

Feedgrain Market Outlook for 2018

Texas Agri-life – Feedgrain Marketing Meeting

Amarillo, Texas

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Corn & Sorghum Markets

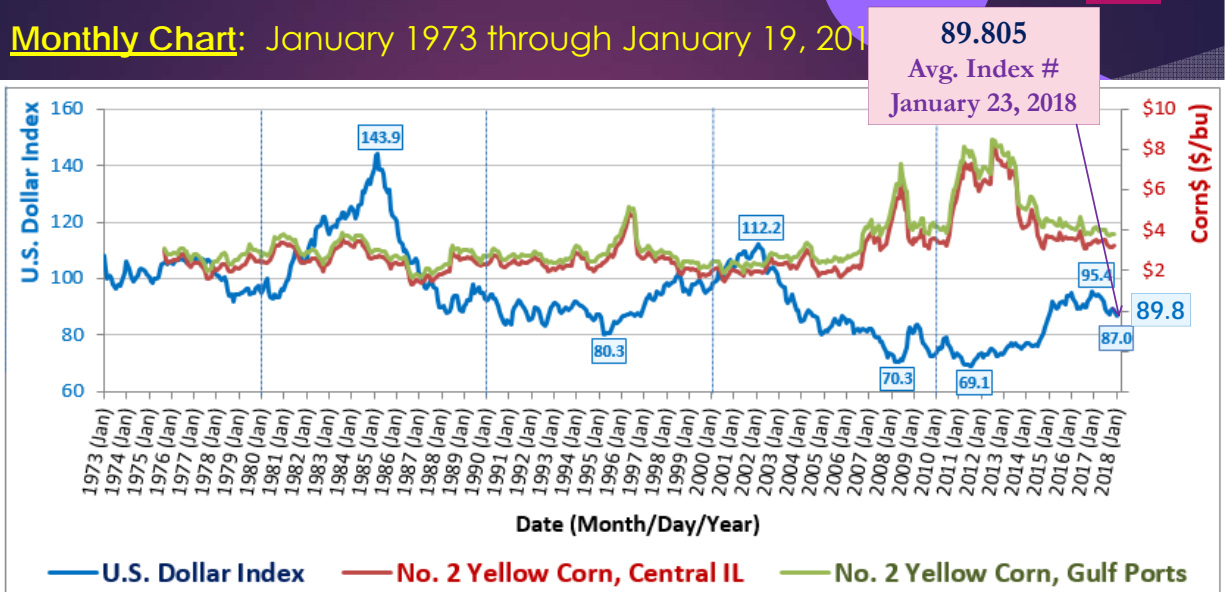


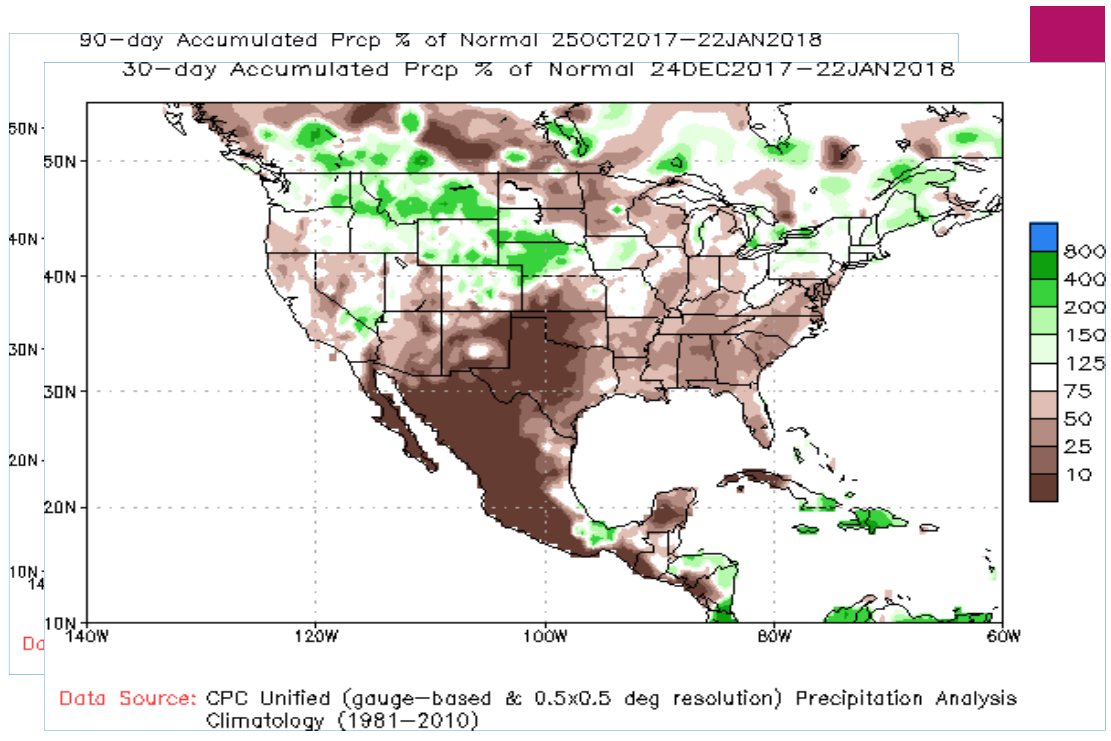
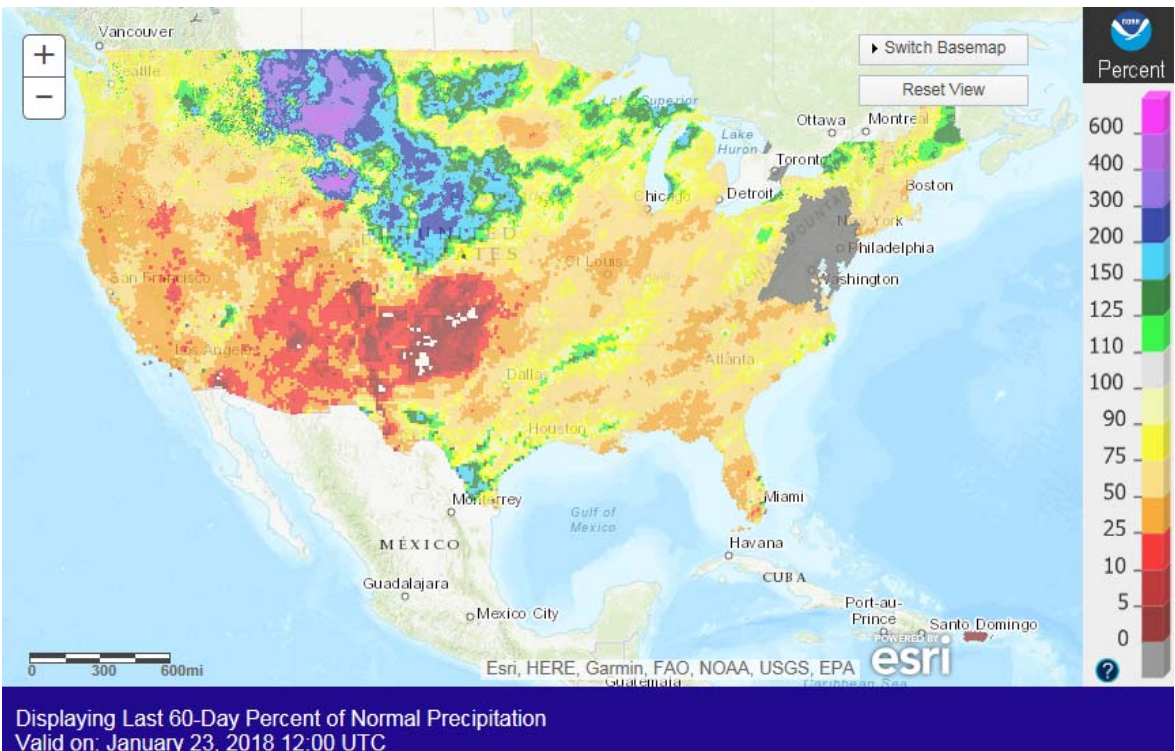
KANSAS STATE UNIVERSITY

Department of Agricultural Economics

U.S. Dollar Index & Cash Prices

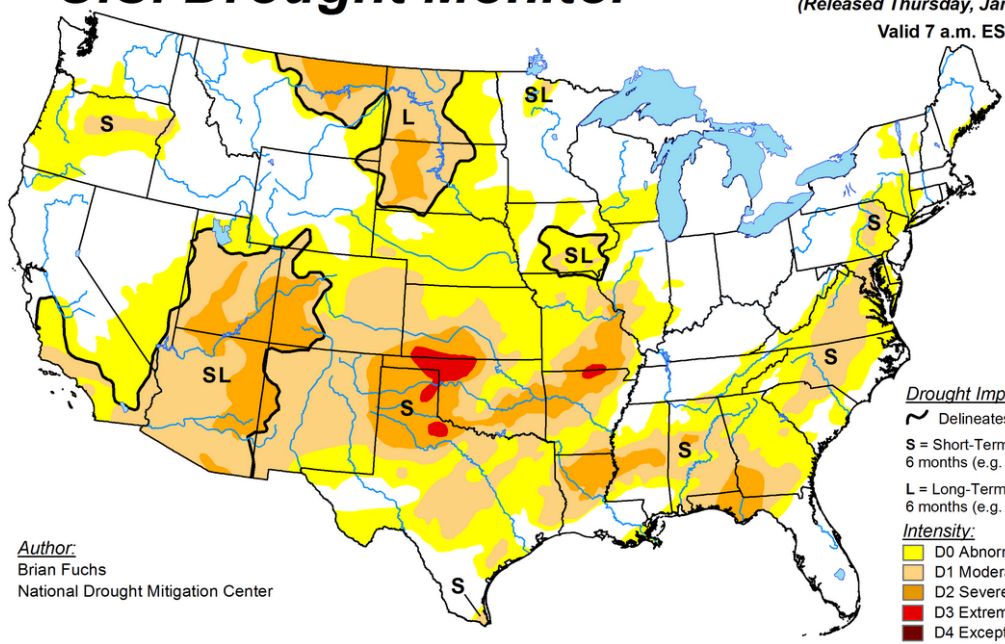
Monthly Chart: January 1973 through January 19, 2018





