2015 Soybean Markets & Profit Prospects

2015 KSU Soybean School

Derby, Kansas

February 4, 2015

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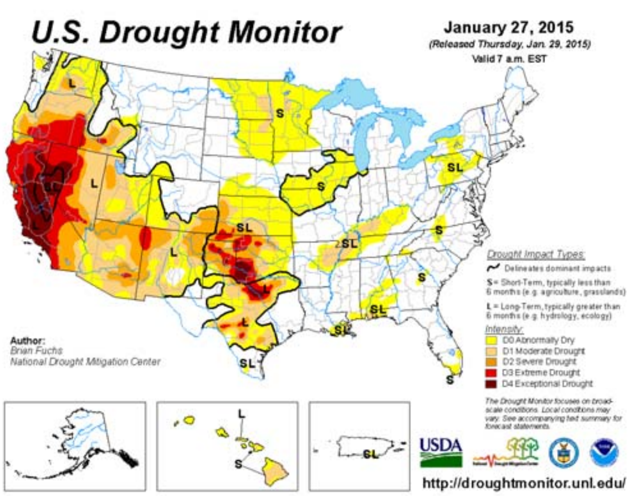
Kansas State University – Department of Agricultural Economics

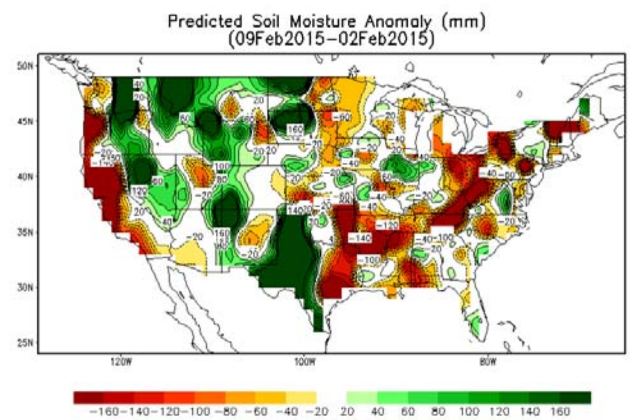
Soybean Market "Drivers"

- With a **record large 2014 U.S. soybean crop**, cash prices in range of $9.30-$9.77 (Derby, KS Area)
- **In Question**: Prospects for U.S. prices from February through June-July 2015 ???
- **Forecasts of higher U.S. & South American** soybean crops in "new crop" 2014/15 have caused U.S. harvest bids to fall ≤ $9.00 /bu (Now ≈ $8.96)

The Key Market Questions

What will South American soybean production & U.S. soybean acreage be in 2015?





U.S. Dollar Index (ICE Futures)

Weekly Chart: Late January 2013 – February 2, 2015

Non-Irrigated Soybeans

Yields, Costs & Returns in South Central Kansas

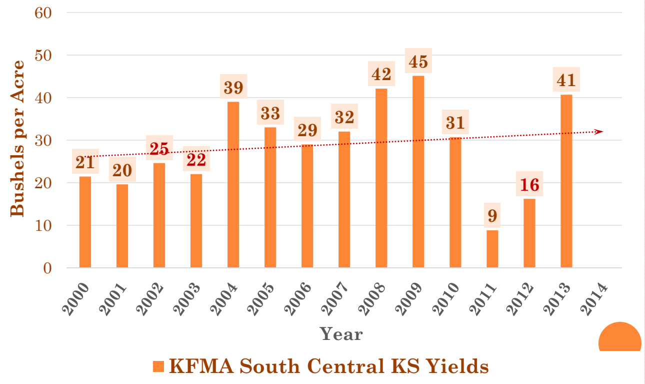
Kansas Farm Management Association & USDA Records

Years 2000 - 2014

Kansas State University – Department of Agricultural Economics

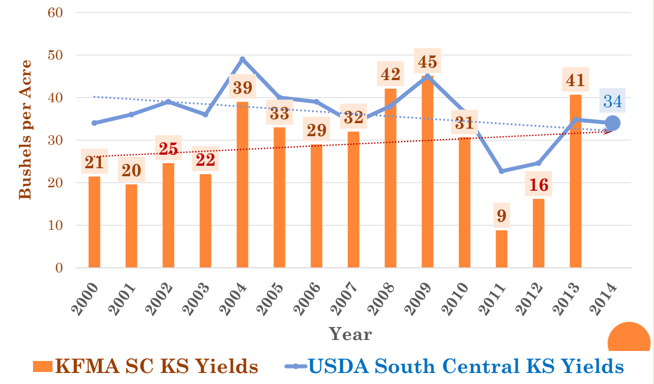
Non-Irrigated Soybeans in SC Ks

KFMA Enterprise (2000 – 2014)



