Wheat Market Outlook in 2015-2016

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Wheat Market Realities
Key issues over 2005-2015 Period

- **Transportation Logistics Drive World Exports**
  - Example: Black Sea & Australia exports to the Middle East & Asia
- **Wheat Substitutes for Coarse Grains in Feed Use**
  - ⇒ Issues of "Food" versus "Feed" Quality & adoesption by users
- **World Supplies are driven by Acres & Weather**
  - ⇒ *Once supplies are set, price discovery processes ration usage*

Searching for Wheat Market "Rules"
Key issues over 2005-2015 Period

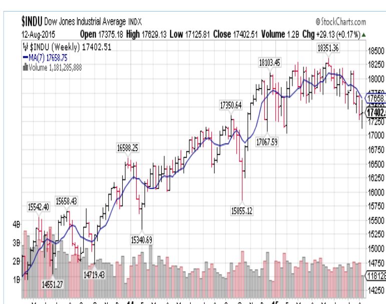
- **"Mean Reversion" Lives in the Grain Markets**
  - ⇒ Competitive forces tend to undo periods loses or profits
- **Varying "Price Flexibility / Elasticity" is evident**
  - **Flexibility:** Varying $ response to "short" vs "abundant" Stocks/Use
  - **Elasticity:** Usage affected conversely by "high" vs "low" prices
- **Exports impacted by Currencies, # Competitors**

Wheat Market Supply-Demand

1) **Large U.S. & World Stocks of Wheat**
   - A "buyers" market for wheat exports unless/until supplies decline
   - High value of the U.S. Dollar & ample foreign competition is seriously hurting U.S. wheat exports
2) **U.S. & World Crop Uncertainty in 2016 (El Nino…??)**
3) **Impact of World financial problems** (EU, China, U.S., ……)
   - Are "Commodity price deflation" worries affecting grain markets & the psyche of market participants??? *(likely Yes)*

Dow Jones Europe Index
Weekly, March 2013 – August 12, 2015
Was 352 in June 2014 & 286 in October 2014
Drop from 338 (early May) to 317 close on 8/12/2015

Shanghai Stock Exchange Index
Weekly, March 2013 – August 12, 2015
Was 1,991 in May 2014
Drop from 5,178 (Mid June) to 3,886 close on 8/12/2015



U.S. Dow Jones Composite Average Index
Weekly, April 2013 – August 12, 2015
Was 14,551 in June 2013 – climbed to 18,351 in May '15
Down to 17,403 close on 8/12/2015

U.S. Dollar Index – Cash Settle
Weekly, March 2013 – August 12, 2015
Was 78.9 in March 2014 – climbed to 100.7 in March '15
Dropped to 100.7 (mid March) to 93.3 (mid June), close of 96.3 on 8/12/2015

Wheat Market Futures Prices

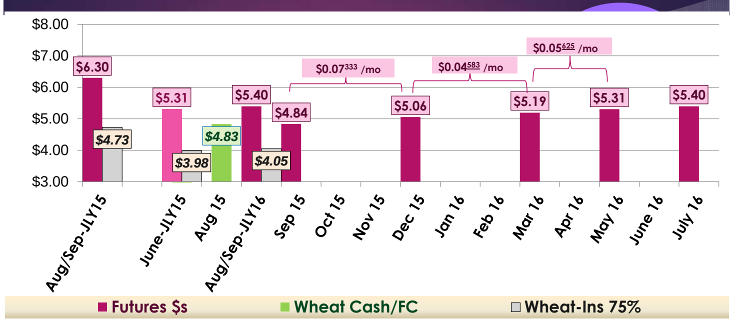
Daily CME Kansas HRW SEPT 2015 Futures (since March 2015)