U.S. Drought Monitor

January 16, 2018
 (Released Thursday, Jan. 18, 2018)
 Valid 7 a.m. EST



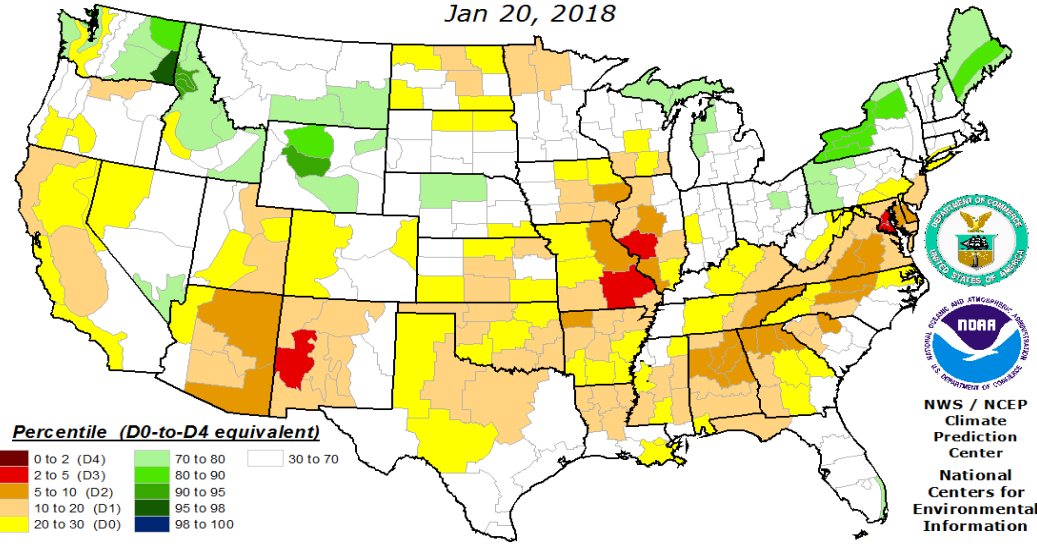
Author:
 Brian Fuchs
 National Drought Mitigation Center

Drought Impact Types:
 ~ Delineates dominant impacts
 S = Short-Term, typically less than 6 months (e.g. agriculture, grasslands)
 L = Long-Term, typically greater than 6 months (e.g. hydrology, ecology)

Intensity:
 Yellow D0 Abnormally Dry
 Light Orange D1 Moderate Drought
 Orange D2 Severe Drought
 Red D3 Extreme Drought
 Dark Red D4 Exceptional Drought

Objective Short-Term Drought Indicator Blend Percentiles

Jan 20, 2018



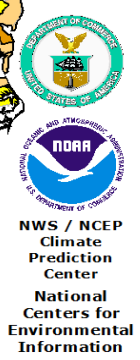
Percentile (D0-to-D4 equivalent)

| | | |
|---------------|-----------|----------|
| 0 to 2 (D4) | 70 to 80 | 30 to 70 |
| 2 to 5 (D3) | 80 to 90 | |
| 5 to 10 (D2) | 90 to 95 | |
| 10 to 20 (D1) | 95 to 98 | |
| 20 to 30 (D0) | 98 to 100 | |

Inputs (as percentiles):
 35% Palmer Z-Index
 25% 3-Month Precipitation
 20% 1-Month Precipitation
 13% CPC Soil Moisture Model
 7% Palmer Drought Index

This map approximates impacts that respond to precipitation over several days to a few months, such as agriculture, topsoil moisture, unregulated streamflows, and most aspects of wildfire danger. The relationship between indicators and impacts can vary significantly with location and season. Do not interpret this map too literally.

This map is based on preliminary climate division data. Local conditions and/or final data may differ. See the detailed product suite description for more details.



U.S. Corn & Sorghum Supply-Use

- Prospects ➔ "*LARGE*" 14.6 billion bu 2017 U.S. Corn Crop
- Large Supplies & Stocks are limiting Feedgrain Price\$'s
- Low Price\$'s are supporting Corn Use
 - Livestock Feed ^{2017/18} = 5.550 bln bu (*10 year high* – vs 5.858 bb in 2007/08)
 - Ethanol ^{2017/18} = 5.525 bln bu (*Record high* – vs 5.439 bb last year)
 - Other FSI ^{2017/18} = 1.470 bln bu (*Record high* – vs 1.452 bb in 2016/17)
 - Exports ^{2017/18} = 1.925 bln bu (vs 2.293 bb in '16/17 & 1.901 in '15/16)

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

- Corn: "*Large*" Stocks & % Stx/Use
 - End Stocks ^{2017/18} ⇒ 2.477 bln bu (*2nd highest since 1987/88*)
 - % Stocks/Use ^{2017/18} ⇒ 17.1% S/U (*Highest since 2005/06*)
- Grain Sorghum: "*Tighter*" Stocks & % Stx/Use than Corn
 - End Stocks ^{2017/18} ⇒ 24 Mln bu (*15 - 55 mb since 2008/09*)
 - % Stocks/Use ^{2017/18} ⇒ 6.8% S/U (*Historically "tight"*)



CME Corn Futures

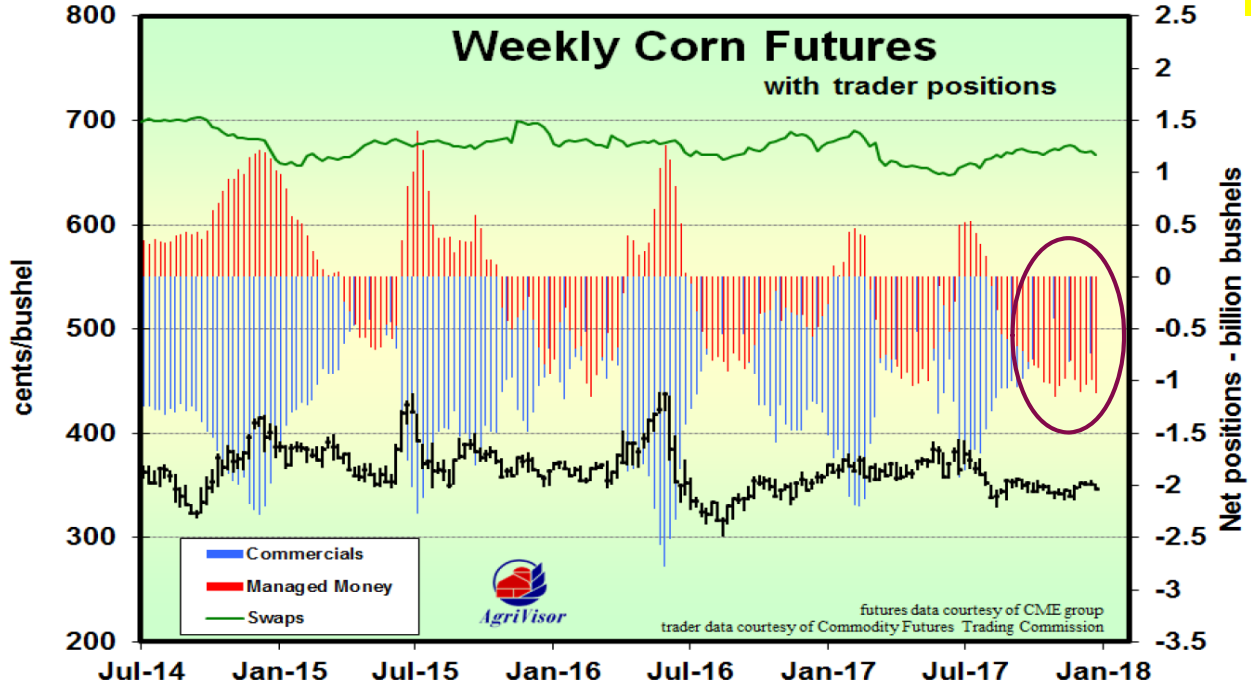
Weekly Chart: November 2008 – December 2017 + 1/23/2018



CME Corn Futures

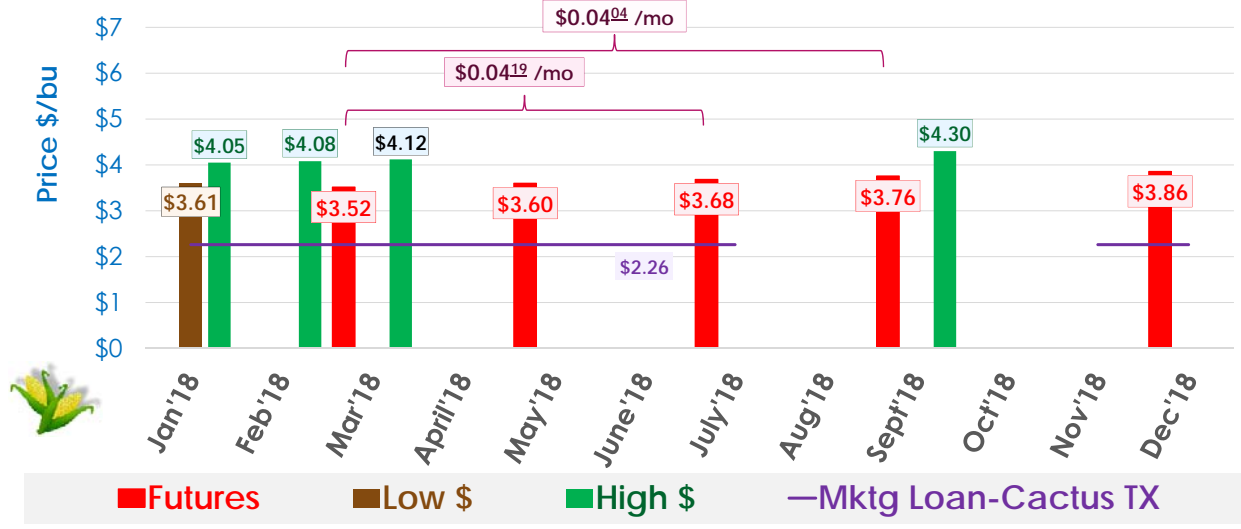
Weekly Chart: November 2008 – December 2017 + 1/23/2018





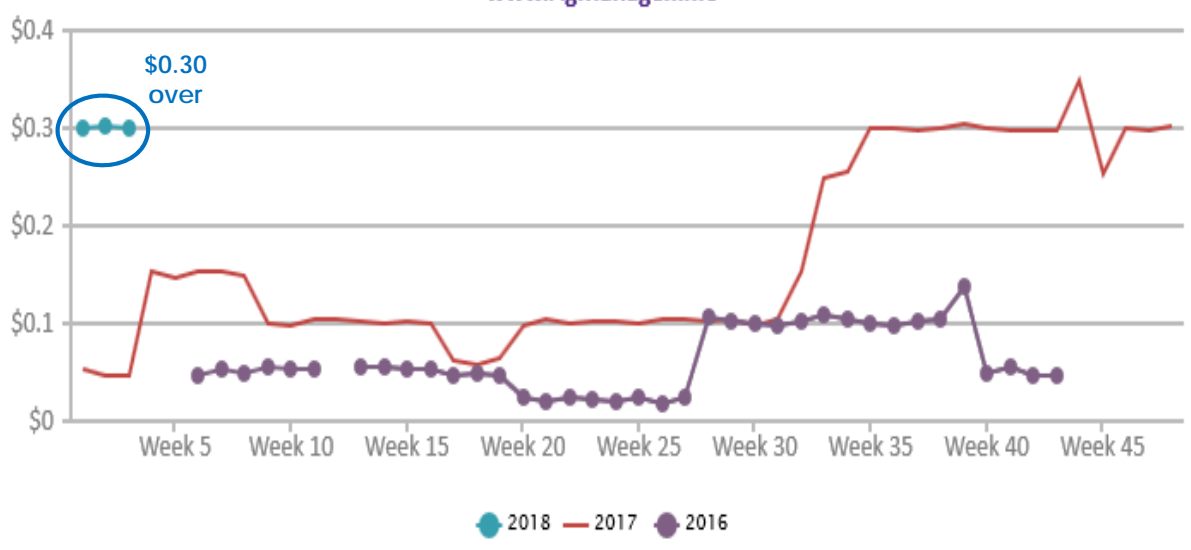
Corn Cash & Futures Prices (\$/bu)