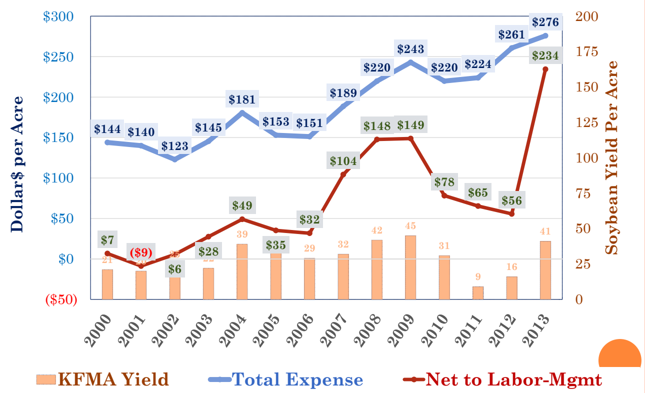
Non-Irrigated Soybeans in SC Ks

KFMA Enterprise & USDA Yields (2000 – 2014)



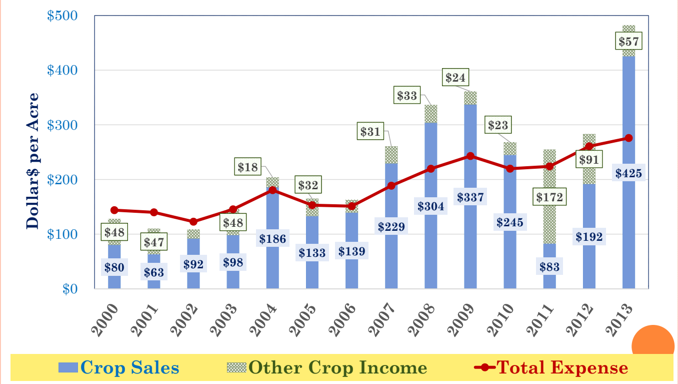
Non-Irrigated Soybeans in SC Ks

KFMA Enterprise Yields, Costs & Returns / acre



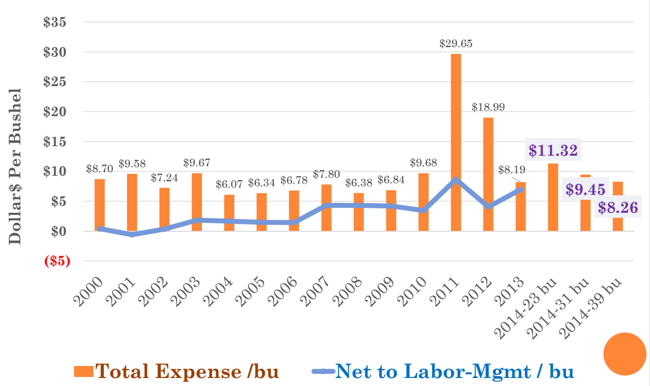
Non-Irrigated Soybeans in SC Ks

KFMA Enterprise Costs, Sales & Insurance / acre



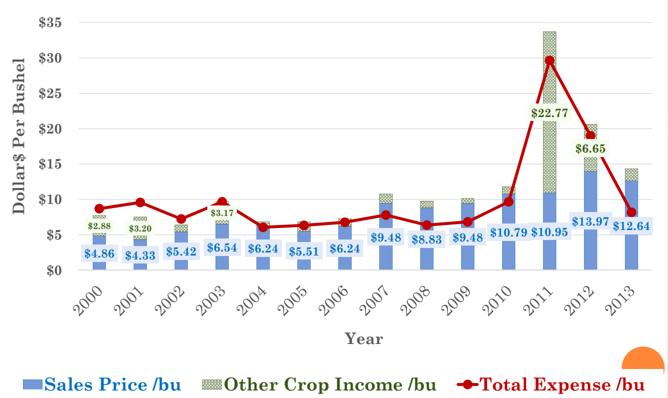
