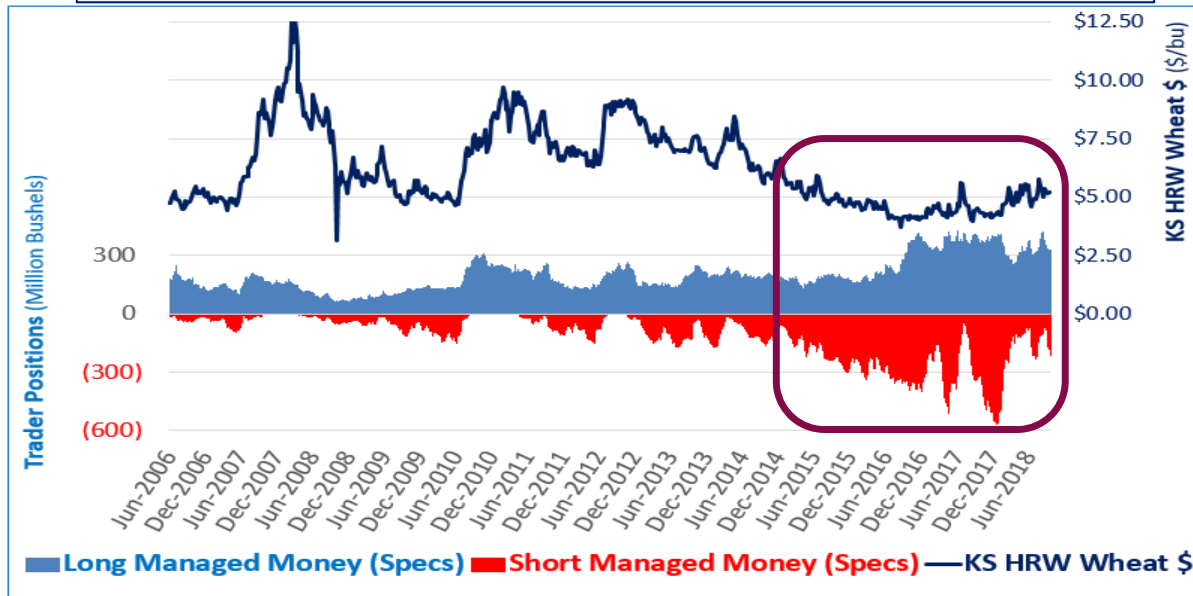
# Commercial Hedge Positions in HRW Wheat

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 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 = 375 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 ⇒ 409 mln bu (581 mb last year)
  - % Stocks/Use 2017/18 ⇒ 48.8% S/U (76.0% Stx/Use last year)

## 2018 U.S. Wheat Quality & Grades

- HRW Wheat 2018 ⇒ **12.3% protein**, 61.1 lb test, 1.2% defects
  - Versus 11.4% protein, 60.8 lb test wt, 1.1% defects in 2017
- SRW Wheat 2018 ⇒ **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 2018 ⇒ **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 2018 ⇒ **14.7% protein**, 61.7 lb test, 0.8% 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 - **BUT** - Record Usage Forecast for 2018/19
  - 1<sup>st</sup> 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

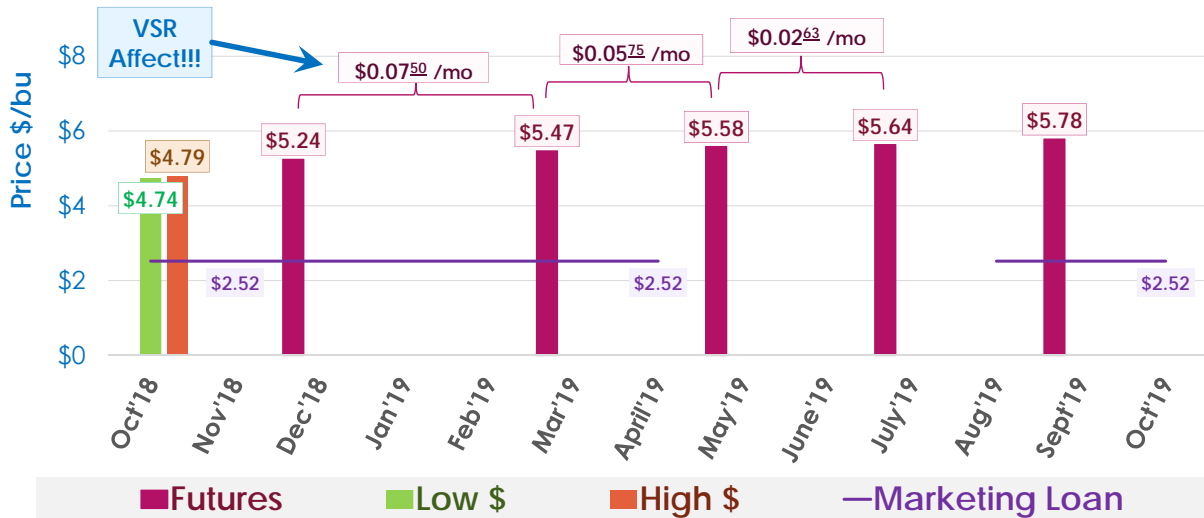
Monthly Chart: August 2009 – September 2018 + 10/5/2018