Amarillo, TX Area Elevators – January 23, 2018



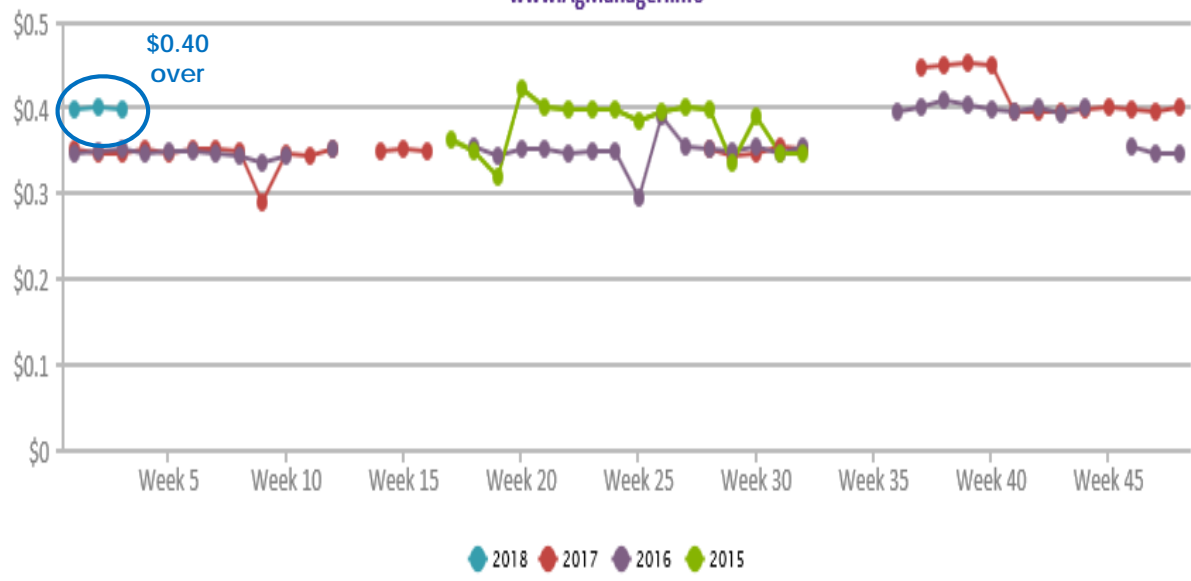
PLAINVIEW, TX: Corn Basis - AG PRODUCERS COOP

www.AgManager.info



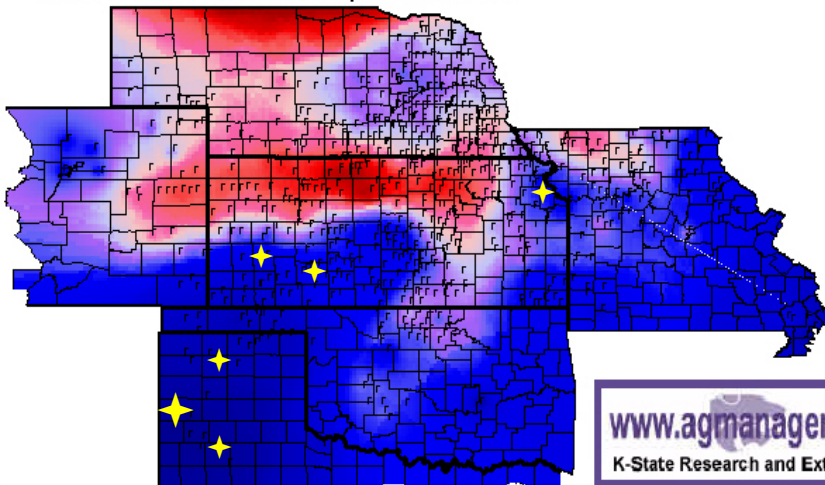
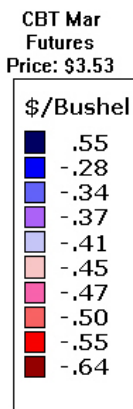
FRIONA, TX: Corn Basis - JD HEISKELL

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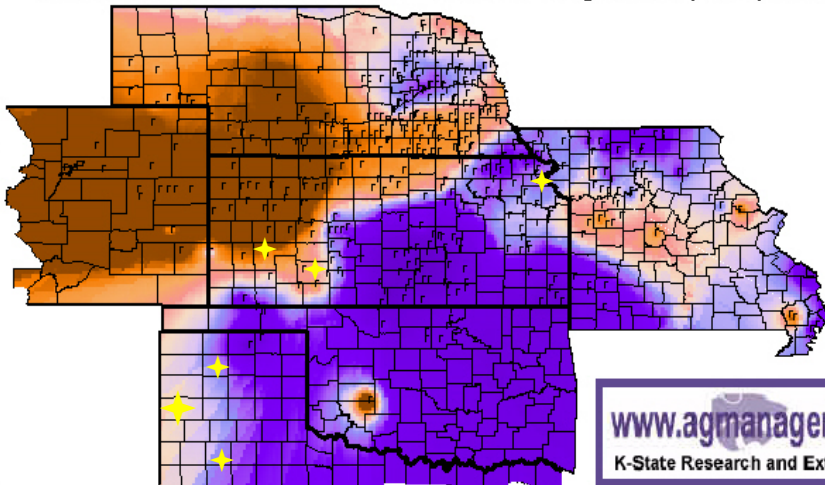
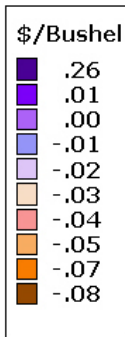
Corn Basis, 01-17-2018

Basis = Cash Price - Nearby Futures Price



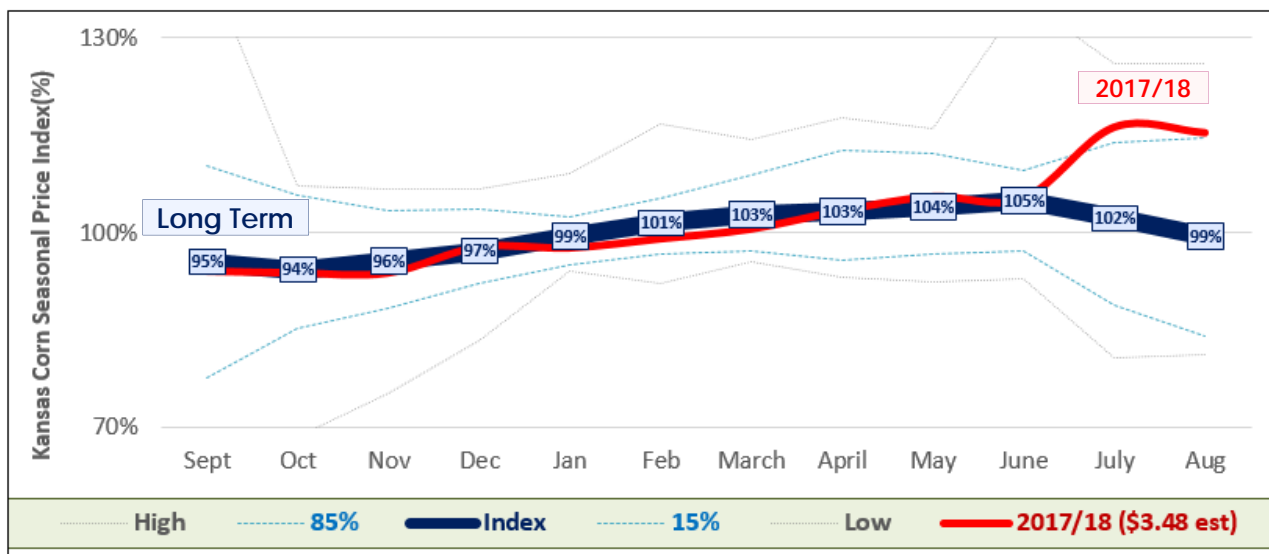
Corn Basis Deviation, 01-17-2018

Basis Deviation = Current Basis - 3 Year Average Basis (2015, 2016, 2017)