Non-Irrigated Soybeans in SC Ks

KFMA & KSU Total Expenses & Returns / Bushel



Non-Irrigated Soybeans in SC Ks

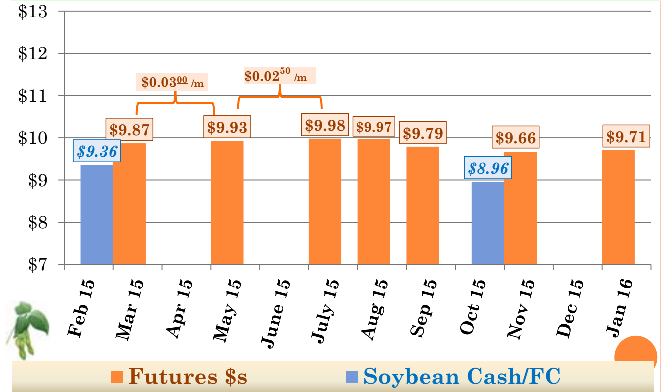
KFMA & KSU Expenses, Sales & Insurance / Bushel

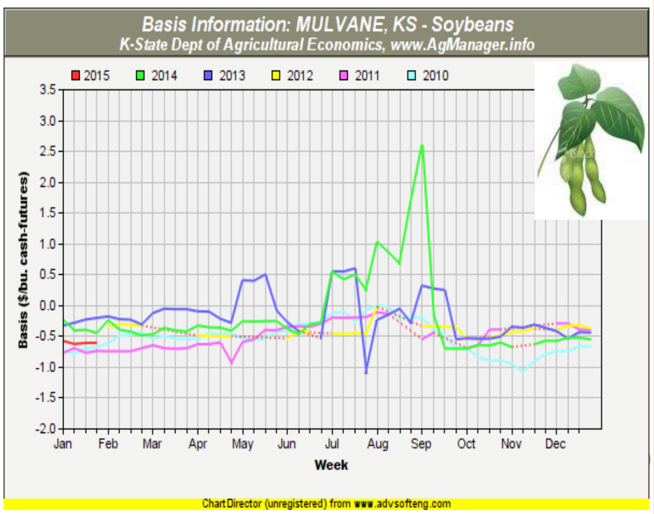


SOYBEAN MARKETS

SOYBEAN eFUTURES & CASH$

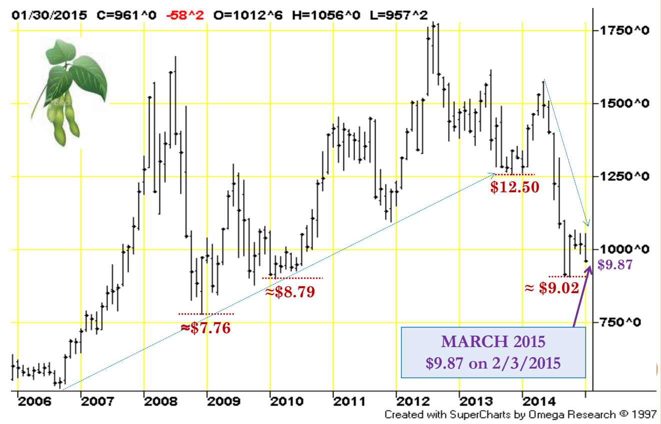
MULVANE-WICHITA KS CASH & FC PRICES$, 2/3/2015