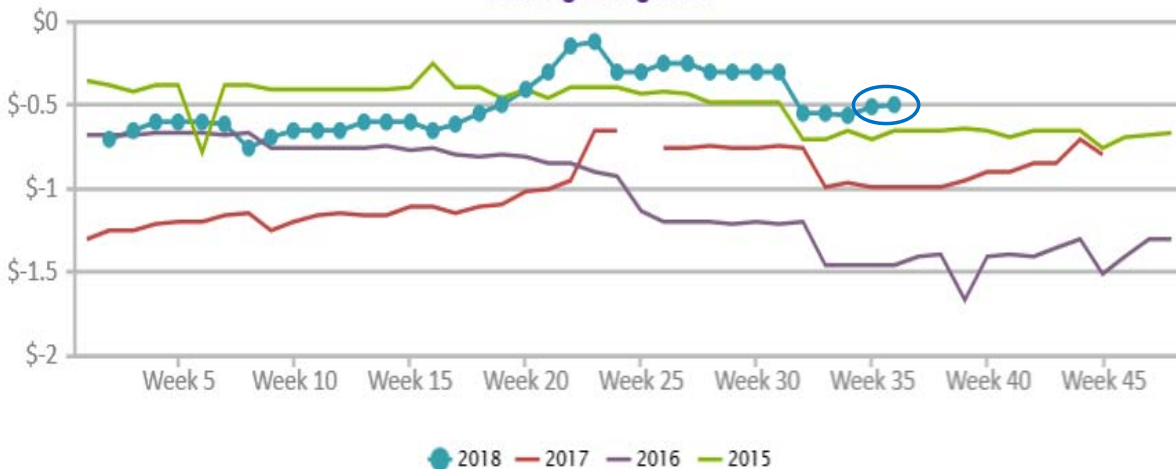
# Wheat Cash & HRW Wheat Futures

Garden City, KS Local Elevators - October 5, 2018



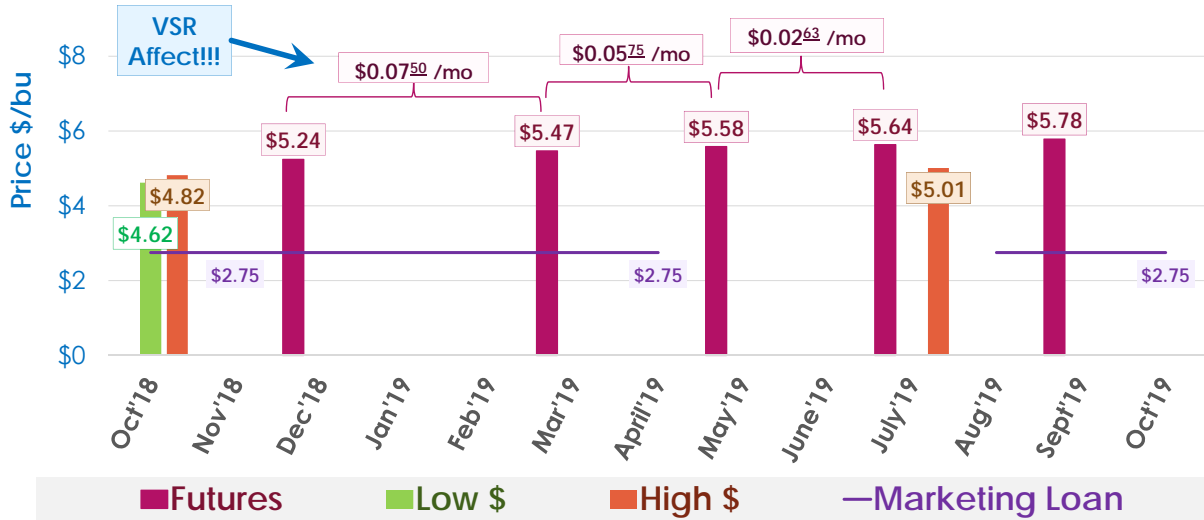
## GARDEN CITY, KS: Hard Red Winter Wheat Basis - GARDEN CITY COOP

www.AgManager.info



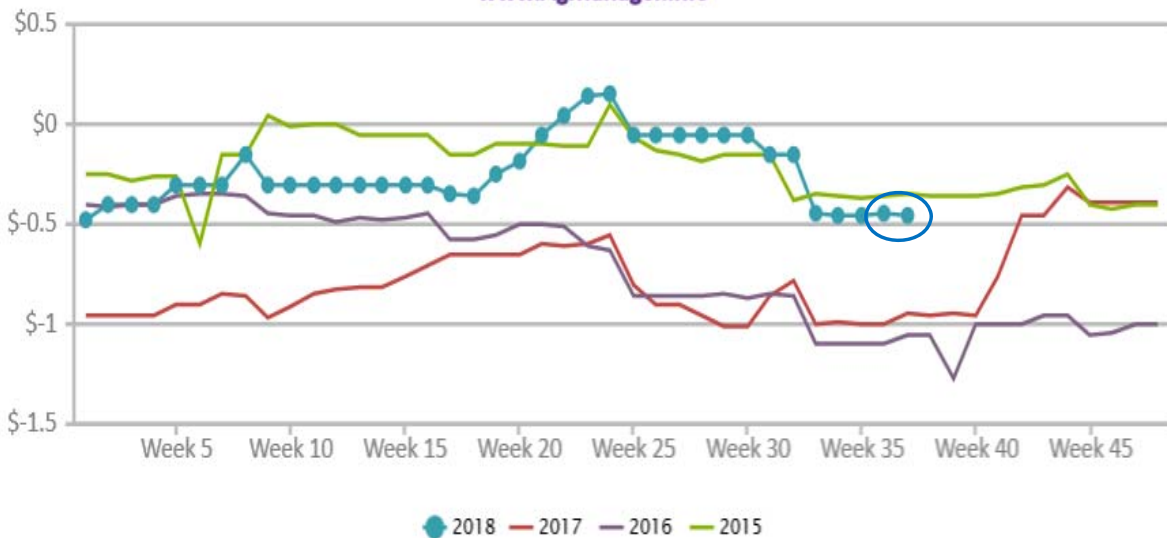
# Wheat Cash & HRW Wheat Futures

Salina, KS Local Elevators - October 5, 2018



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

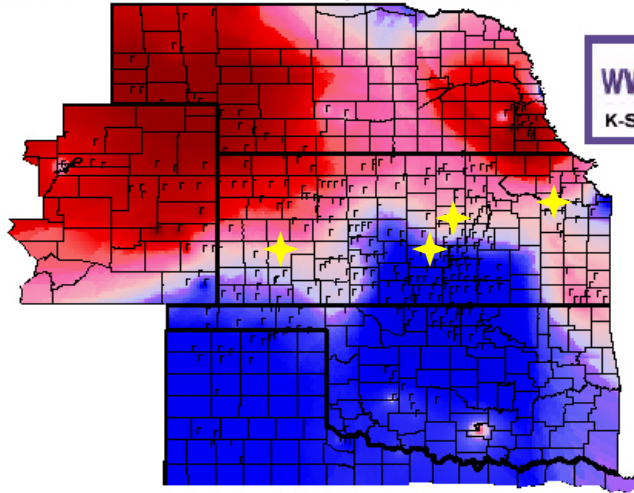
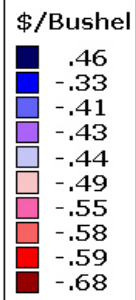
www.AgManager.info



## Wheat Basis, 10-03-2018

Basis = Cash Price - Nearby Futures Price

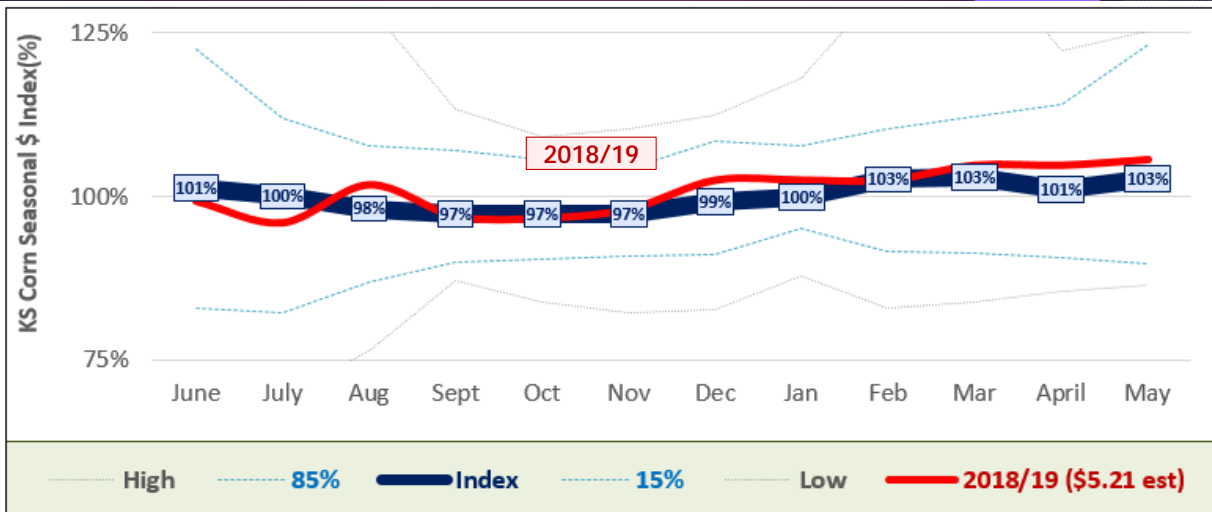
KCBT Dec  
Futures  
Price: \$5.19



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K-State Research and Extension