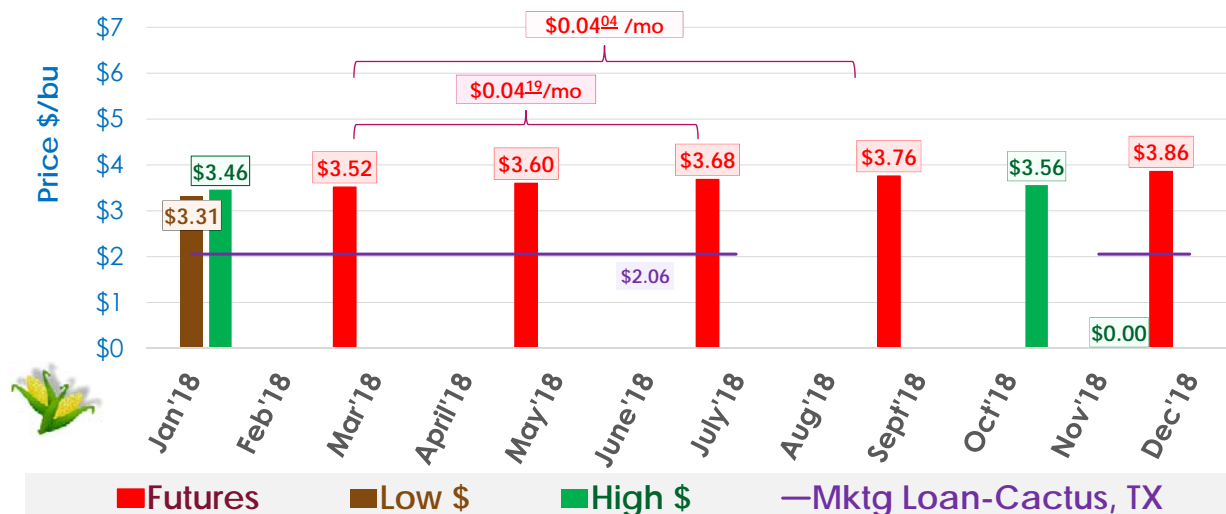
Kansas Corn Seasonal Cash \$ Index

Monthly: Long Term Average & "New Crop" MY 2017/18 Forecast



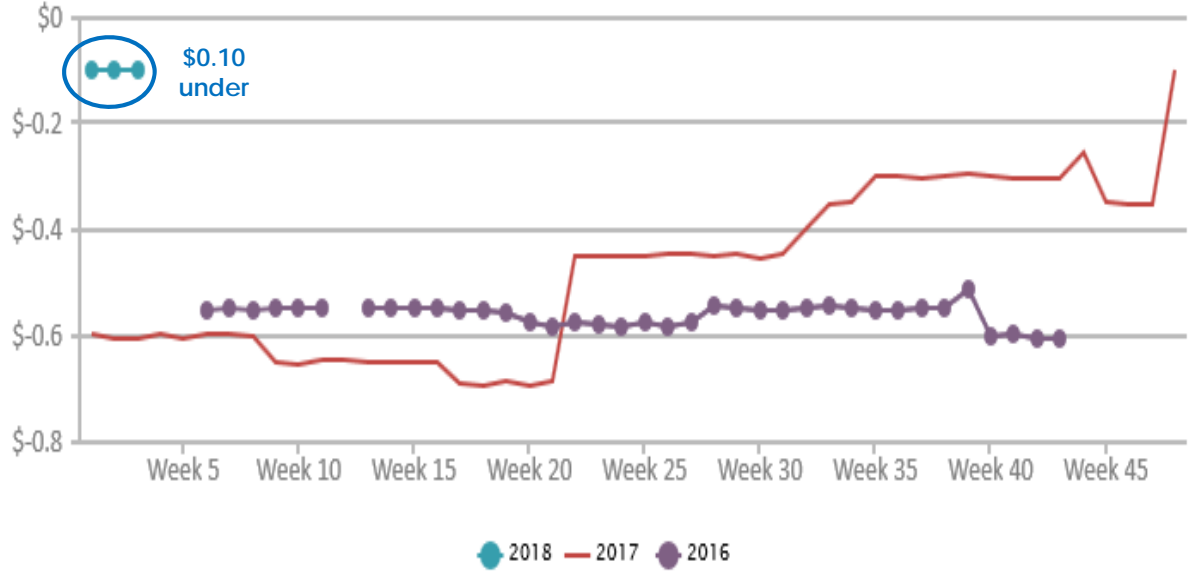
Grain Sorghum Cash & Corn Futures \$'s

Amarillo, TX Local Elevators – January 23, 2018



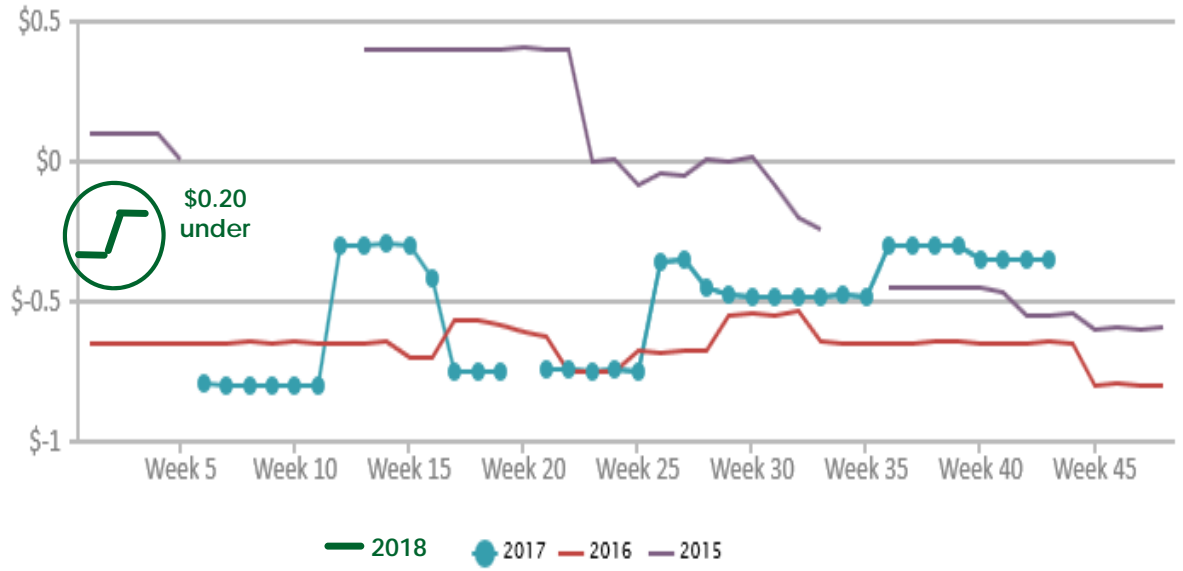
PLAINVIEW, TX: Grain Sorghum Basis - AG PRODUCERS COOP

www.AgManager.info



CACTUS, TX: Grain Sorghum Basis - DUMAS COOP

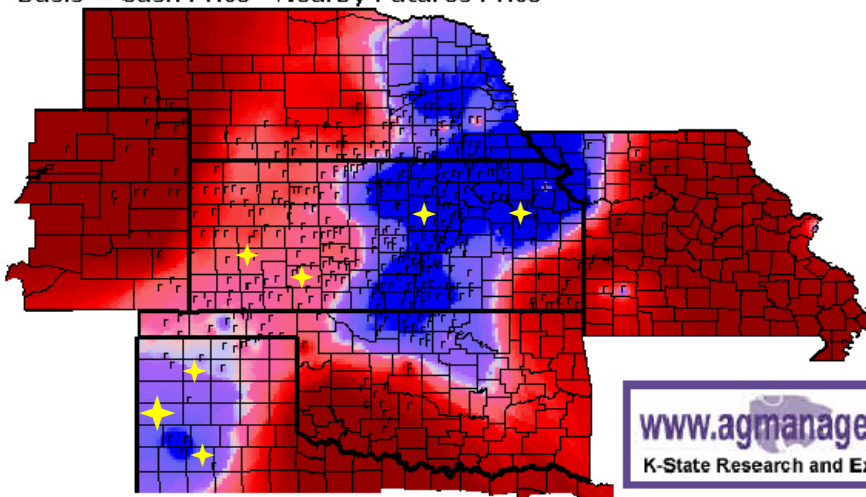
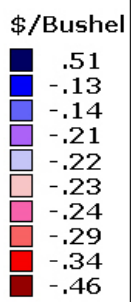
www.AgManager.info



Grain Sorghum Basis, 01-17-2018

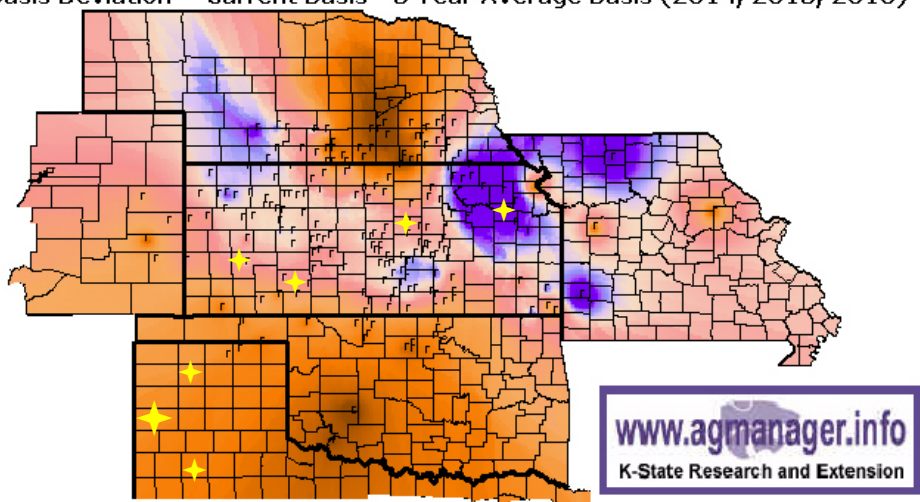
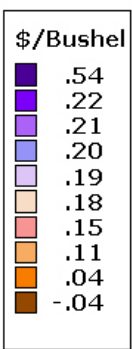
Basis = Cash Price - Nearby Futures Price

CBT Corn
Mar Futures
Price: \$3.53



Grain Sorghum Basis Deviation, 12-27-2017

Basis Deviation = Current Basis - 3 Year Average Basis (2014, 2015, 2016)



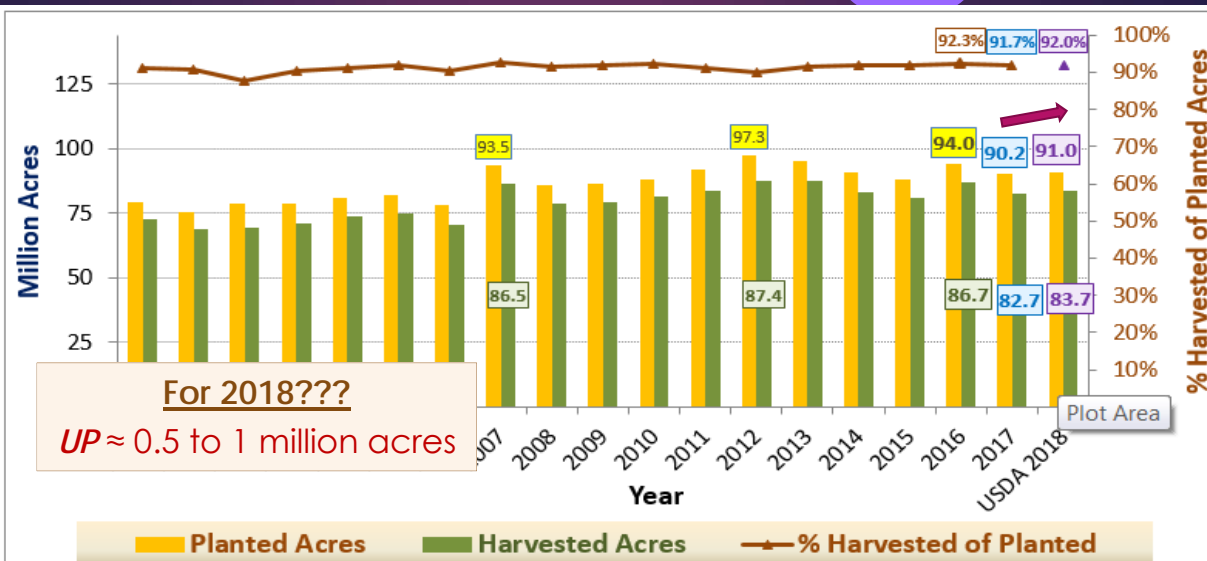
U.S. Corn Supply and Demand

25

| | 2016/17 estimate | 2017/18 forecast | Change from December 12 | Change from 2016/17 | |
|--------------------------------|---------------------|---------------------|-------------------------------|------------------------|-------------------------------------|
| Planted area (million acres) | 94.0 | 90.2 | -0.3 | -3.8 | ↓ Crop BUT still Large Supply |
| Harvested area (million acres) | 86.7 | 82.7 | -0.4 | -4.0 | |
| Yield (bushels per acre) | 174.6 | 176.6 | 1.2 | 2.0 | |
| <i>Million bushels</i> | | | | | |
| Beginning stocks | 1,737 | 2,293 | -2 | 556 | ↑ Domestic Use & ↓ Exports |
| Production | 15,148 | 14,604 | 27 | -544 | |
| Imports | 57 | 50 | -- | -7 | |
| Total supply | 16,942 | 16,947 | 25 | 5 | ↑ % Stocks/Use & ↓ Prices |
| Feed and residual | 5,467 | 5,550 | -25 | 83 | |
| Food, seed, and industrial | 6,889 | 6,995 | 10 | 106 | |
| Ethanol | 5,439 | 5,525 | -- | 86 | |
| Domestic use | 12,356 | 12,545 | -15 | 189 | |
| Exports | 2,293 | 1,925 | -- | -368 | |
| Total use | 14,649 | 14,470 | -15 | -179 | |
| Ending stocks | 2,293 | 2,477 | 40 | 184 | |
| <i>Percent</i> | | | | | |
| Stocks to use ratio | 15.7 | 17.1 | 0.3 | 1.5 | |
| <i>Dollars per bushel</i> | | | | | |
| Average market price | 3.36 | 2.95/3.55 | 0.05 | -0.11 | |