Wheat Market Futures Prices

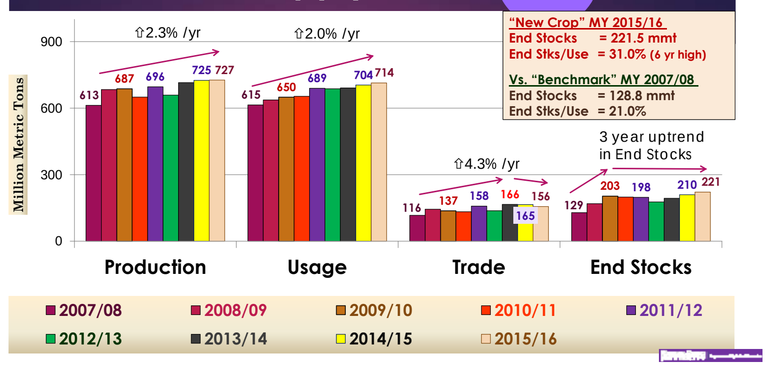
Monthly CME Kansas HRW 2015 Futures

Kansas HRW Wheat Futures & Cash$

Hutchinson, Kansas Cash, FC & Insurance $'s, August 13, 2015



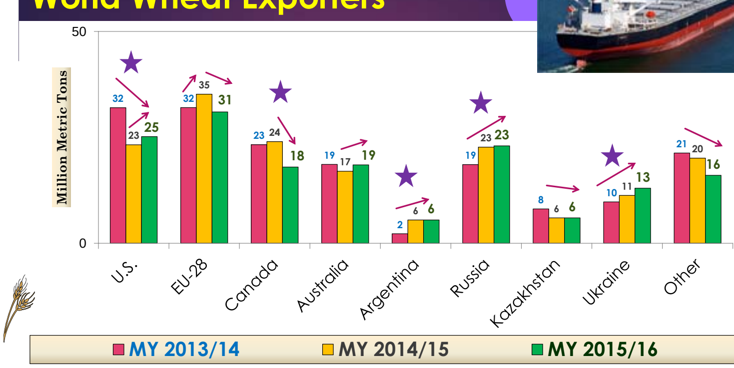
World Wheat Supply, Use & Stocks



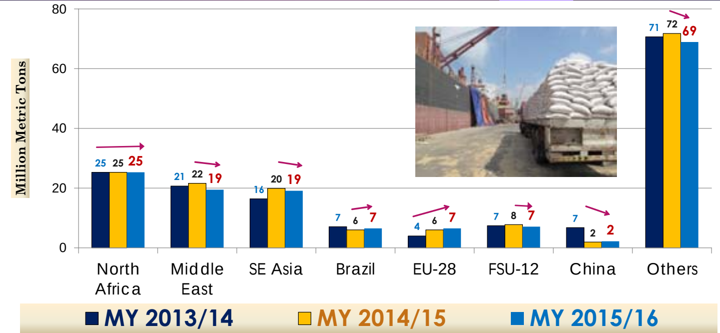
Monthly Crop Calendar for Wheat																										5/12/2015
	USDA Prod Est.		Plant				Headed				Harvest															
	15/16	Change	May		Jun		Jul		Aug		Sep		Oct		Nov		Dec		Jan		Feb		Mar		Apr	
Brazil	6.50		P	P	P	P		HE	HE	HE	H	H	H	H	H	H	H	H							P	P
Canada Spring	29.00		P	P	P	HE	HE	HE		H	H	H	H													P
US Spring	56.81		P	P		HE	HE	HE	H	H	H															P
Australia	26.00		P	P	P	P									H	H	H	H								P
Russia Spring	53.50		P	P	P	HE	HE	HE	H	H	H	H														
Kazakhstan	12.50		P	P					H	H	H	H														
China Spring	130.00		P	P	P	P			H	H	H	H														
Ukraine Spring	22.00		P	P	P	HE	HE	HE		H	H	H														
Argentina	12.00		P	P	P	P	P	P			HE	HE	HE	HE	H	H	H	H	H	H						
Russia Winter				HE	HE	HE	H	H	H	P	P	P	P													
Ukraine Winter				HE	HE			H	H	P	P	P														
EU Winter	150.29						H	H	H	H	P	P	P	P	P	P										
Turkey	18.50				H	H	H	H	H	H	P	P	P	P	P	P										
Egypt	8.36		H	H	H	H					P	P	P	P											H	H
US Winter			HE	HE	HE	H	H	H	H			P	P	P												HE
India	90.00		H	H									P	P	P	P	P	P							H	H
China Winter			H	H	H	H							P	P	P	P										