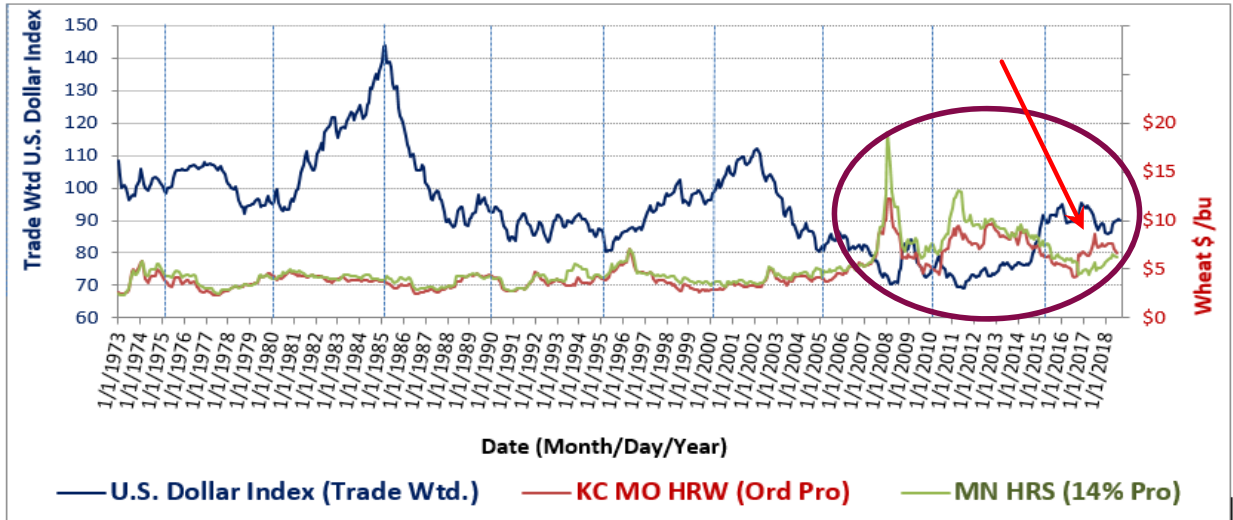
## Kansas Wheat Seasonal Cash \$ Index

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



# U.S. Dollar, HRS<sup>14% Pro</sup> & HRW<sup>Ord Pro</sup> Wheat

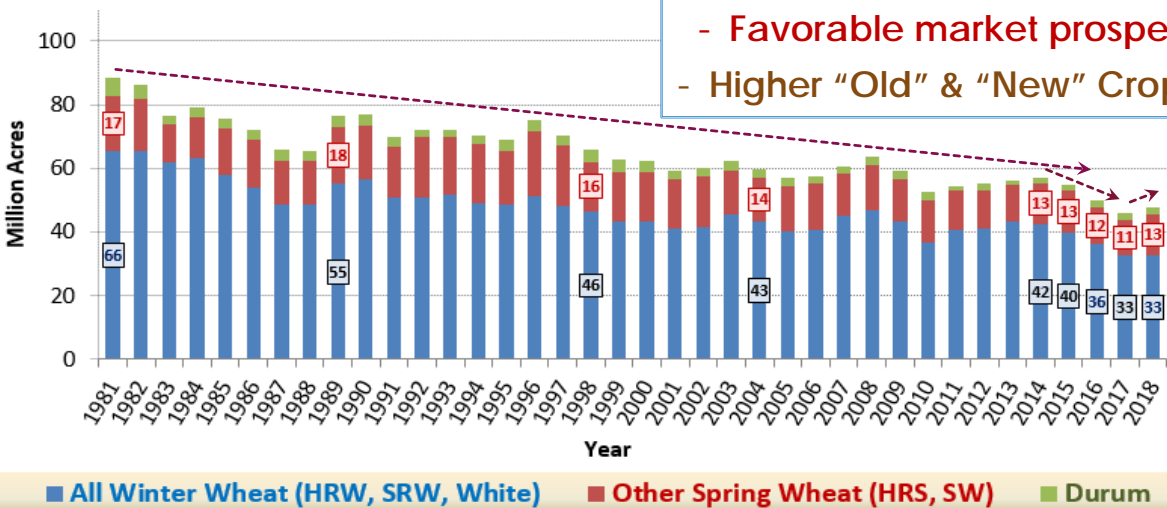
Impact of U.S. Currency & Wheat Protein by Class on Prices



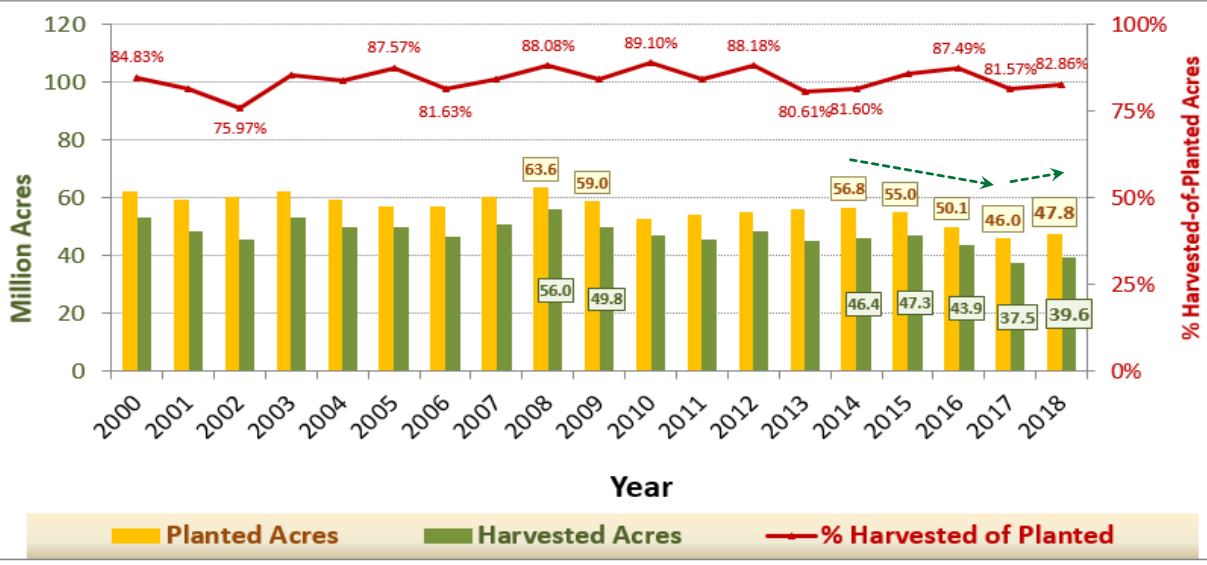
# U.S. Wheat Seeded Acreage

2019 Winter Wheat Acres ↑??

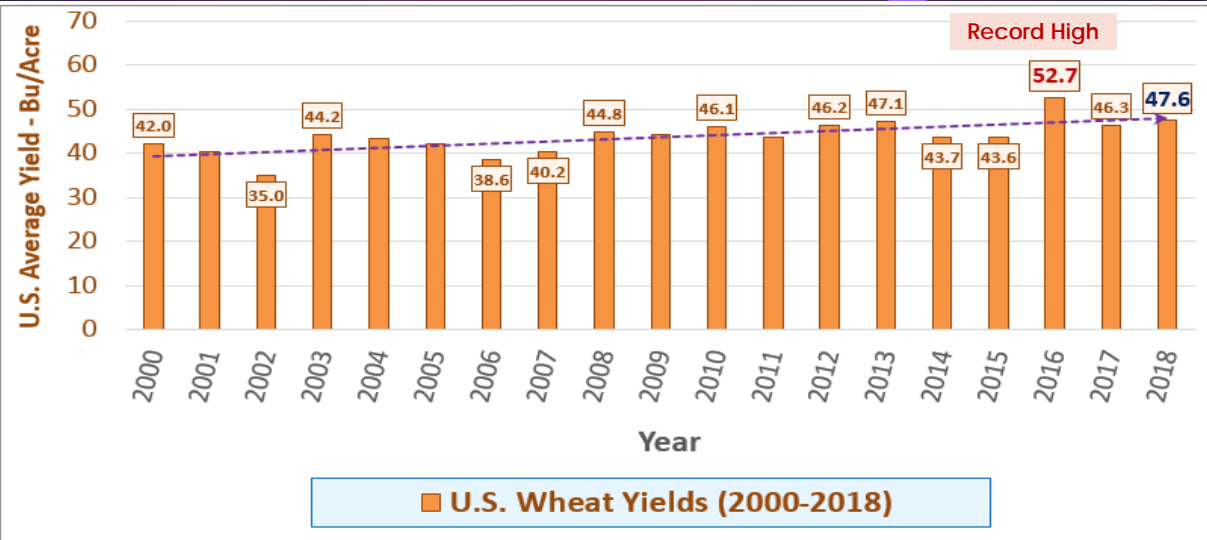
- Favorable market prospects
- Higher "Old" & "New" Crop \$'s