U.S. Corn Acreage



U.S. Corn Yields

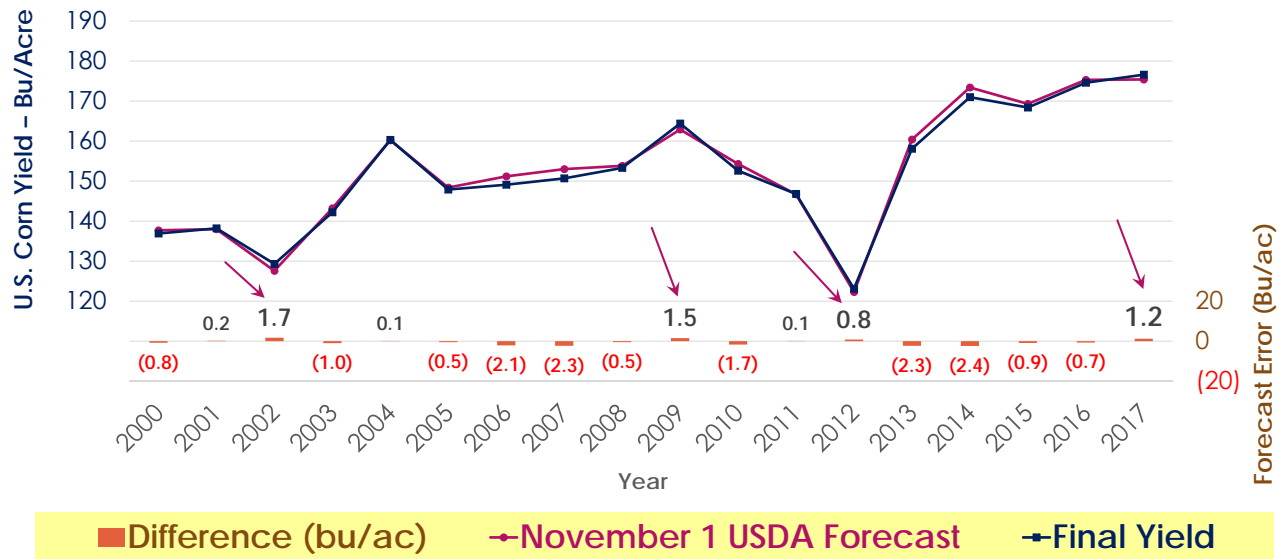
USDA 2017 USDA Forecast = 176.6 bu/ac

2018 Trend Yield???
170 bu/ac (1973-2017 trend)



U.S. Corn Yields: 2000-2017

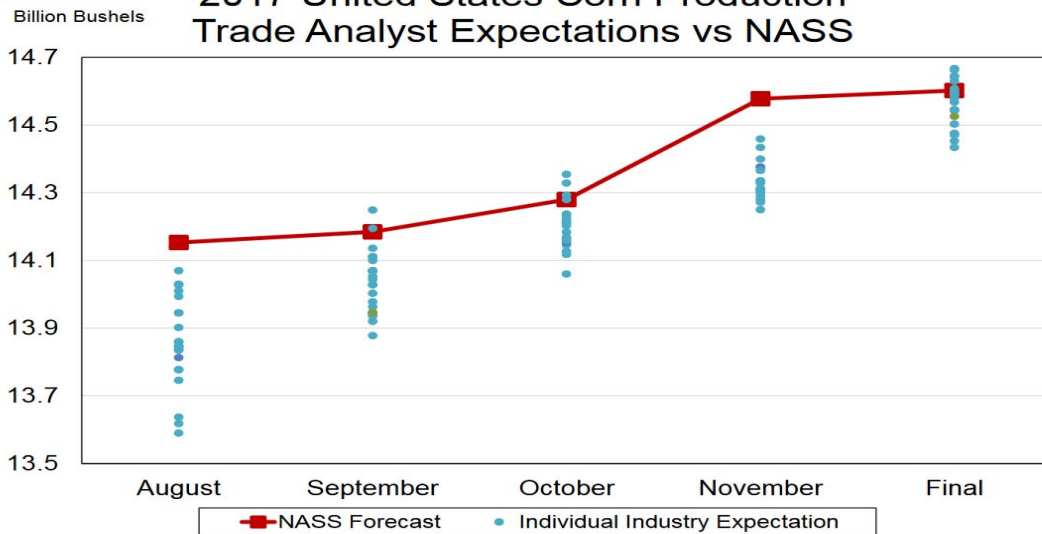
Accuracy of November 1st USDA Forecasts



■ Difference (bu/ac)
 ↔ November 1 USDA Forecast
 → Final Yield

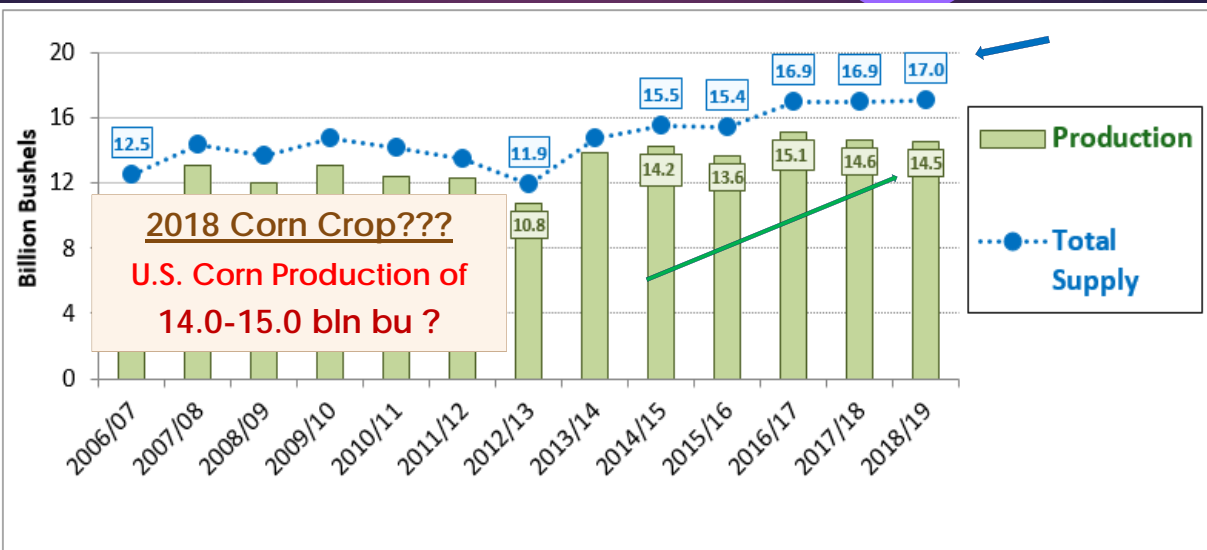


2017 United States Corn Production Trade Analyst Expectations vs NASS

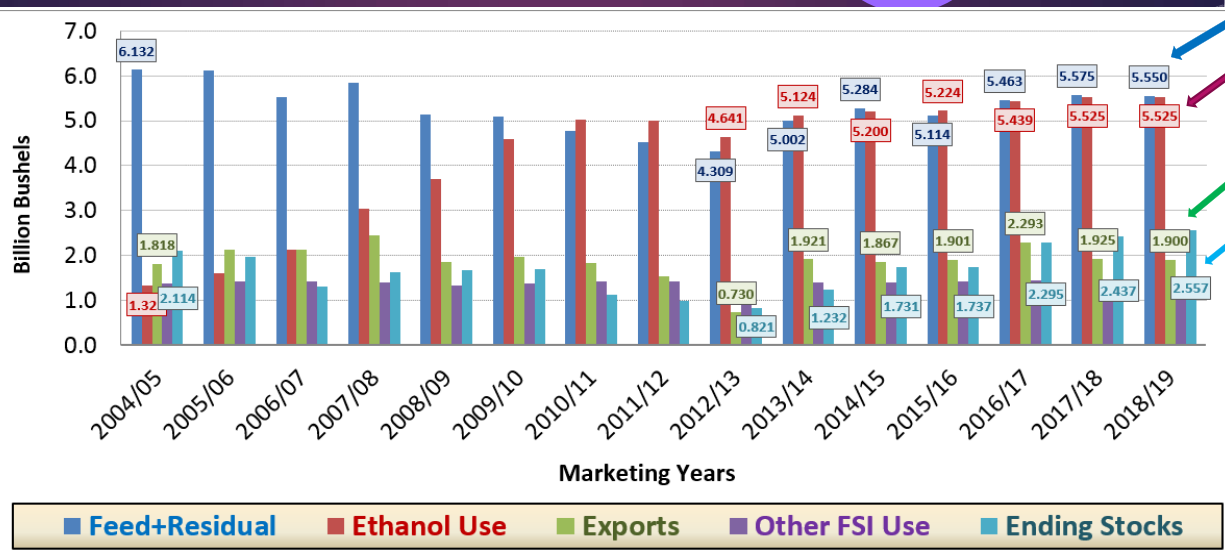




U.S. Corn Production & Supplies

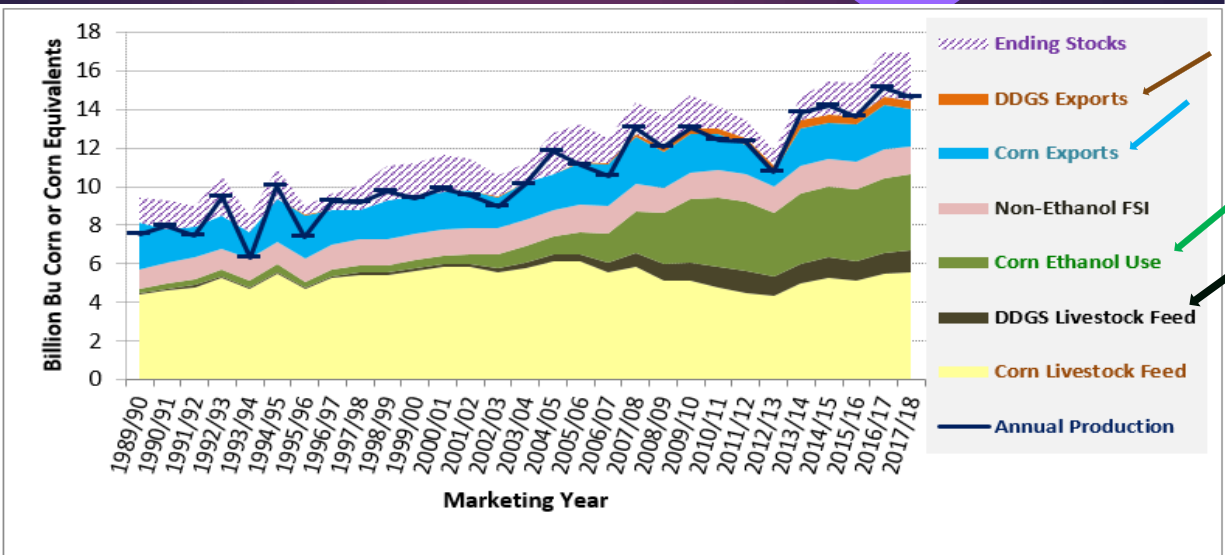


U.S. Corn Use - By Category





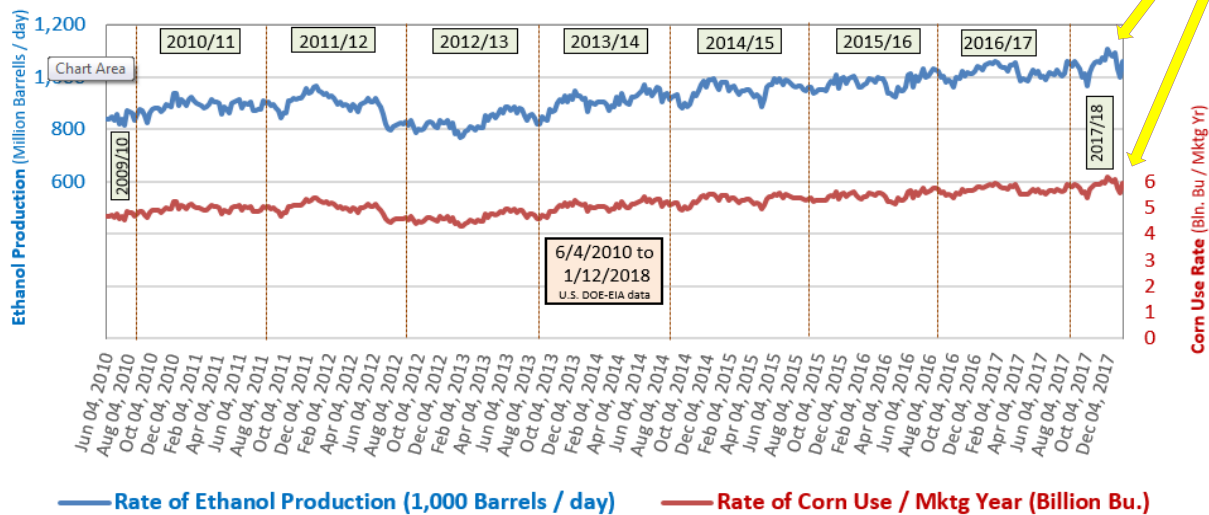
U.S. Corn Use - By Category



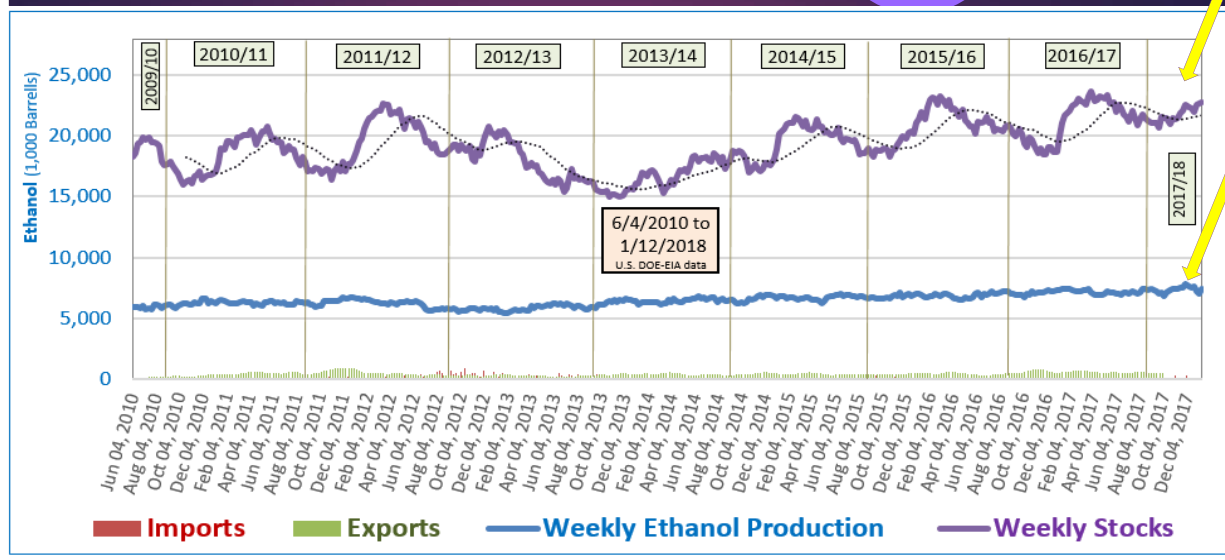
U.S. Meat Production and Prices

| | 2017 forecast | 2018 forecast | Change from 2017 | |
|-------------------|-----------------------|------------------|---------------------|---------------------------|
| Production | | | | |
| | <i>Billion pounds</i> | | | |
| Beef | 26.17 | 27.76 | 1.59 | +6.1% |
| Pork | 25.59 | 26.96 | 1.38 | +5.3% |
| Broilers | 41.59 | 42.45 | 0.86 | +2.1% |
| Turkey | 5.99 | 6.00 | 0.01 | +0.2% |
| Total meat | 100.09 | 103.94 | 3.85 | +3.8% |
| Prices | | | | |
| | <i>Dollars/cwt</i> | | | |
| Steers | 121.52 | 118.25 | -3.27 | } Prices to decline |
| Hogs | 50.48 | 47.75 | -2.73 | |
| | <i>Cents/lb</i> | | | |
| Broilers | 93.5 | 90.5 | -3.0 | |
| Turkey | 96.1 | 91.0 | -5.1 | |

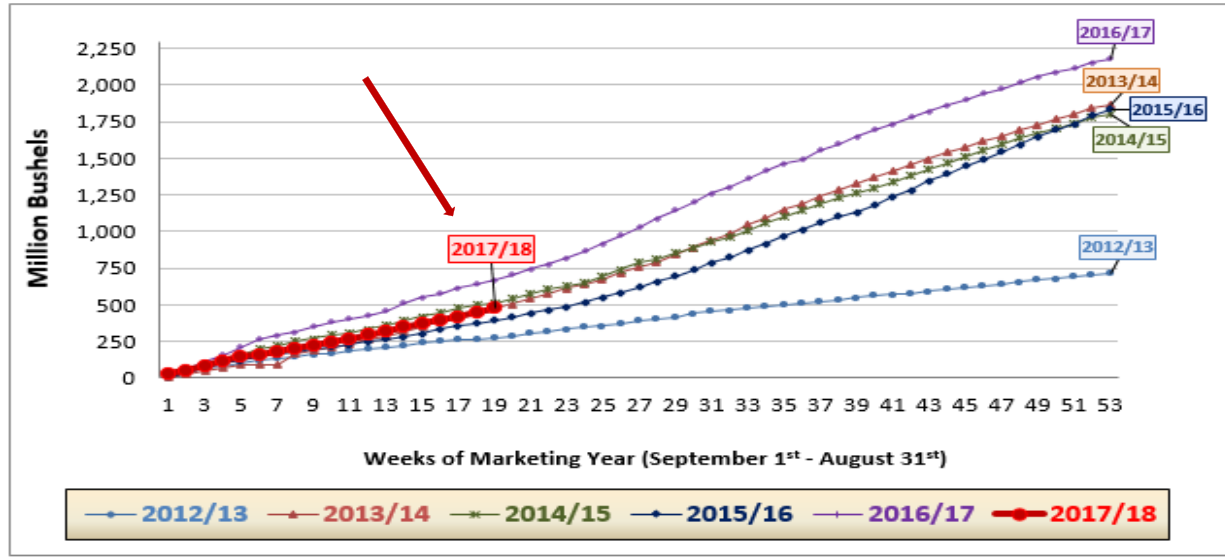
U.S. Corn Ethanol Use - Weekly thru Jan. 12, 2018



U.S. Ethanol Production, Stocks, Trade (1/12/2018)