CBOT SOYBEAN FUTURES

WEEKLY CHART: DEC. 2005 – JANUARY 2015 + 2/3/2015

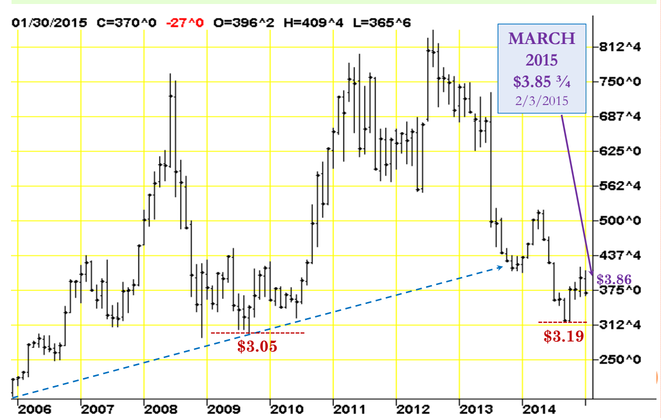


KANSAS CITY WHEAT FUTURES

MONTHLY CHART: DECEMBER 2005 – JANUARY 2015 + 2/3/2015

CBOT CORN FUTURES

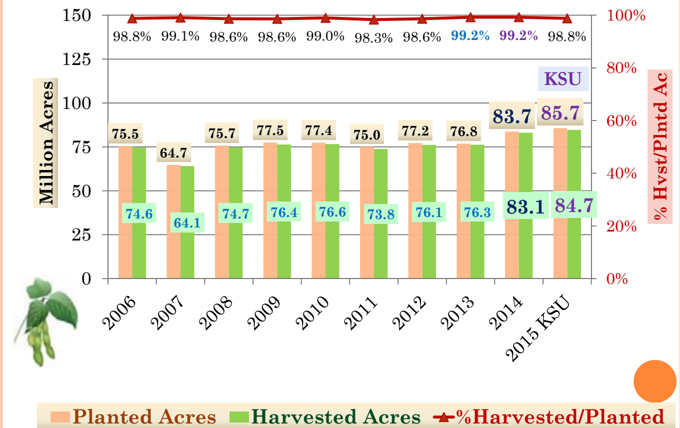
MONTHLY CHART: DECEMBER 2005 – JANUARY 2015 + 2/3/2015



U.S. Soybean Supplies: 2014-2015

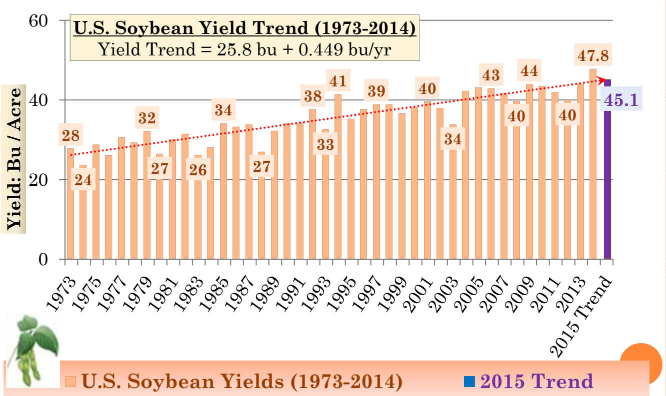
- **Planted Area**^{2014} = 83.7 mln ac
  - ⇧ 2.0 to 85.7 mln ac in 2015???
- **Harvested Area**^{2014} = 83.1 mln ac
  - ⇧ 1.61 to 84.7 mln ac in 2015???
- **Yield**^{2014} = 47.8 bu/ac (record)
  - 2015 Trend (1973-2014)= 45.1 bu/ac
- **Production**^{2014} = 3.969 bln bu (record)
  - 2015^{est} = 3.818 bln bu
- **Total Supply**^{2014} = 4.076 bln bu (record)
  - 2015^{est} = 4.243 bln bu