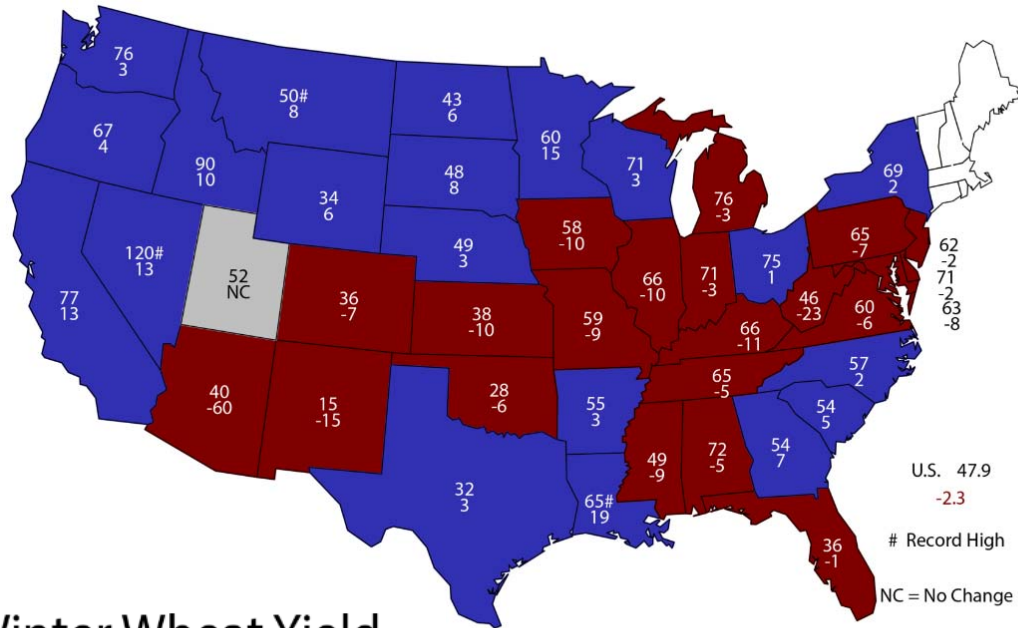


# U.S. Wheat Acreage



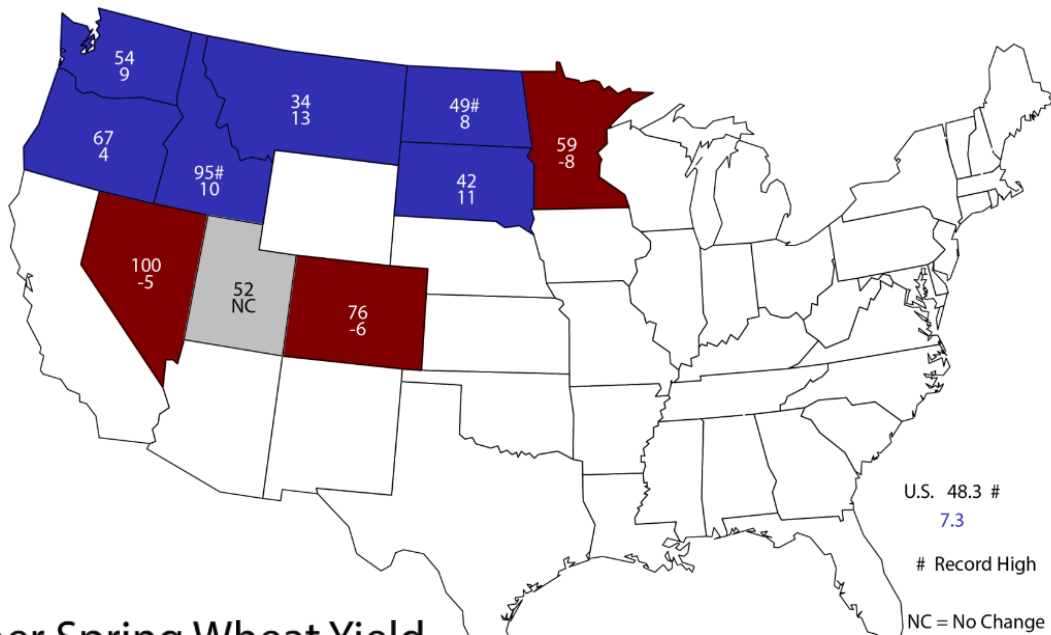
# U.S. Wheat Yields





**2018 Winter Wheat Yield**  
Bushels and Change From Previous Year

USDA-NASS  
9-28-18

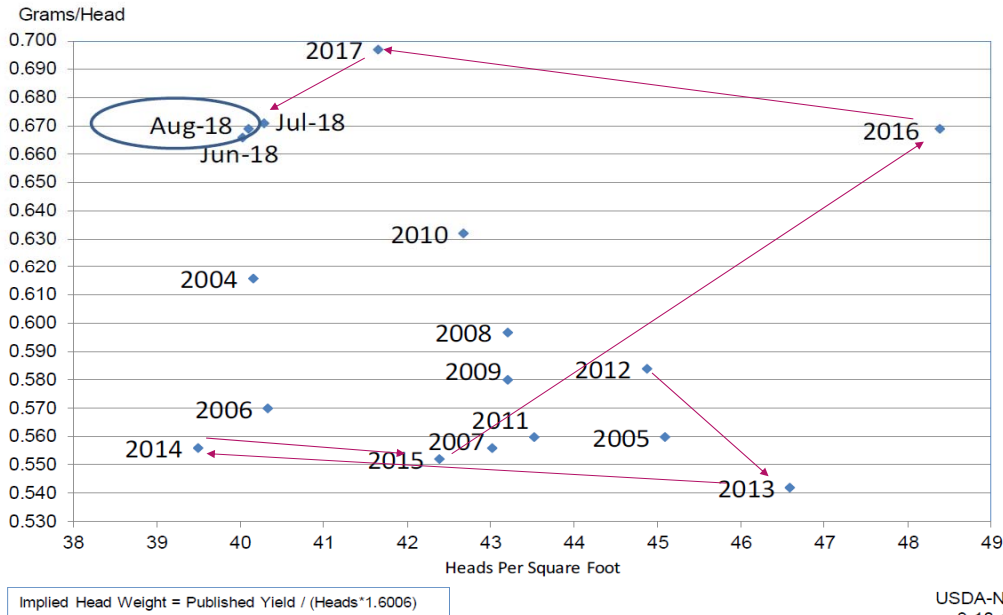


**2018 Other Spring Wheat Yield**  
Bushels and Change From Previous Year

USDA-NASS  
9-28-18



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



## U.S. Wheat Supply & Demand

Items	MY 2017/18	MY 2018/19	Vs Aug 2018	Vs Last Year
Beginning Stocks (mIn bu)	1,181	1,100		(81)
Production	1,741	*1,884	+7	+143
Imports	157	135		(22)
<b>Total Supply (mIn bu)</b>	<b>3,079</b>	<b>*3,119</b>	<b>+7</b>	<b>+40</b>

## U.S. Wheat Supply & Demand

Items	MY 2017/18	MY 2018/19	Vs 9/28/2018	Vs Last Year
Beginning Stocks (mln bu)	1,181	1,100		(81)
<b>Production</b>	<b>1,741</b>	<b>*1,884</b>	<b>+7</b>	<b>+143</b>
<u>Imports</u>	<u>157</u>	<u>135</u>		<u>(22)</u>
<b>Total Supply (mln bu)</b>	<b>3,079</b>	<b>*3,119</b>	<b>+7</b>	<b>+40</b>
Food Use	964	970		+6
Seed Use	64	62		(2)
<b>Exports</b>	<b>901</b>	<b>1,025</b>		<b>+124</b>
<u>Feed &amp; Residual</u>	<u>48</u>	<u>120</u>		<u>+72</u>
<b>Total Use (mln bu)</b>	<b>1,978</b>	<b>2,177</b>		<b>+199</b>