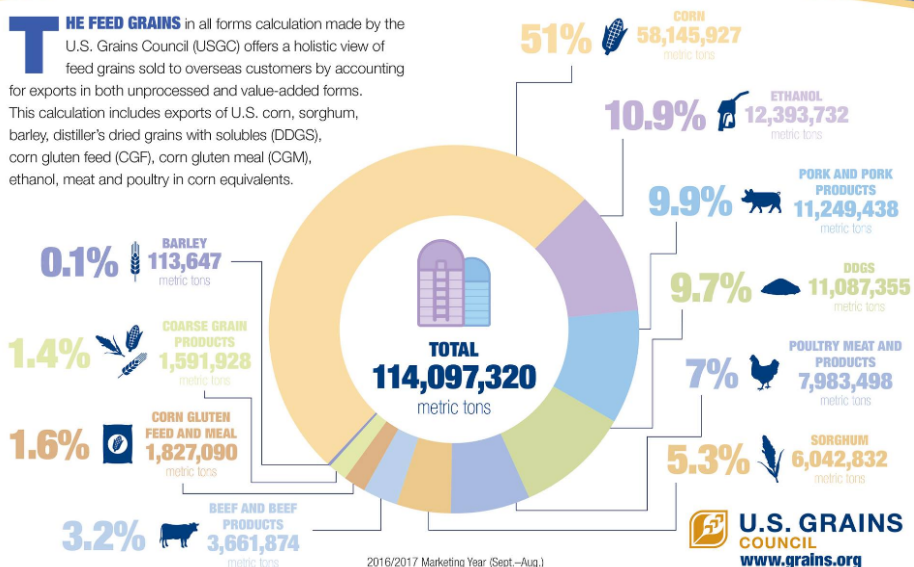


U.S. Corn Exports - Weekly thru January 11, 2018

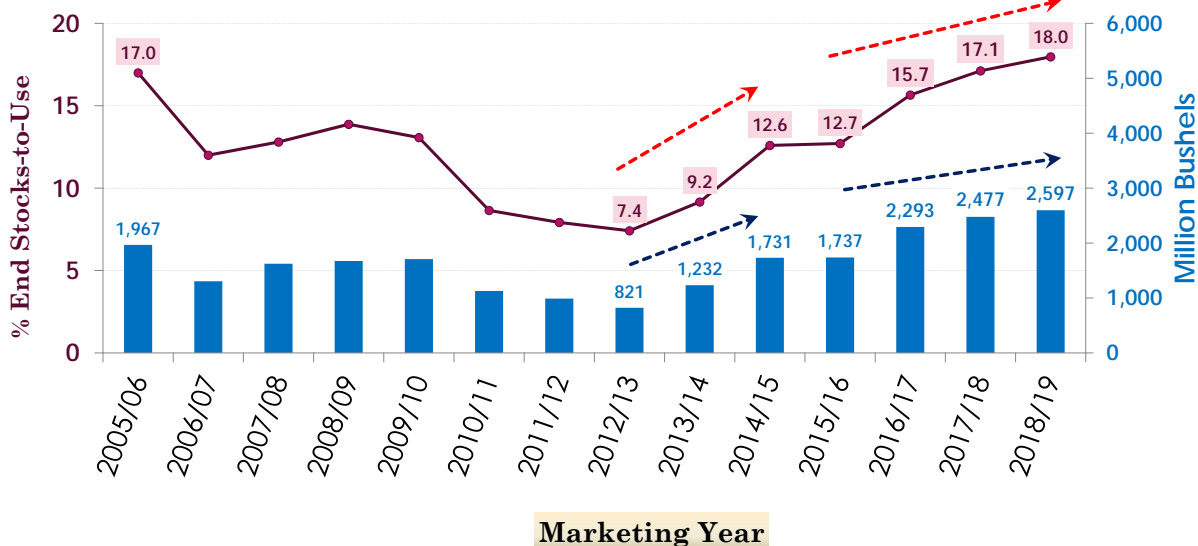


How US Grain Was Exported in 2016/2017

THE FEED GRAINS in all forms calculation made by the U.S. Grains Council (USGC) offers a holistic view of feed grains sold to overseas customers by accounting for exports in both unprocessed and value-added forms. This calculation includes exports of U.S. corn, sorghum, barley, distiller's dried grains with solubles (DDGS), corn gluten feed (CGF), corn gluten meal (CGM), ethanol, meat and poultry in corn equivalents.