U.S. Soybean Acreage

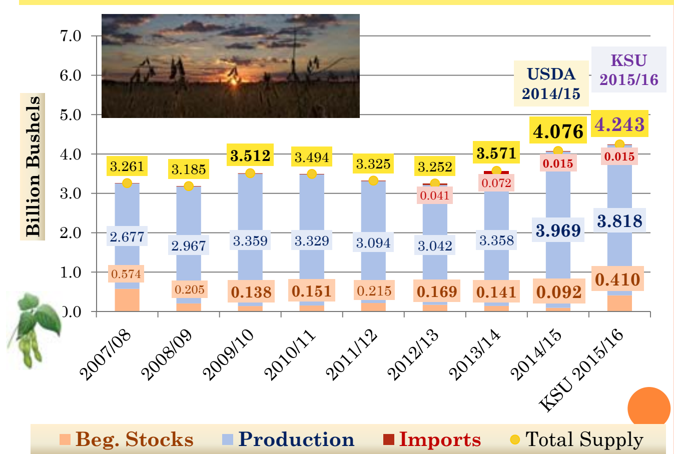


U.S. Soybean Yields

USDA 2014: 47.5 bu/ac, 2015 Trend Yield = 45.1 bu/ac



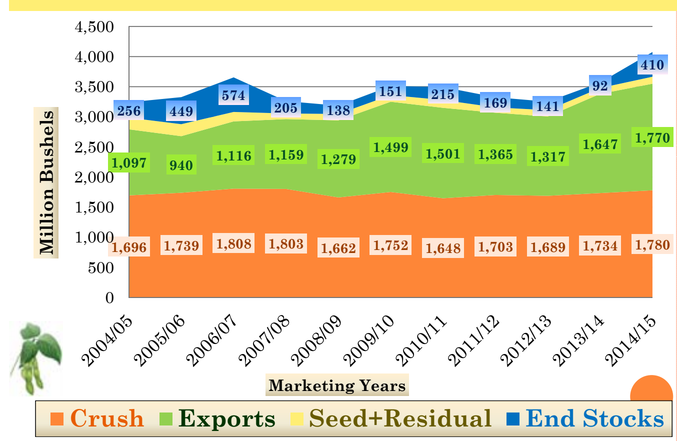
U.S. Soybean Total Supplies



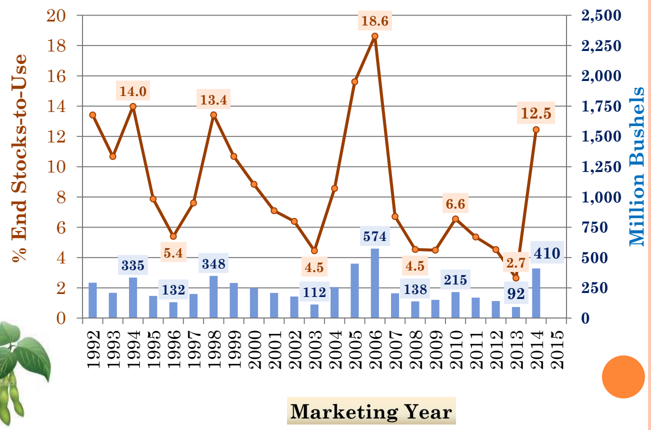
U.S. Soybean Use in MY 2014/15

- **Crush** – 1.780 bln bu. (⇧2.7%)
  - ⇧ Soybean Oil & Meal demand
- **Exports** – 1.760 bln bu. (⇧7%)
  - Competition from South America
- **Seed & Residual** – 115 mln bu.
- **Total Use** – 3.655 bln bu. (⇧5%)
  - ⇧ Total Use with ⇧ Supply & ⇩ $s

U.S. Soybean Use & End Stocks



U.S. Soybean End Stocks, %S/U



U.S. Soybean Supply-Demand

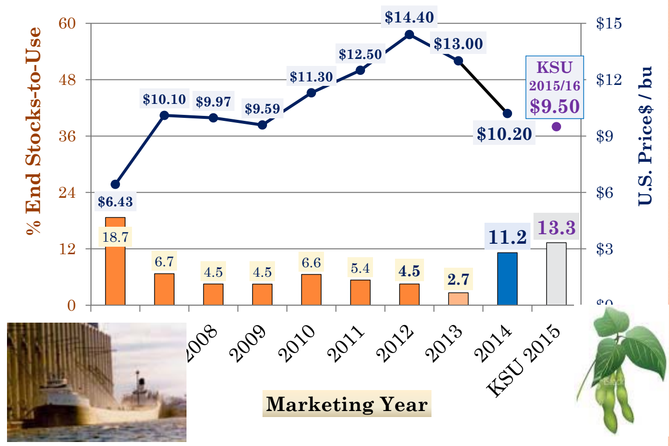
USDA WASDE Report – January 12, 2015

	2012/13	2013/14	2014/15
Planted Acres (mln.)	77.2	76.8	83.7
Harvested Acres (mln.)	76.1	76.3	83.1
Yield (bu./ac.)	40.0	44.0	47.8
Beginning Stocks	169	141	92
Imports	41	72	15
Production	3,042	3,358	3,969
Total Supplies	3,252	3,570	4,076
Crushings	1,689	1,734	1,780
Exports	1,317	1,647	1,770
Seed & Residual	105	97	116
Total Use	3,111	3,478	3,666
Ending Stocks	*(4.5%)* 141	*(2.7%)* 92	*(11.2%)* 410
U.S. Avg. Farm $	$14.40	$13.00	$9.45-$10.95