## U.S. Wheat Supply & Demand

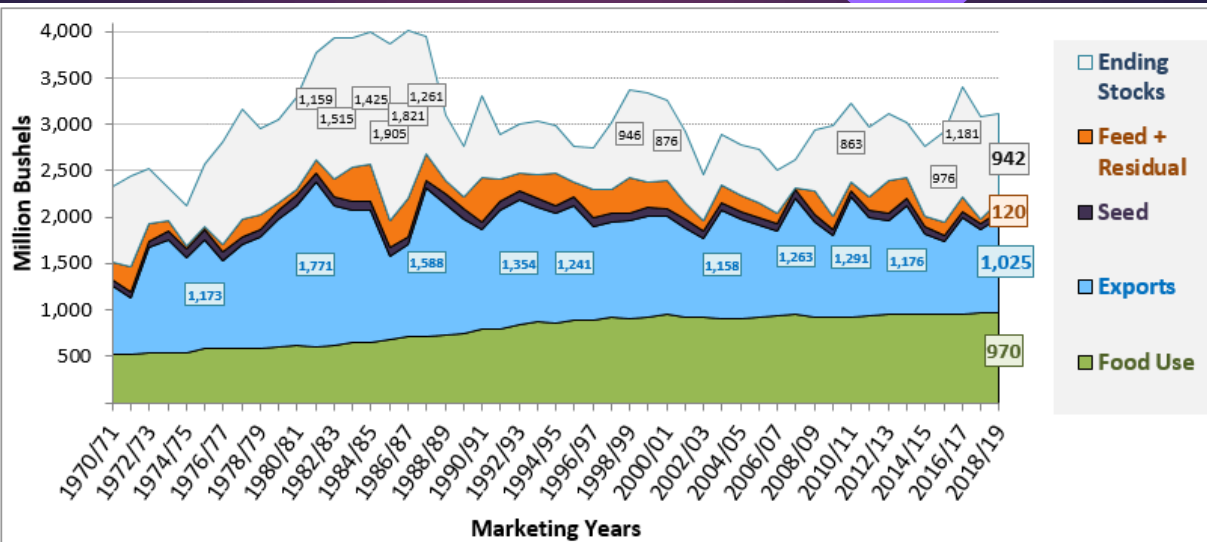
Items	MY 2017/18	MY 2018/19	Vs 9/28/2018	Vs Last Year
Beginning Stocks (mln bu)	1,181	1,100		(81)
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<b>Total Use (mln bu)</b>	<b>1,978</b>	<b>2,177</b>		<b>+199</b>
<b>Ending Stocks (mln bu)</b>	<b>1,100</b>	<b>942</b>	<b>+7</b>	<b>(158)</b>
<b>% Ending Stocks-to-Use</b>	<b>55.6%</b>	<b>43.3%</b>	<b>+0.35%</b>	<b>(12.3%)</b>
<b>U.S. Avg. Price\$ (\$/bu)</b>	<b>\$4.73</b>	<b>\$5.10</b>		<b>+\$0.37</b>