CHS
CHS Hedging
Jenna Roe

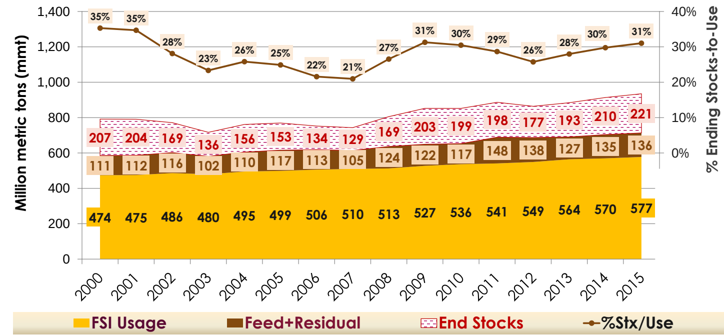
World Wheat Exporters



World Wheat Importers

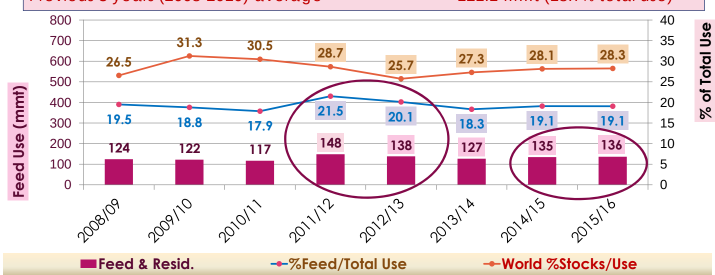


World Wheat Use & Ending Stocks

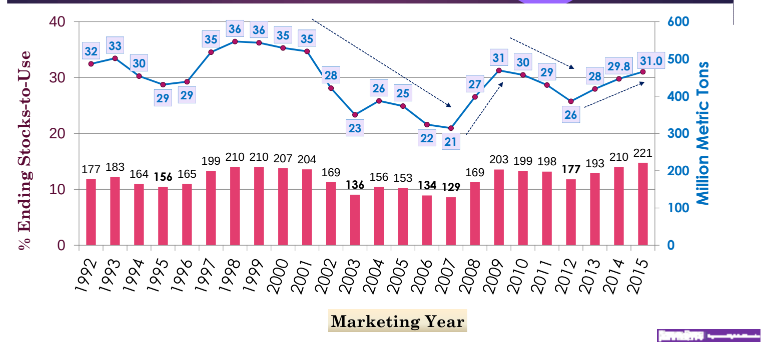


World Wheat Feed Use

Recent 5 years (2011-2015) wheat feeding avg. = 137.0 mmt (19.8% total use)
Previous 3 years (2008-2010) average = 121.1 mmt (18.7% total use)