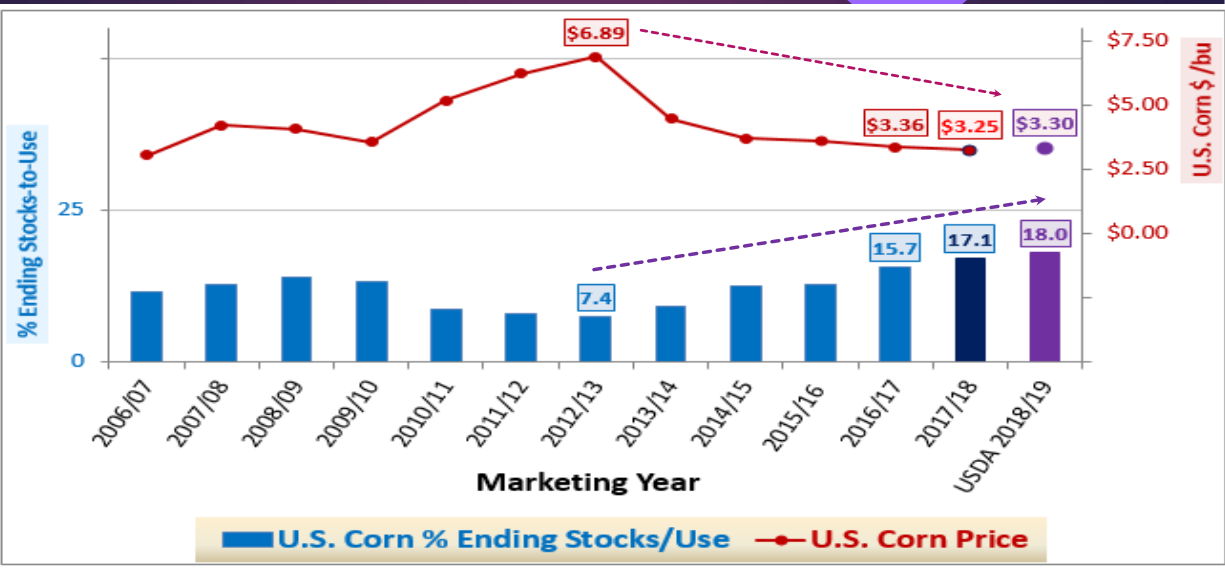


U.S. Corn Ending Stocks & % Stx/Use

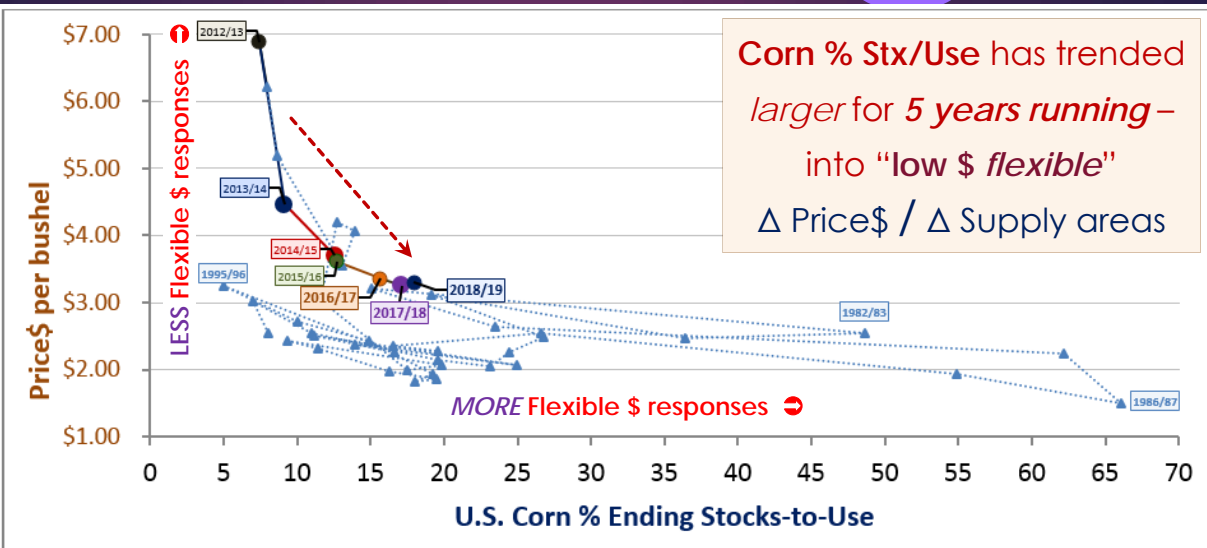




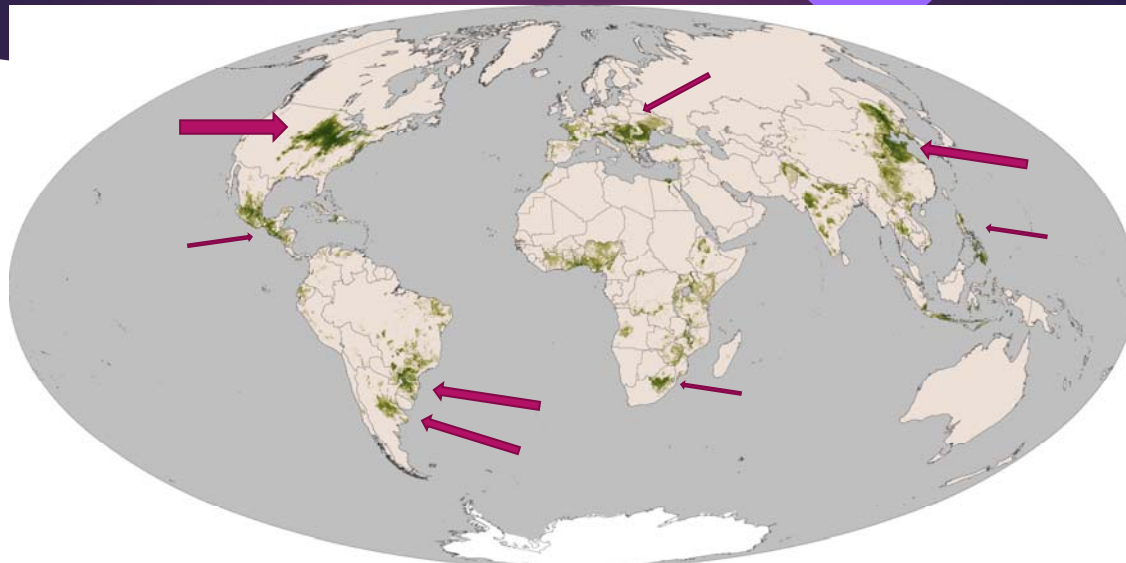
U.S. Corn % Stocks/Use vs Price\$



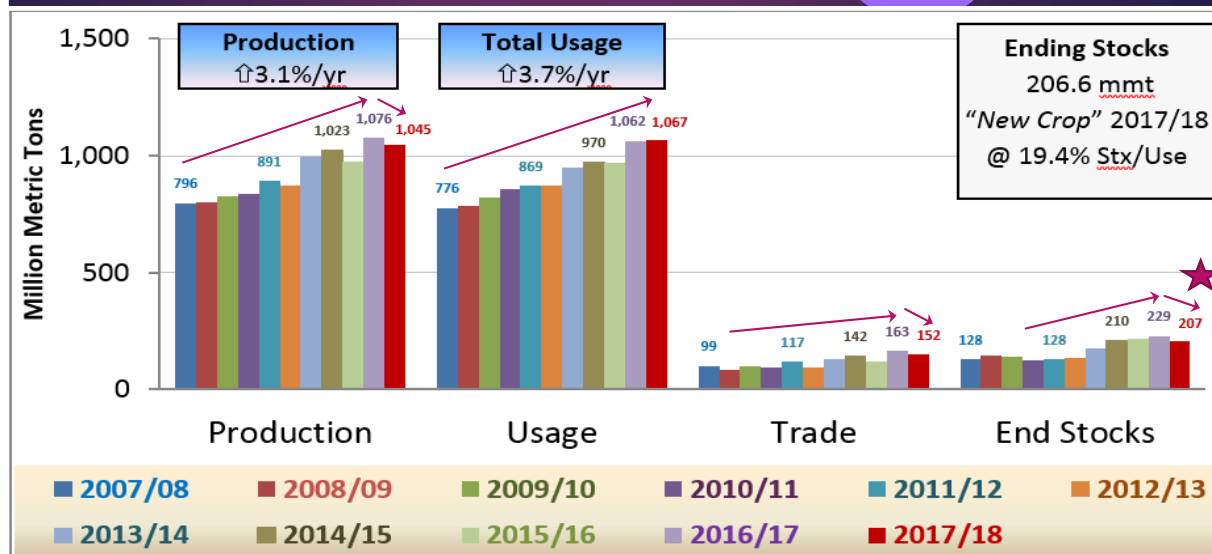
U.S. Corn % Stocks/Use vs Price\$



World Corn (Maize) Production Regions



World Corn Supply, Use & Stocks



FAO/World Bank

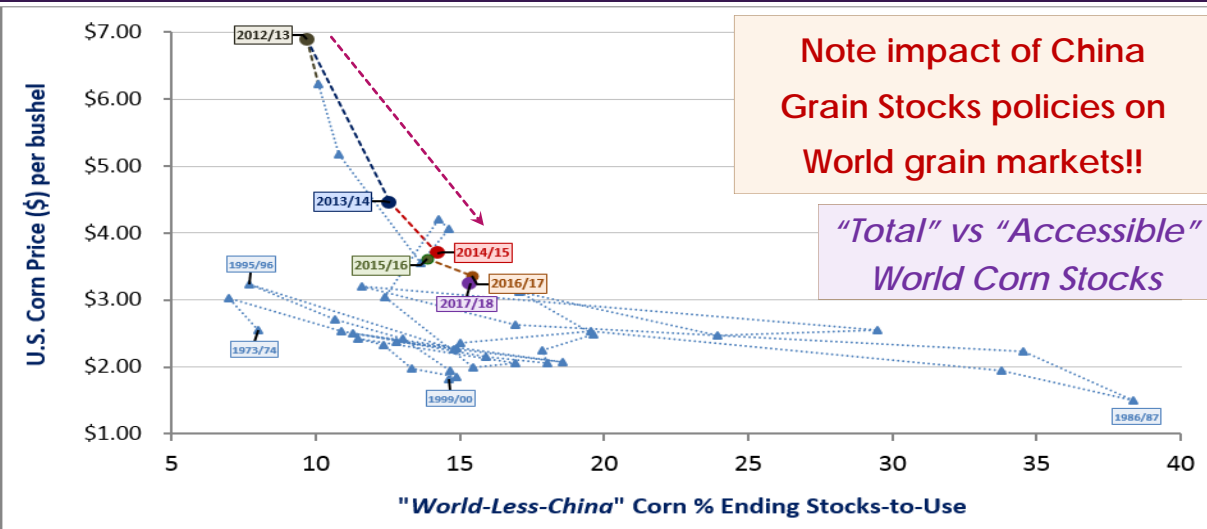
World Corn Production

| Country or Region | 2016/17 estimate | 2017/18 forecast | Change from December 12 | Change from 2016/17 |
|----------------------|------------------|------------------|-------------------------|---------------------|
| <i>Million Tons</i> | | | | |
| World | 1,076.0 | 1,044.5 | -0.20 | -31.4 |
| United States | 384.8 | 371.0 | 0.67 | -13.8 |
| Foreign | 691.2 | 673.6 | -0.87 | -17.6 |
| Argentina | 41.0 | 42.0 | -- | 1.0 |
| Brazil | 98.5 | 95.0 | -- | -3.5 |
| Mexico | 27.6 | 26.2 | -- | -1.4 |
| Canada | 13.2 | 14.1 | -- | 0.9 |