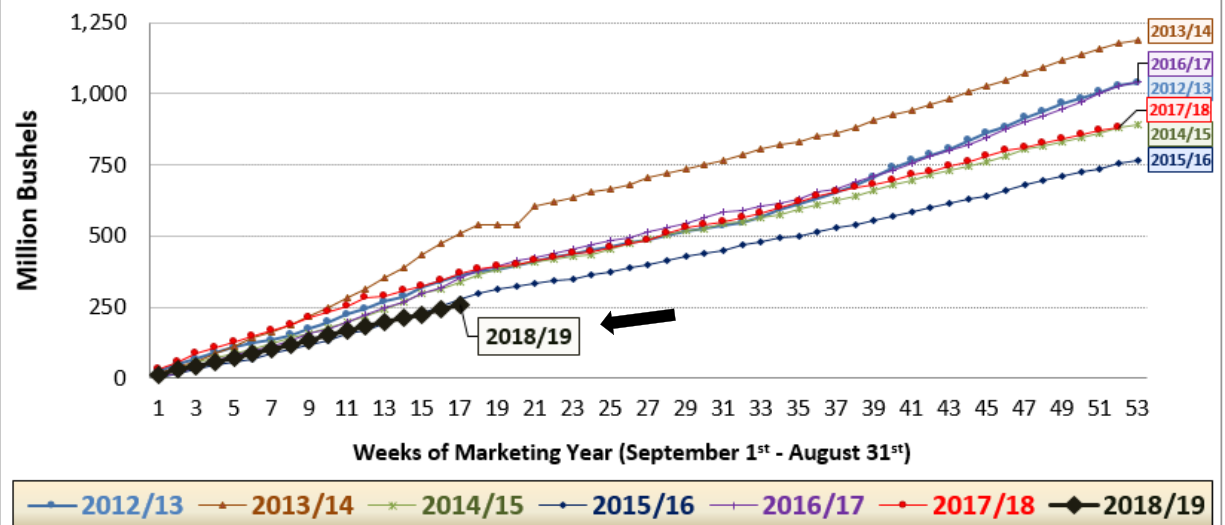
# U.S. Wheat Production & Supplies



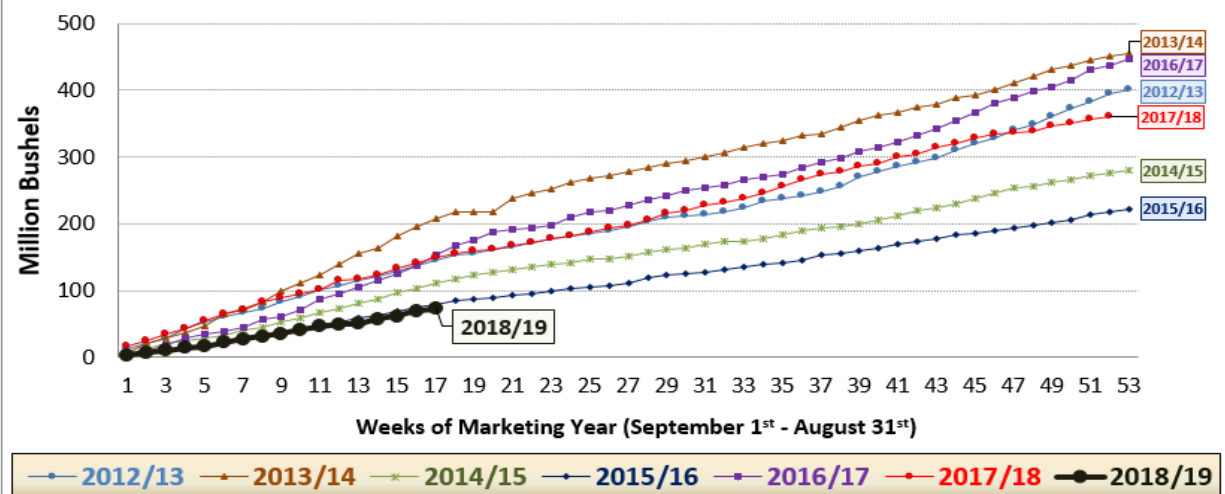
# U.S. Wheat Use by Category



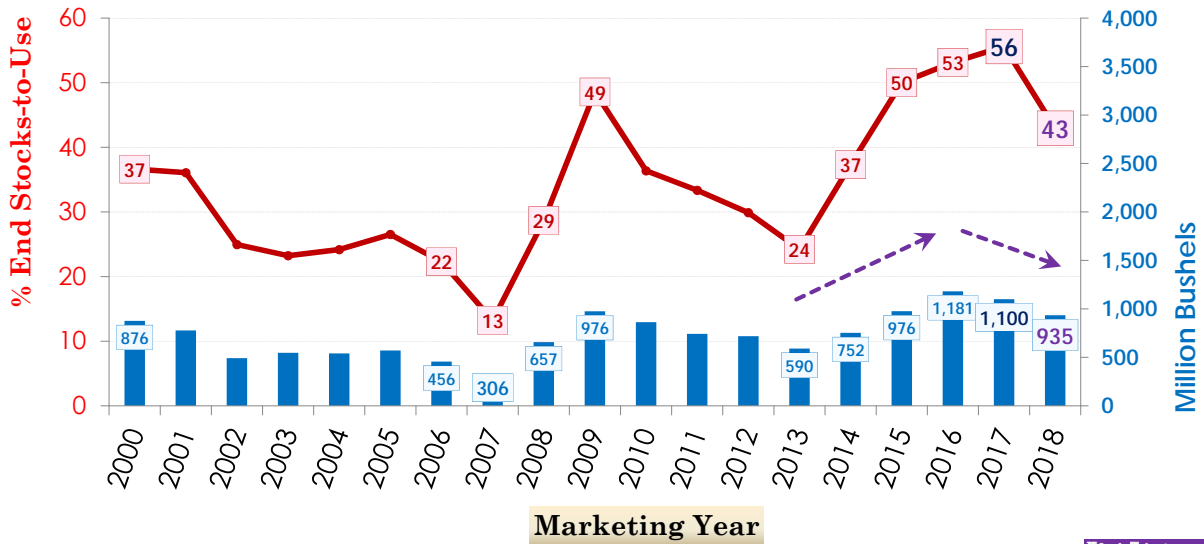
## U.S. All Wheat Exports – Weekly thru September 27, 2018



## U.S. Hard Red Winter Wheat Exports – Weekly through 9/27/2018

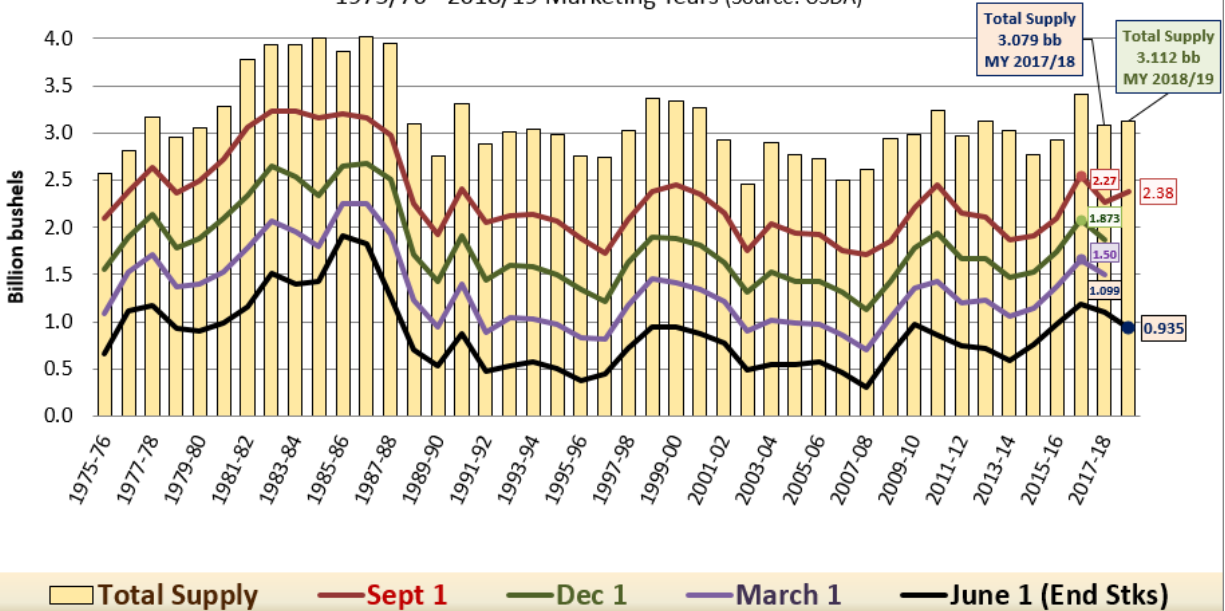


# U.S. Wheat Ending Stocks & % Stx/Use

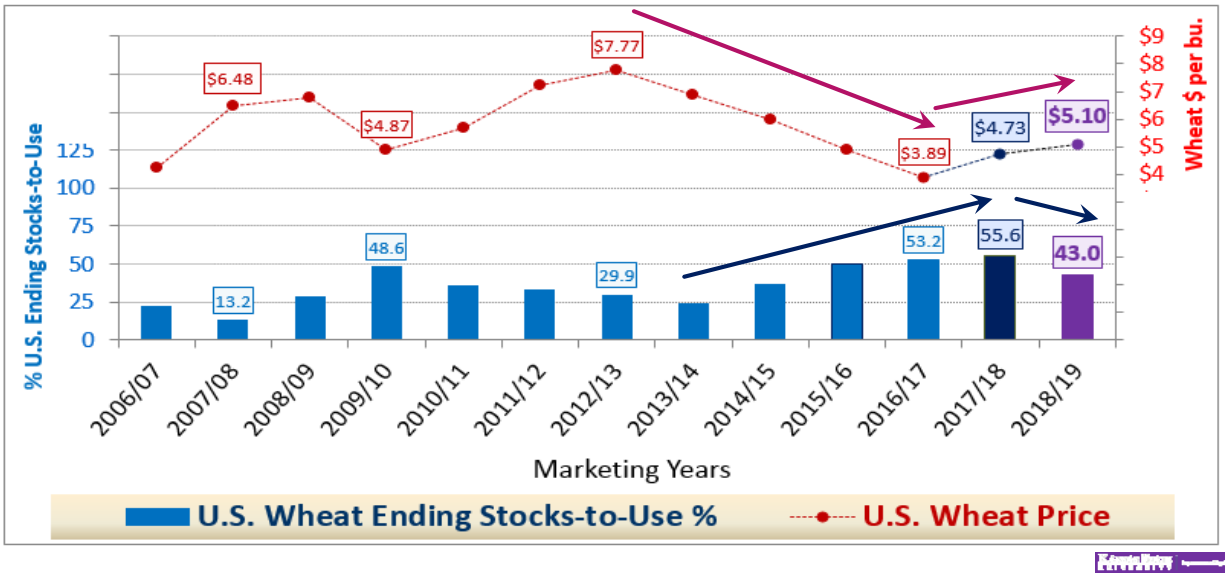


# U.S. Wheat Total Supply & Quarterly Stocks

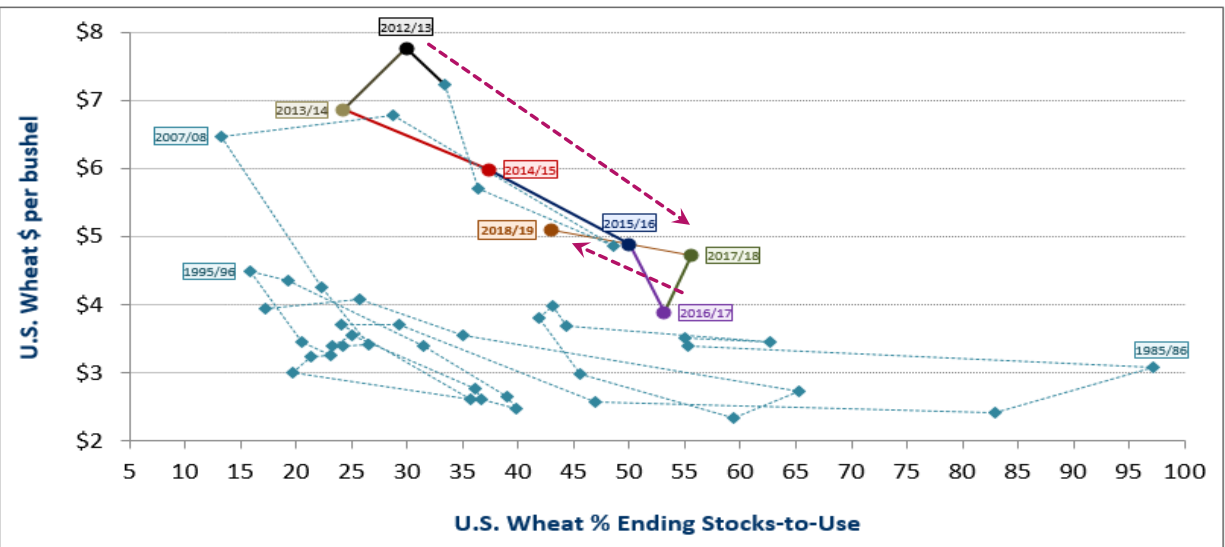
1975/76 - 2018/19 Marketing Years (Source: USDA)