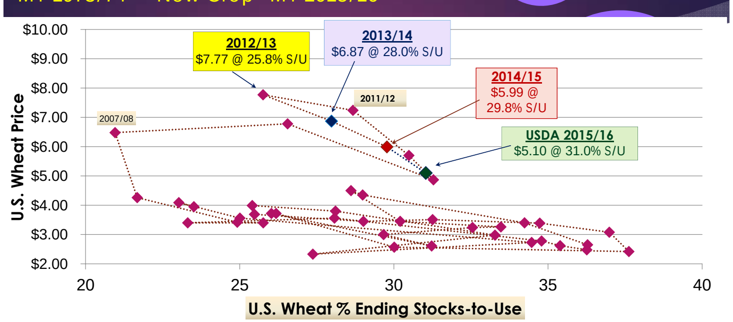


World Wheat Ending Stocks & % Stx/Use



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

MY 1973/74 – "New Crop" MY 2015/16



U.S. Wheat Supply-Demand

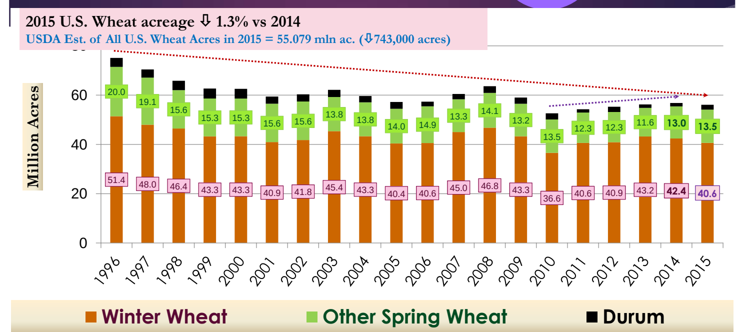
August 2015

	2013/14	2014/15	2015/16
Planted Acres (mln.)	56.2	56.8	56.1
Harvested Ac. (mln.)	45.3	46.4	48.5
Yield (bu./ac.)	47.1	43.7	44.1
Beginning Stocks	718	590	753
Production	2,135	2,026	2,136
Imports	169	144	125
Total Supplies	3,022	2,760	3,014
Food & Seed	1,032	1,039	1,039
Exports	1,176	854	925
Feed & Residual	223	115	200
Total Use	2,431	2,008	2,164
End Stocks (%S/U)	*(24.3%) 590*	*(37.5%) 753*	*(39.3%) 850*
U.S. Ave. Farm $	*$6.87*	*$5.99*	*$4.65-$5.55*

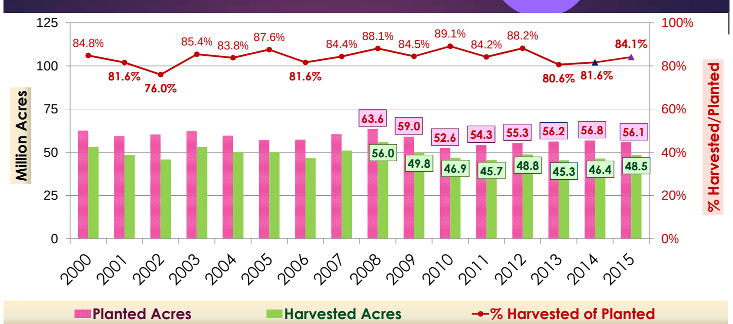
U.S. Wheat MY 2015/16 Forecasts

	USDA MY 2015/16	KSU 2015/16 Higher $ (70%)	KSU 2015/16 ⇧ Exports-30%
Planted Ac. (mln.)	56.1	56.1	55.5
Harvested Ac (mln.)	48.5	48.5	48.5
Yield (bu./ac.)	44.1	44.1	44.1
Beginning Stocks	753	753	753
Production	2,136	2,136	2,136
Imports	125	125	125
Total Supplies	3,014	3,014	3,014
Food & Seed Use	1,039	1,039	1,039
Exports****Wildcard!**	**925**	**925**	**1,050**
Feed & Residual	200	200	175
Total Use	2,164	2,164	2,264
End Stocks (%S/U)	*(39.3%)* **850**	*(39.3%)* **850**	*(33.1%)* **750**
U.S. Avg. Farm $	***$5.10***	***$5.50***	***$6.00***