KSU: U.S. Soybean S/D Prospects

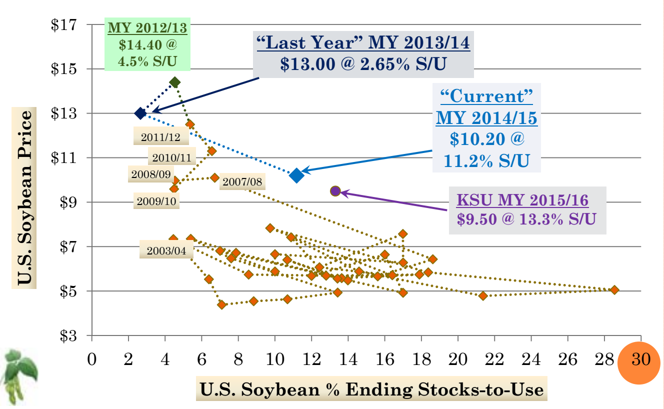
	2014/15 USDA	2014/15 KSU		2015/16 USDA
Planted Acres (mln.)	83.7	83.7	+2.00	85.7
Harvested Ac. (mln.)	83.1	83.1	+1.61	84.7
Yield (bu./ac.)	47.8	47.8	-2.7	45.1
Beginning Stocks	92	92		410
Imports	15	15		15
Production	3,969	3,969		3,818
Total Supplies	4,076	4,076		4,243
Crushings	1,780	+1% 1,797		≈ 1,825
Exports *"Wildcard"*	1,770	+1% 1,787		≈ 1,810
Seed & Residual	116	nc 116		110
Total Use	3,666	+1% 3,700		≈ 3,745
Ending Stocks	*(11.2%)* 410	*(10.2%)* 376		*(13.3%)* 498
U.S. Avg. Farm $	$10.20	$10.55		$9.50

U.S. Soybean %Stx/Use vs Price$



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

MY 1973/74 – 2015/16 Jan. 12, 2015 USDA #s + KSU 2015/16 Forecast



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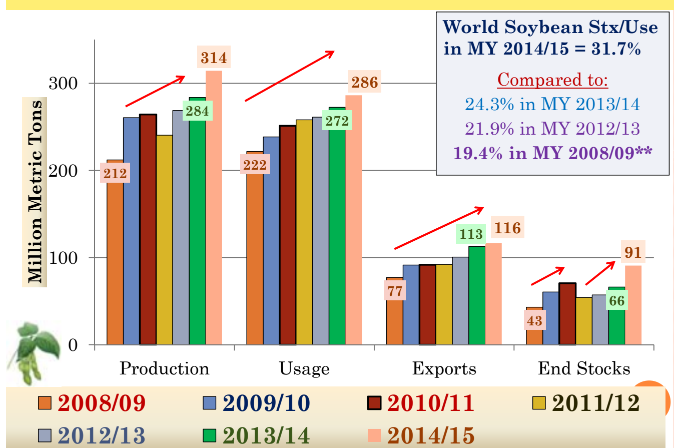
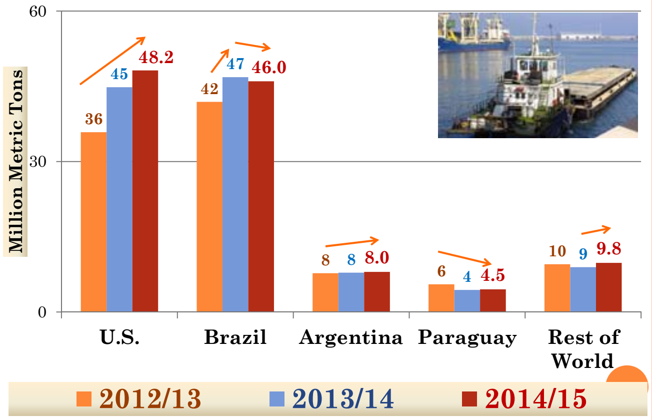
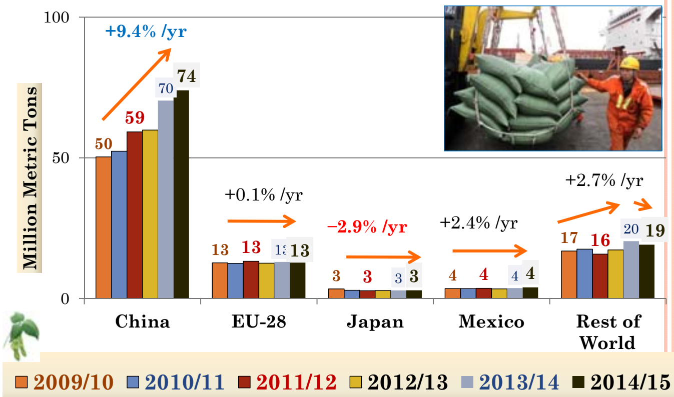
World Soybean Supply-Demand