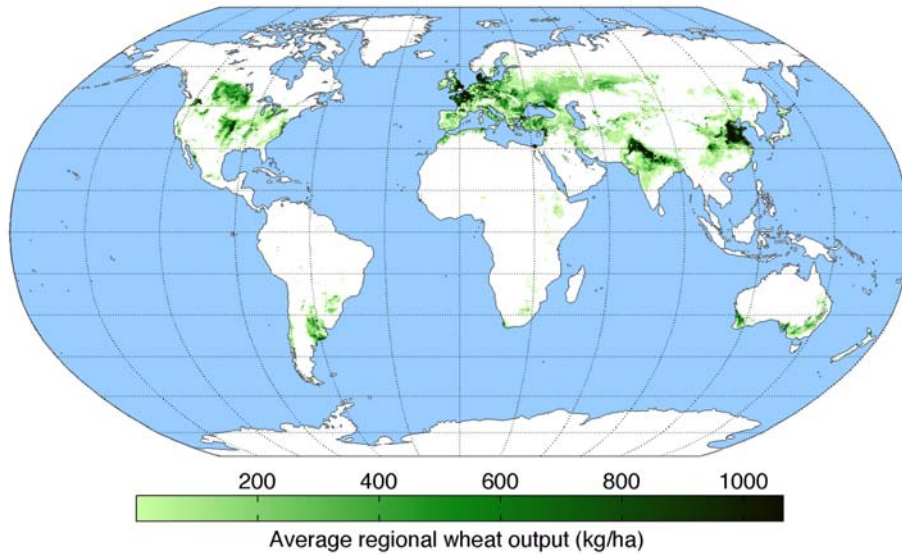
# U.S. Wheat Ending Stocks & Prices



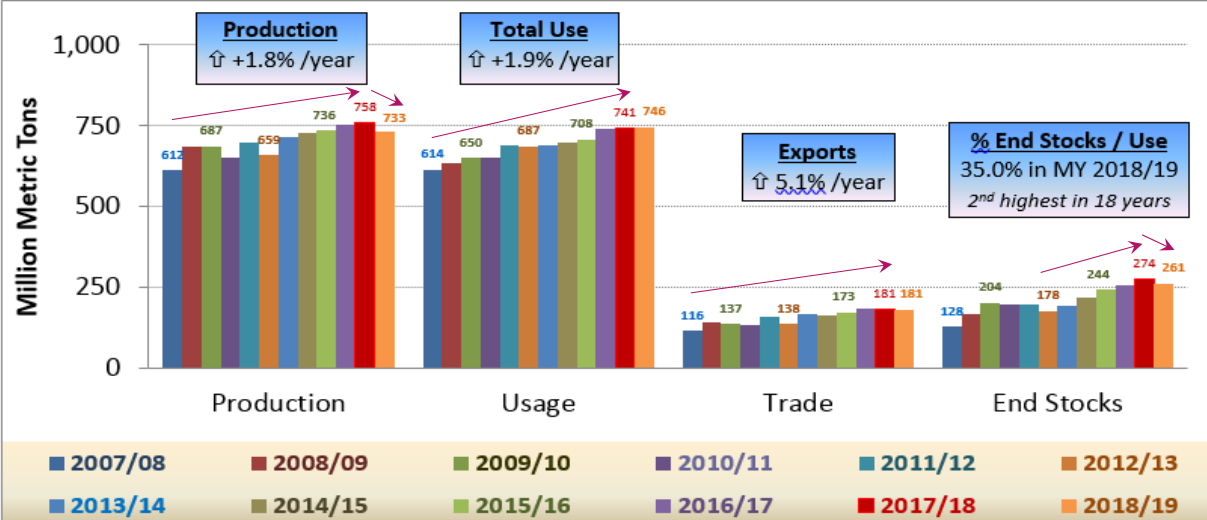
# U.S. Wheat Price vs U.S. Stocks-to-Use



# World Wheat Production Regions



# World Wheat Supply, Use & Stocks



# World Wheat Production

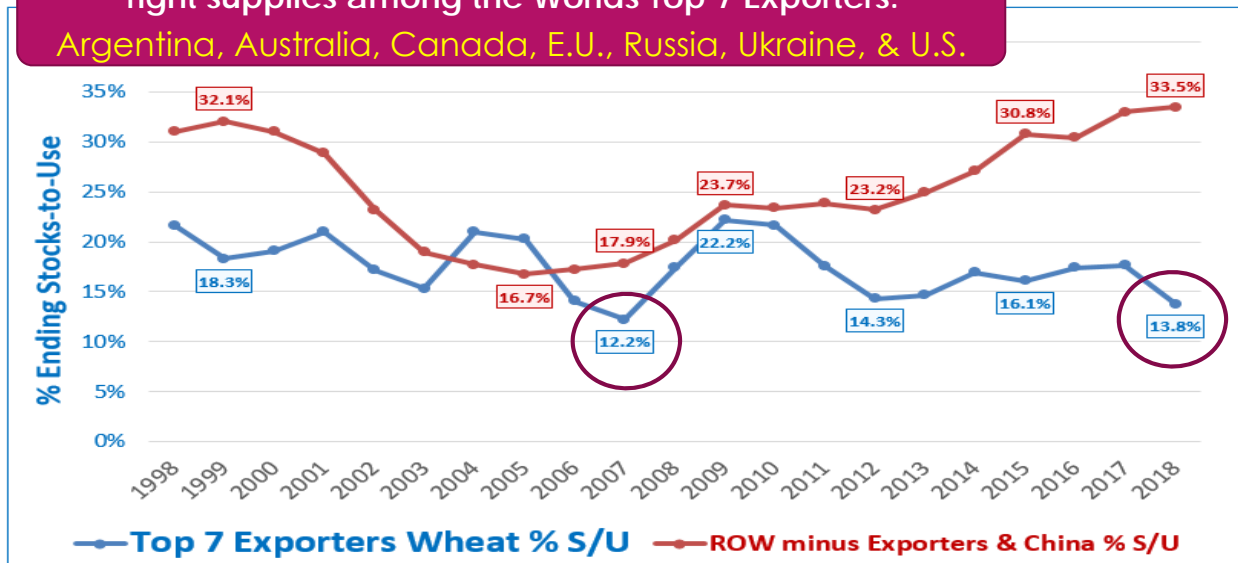
Country or Region	2017/2018		2018/2019		
	Estimate	Change from August 10	Forecast	Change from August 10	Change from 2017/2018
----- Million Tons -----					
World	758.3	0.3	733.0	3.4	-25.3
United States	47.4	--	51.1	--	3.7
Foreign	710.9	0.3	681.9	3.4	-29.0
Argentina	18.0	--	19.5	--	1.5
Canada	30.0	**	31.5	-1.0	1.5
Australia	21.3	--	20.0	-2.0	-1.3
European Union	151.7	--	137.5	--	-14.2
Turkey	21.0	--	19.0	--	-2.0
Russia	85.0	--	71.0	3.0	-14.0
Ukraine	27.0	--	25.5	--	-1.5
Kazakhstan	14.8	--	15.0	0.5	0.2
China	129.8	--	128.0	--	-1.8
India	98.5	--	99.7	2.7	1.2
Northwest Africa	10.6	--	12.4	--	1.9