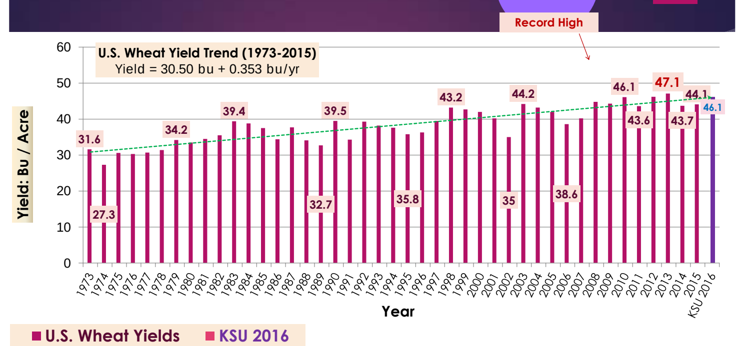
U.S. Wheat Seeded Acreage



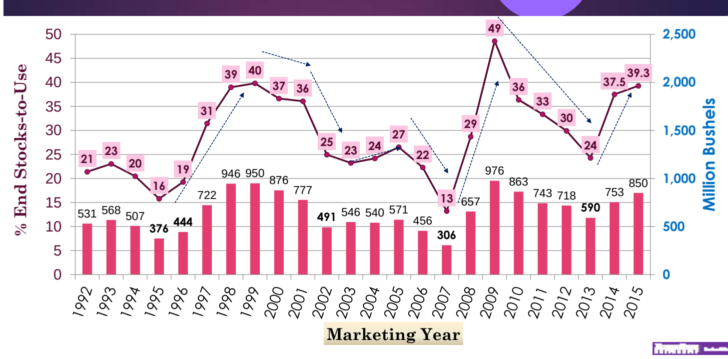
U.S. Wheat Acreage



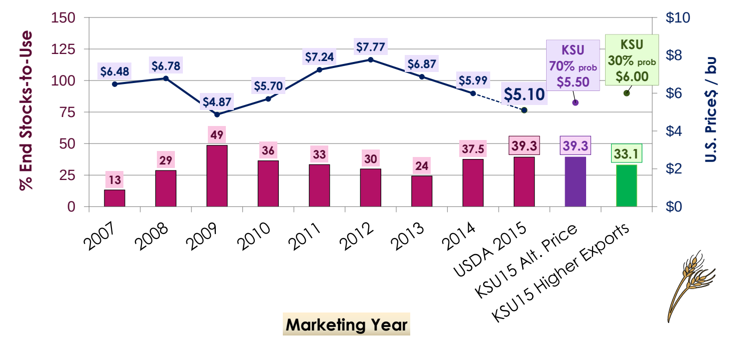
U.S. Wheat Yields



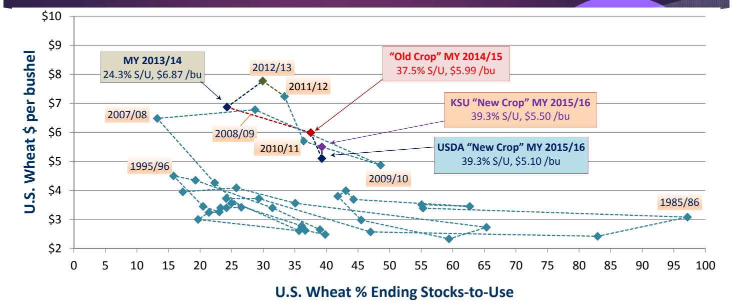
U.S. Wheat Ending Stocks & % Stx/Use



U.S. Wheat Ending Stocks & Prices



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



Wheat Market Prospects for MY 2015/16

- **2015 U.S. Wheat Crop?**
  - Quality of HRW (lower protein) & SRW Crops (disease/wet)
  - Prospects for 2015 U.S. Hard Red Spring wheat crop – Good!!
- **World Wheat Crops in MY 2015/16 (up 0.1%)**
  - Higher in Kazakhstan, Russia, Turkey, Ukraine, & China
  - Lower in Argentina, Canada, U.S. & European Union
- **Financial Markets & Geopolitical Conflicts**
  - **Financial** ⇒ European Union, China, U.S. Dollar, ……
  - **Geopolitical** ⇒ Black Sea Region, Middle East, …..

Questions?

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