Soybean Exporter Sales

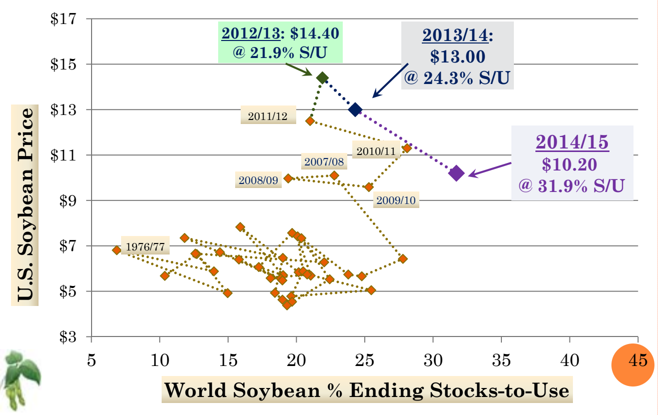


Soybean Importer Purchases



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

MY 1973/74 – 2014/15 January 12, 2015 USDA Reports



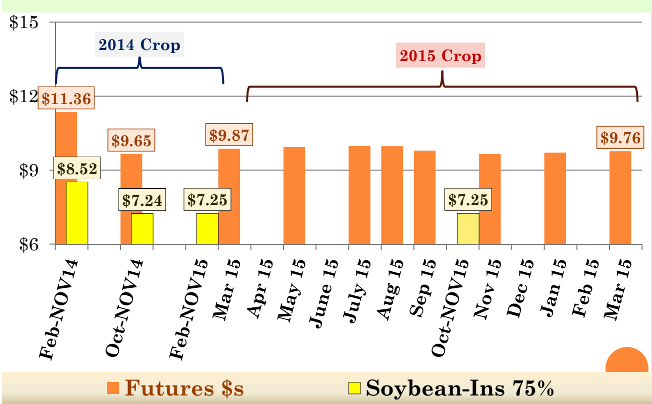
Soybean Market Prospects

- **South America Prospects**
  - 2015 crop development "mixed"
  - Prospects for a large 2015 crop ⇨ impact on World $'s in March-July

- **Soy Market Prospects-2015**
  - A Large Supply year ⇨ Low $'s
  - Is Chinese demand continuing?

- **U.S. Soybean Acres in 2015?**
  - New Crop Soy/Corn^{2015} Ratio ≈ **2.32**

Soybean Futures & Crop Insurance Prices 2/3/2015



RMA Price Discovery Periods for 2015 Crops – Projected Prices

A. 2015 Kansas Soybeans

- NOV 2015 CBOT Soybean Futures (Currently ≈ $9.66 ¼ /bu)
  - *Projected $* Discovery Period: 2/1/2015 – 2/28/2015
- **At 75% APH: Price coverage = 75% x $9.66 /bu = $7.25**

B. 2015 Kansas HRW Wheat

- JULY 2015 Kansas Wheat Futures (= $6.30 /bu projected price)
  - *Projected $* Discovery Period: 8/15/2014– 9/15/2014
- Current JULY 2015 Kansas Wheat Futures (= $5.63 ¾ /bu)
  - *Harvest $* Discovery Period: 6/1/2015– 6/30/2015
- **At 75% APH: Price coverage = 75% x $6.30 /bu = $4.72^{50}**

RMA Price Discovery Periods for 2015 Crops – Projected Prices

A. 2015 Kansas Corn

- DEC 2015 CBOT Corn Futures (Currently ≈ $4.16 ¼ /bu)
  - *Projected $* Discovery Period: 2/1/2015 – 2/28/2015
- **@ 75% APH: Price coverage = 75% x $4.16 ¼ /bu**

  ≈ $3.12

B. 2015 Kansas Grain Sorghum

- DEC 2015 CBOT Corn Futures (Currently ≈ $4.16 ¼ /bu)
  - *Projected $* Discovery Period: 2/1/2015 – 2/28/2015
- **@ 75% APH: Price coverage = 75% x $4.16 ¼ /bu x .9660**

  ≈ $3.02

Questions?

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