# World Wheat Supply and Use

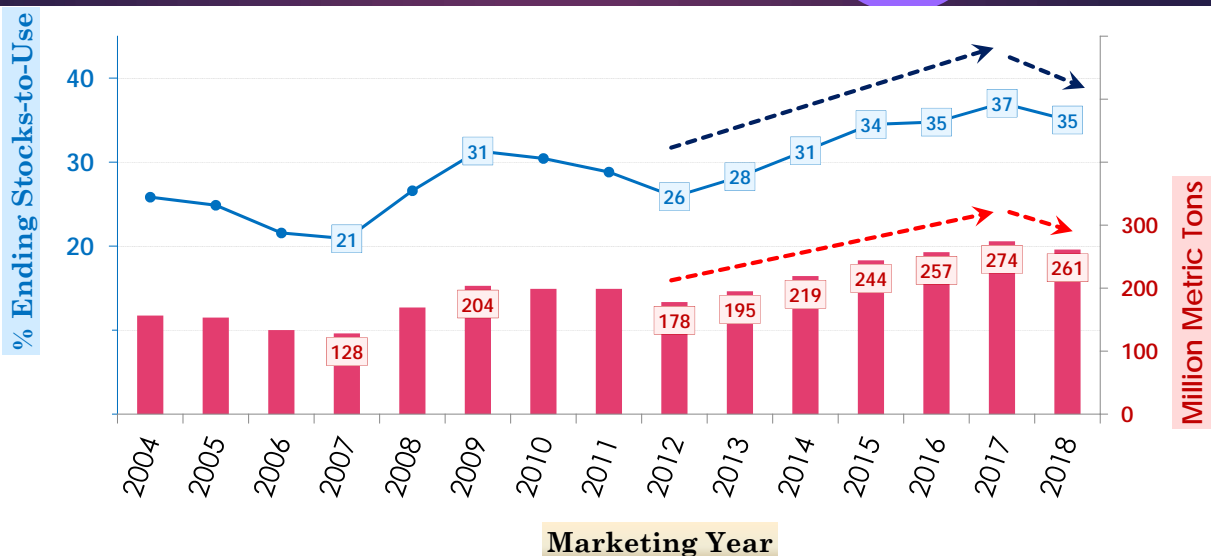
Item	2017/2018		2018/2019		
	Estimate	Change from August 10	Forecast	Change from August 10	Change from 2017/2018
----- Million Tons -----					
Beginning stocks	257.1	-0.1	274.4	1.3	17.3
Production	758.3	0.3	733.0	3.4	-25.3
Total Supply	1,015.4	0.2	1,007.4	4.7	-8.0
Feed use	144.4	-0.8	140.7	2.3	-3.6
Total use	741.0	-1.1	746.1	2.3	5.1
Trade	181.4	-1.2	181.4	-2.5	**
Ending Stocks	274.4	1.3	261.3	2.3	-13.1

# 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

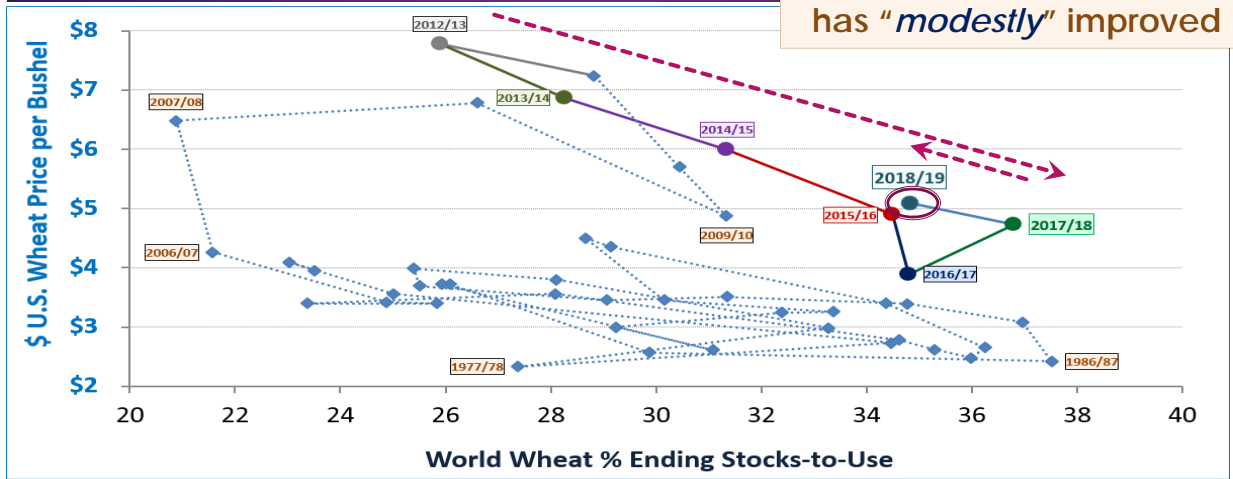




# U.S. Wheat Price (\$) vs World % Stx/Use

MY 1973/74 – “New Crop” MY 2017/18

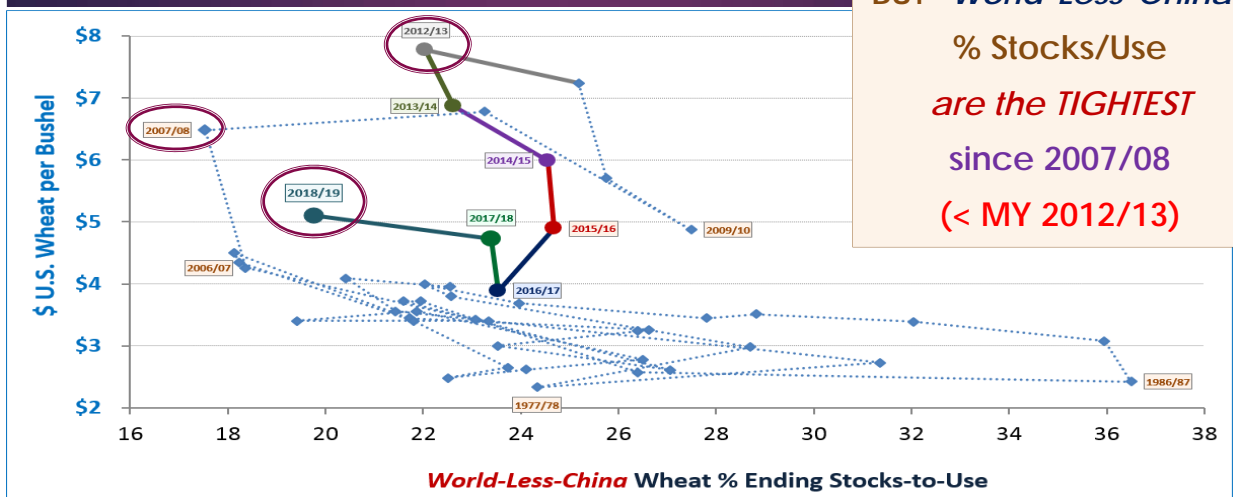
World Wheat % S/U  
has “*modestly*” improved



# 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?

**Daniel O'Brien – Extension Ag Economist**

Blog: [www.ksugrains.wordpress.com](http://www.ksugrains.wordpress.com)

**KSUGrains** on Twitter & Facebook

[www.AgManager.info](http://www.AgManager.info)



**KANSAS STATE UNIVERSITY**

Department of Agricultural Economics