| European Union | 61.5 | 60.1 | -- | -1.4 |
| Serbia | 7.6 | 4.0 | -- | -3.6 |
| FSU-12 | 47.3 | 42.7 | -0.50 | -4.5 |
| Ukraine | 28.0 | 25.0 | -- | -3.0 |
| Russia | 15.3 | 13.5 | -0.50 | -1.8 |
| South Africa | 17.5 | 12.5 | -- | -5.0 |
| China | 219.6 | 215.9 | -- | -3.7 |
| India | 26.3 | 25.0 | -- | -1.3 |

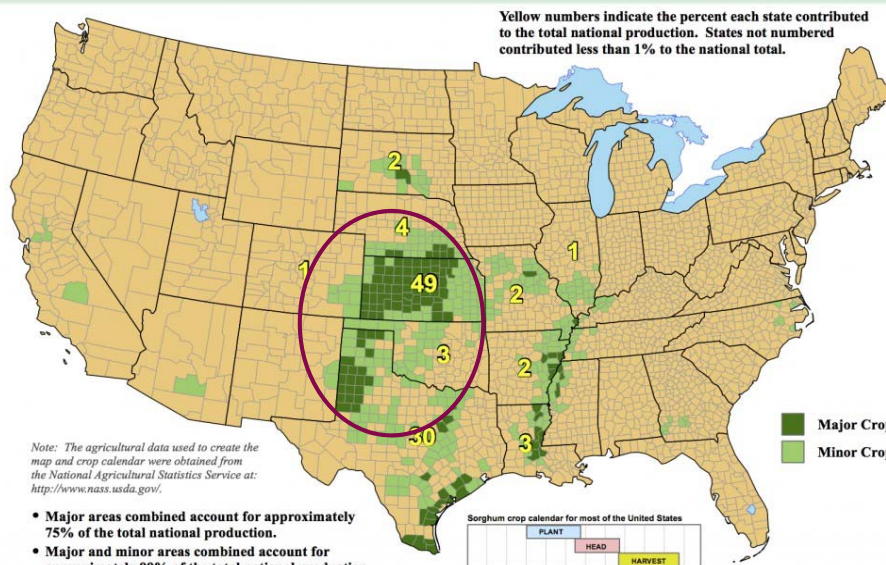
↓ World Crop
 BUT still
 Large Supply
 ↓ China
 ↓ EU
 ↓ Brazil
 ↓ FSU-12
 ↓ So. Africa
 ↓ Mexico
 ↑ Argentina
 ↑ Canada

U.S. Corn Price\$ vs "World-China" % S/U

MY 1973/74 through "New Crop" MY 2017/18

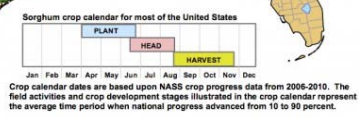


United States: Sorghum

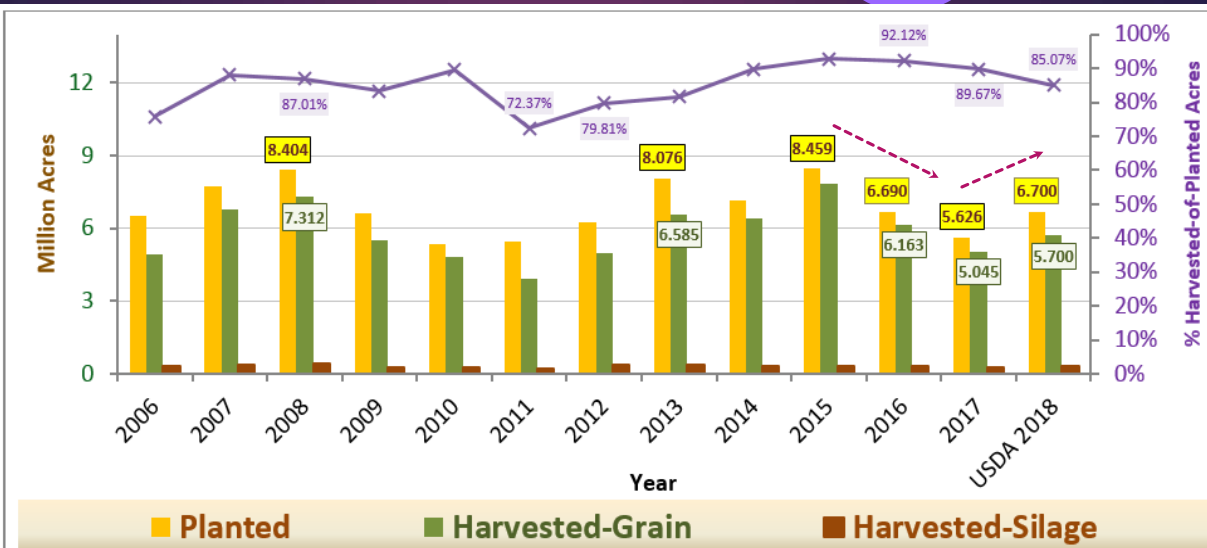


Note: The agricultural data used to create the map and crop calendar were obtained from the National Agricultural Statistics Service at: <http://www.nass.usda.gov/>.

- 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.

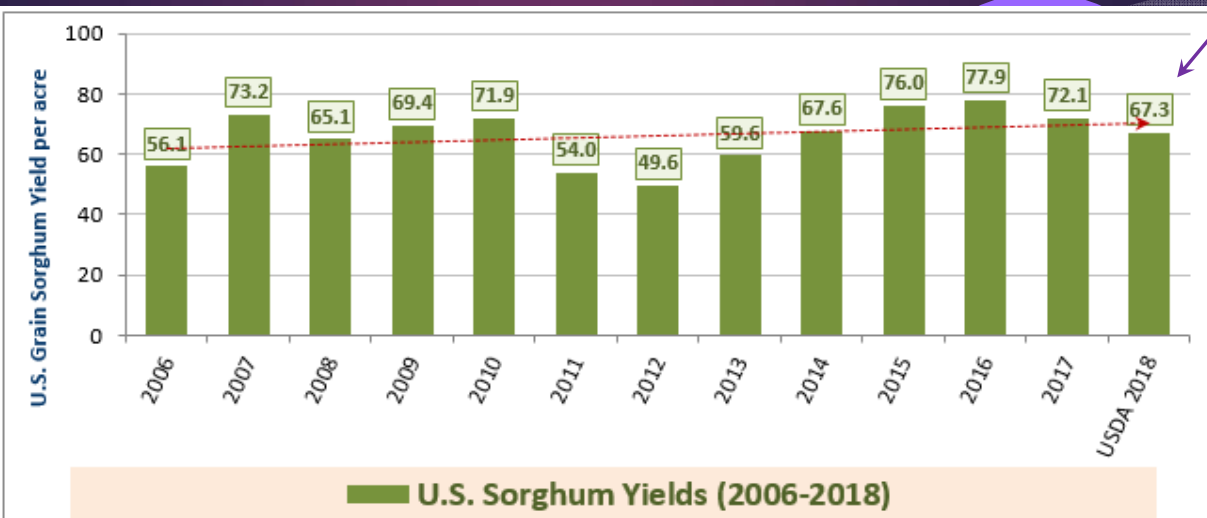


U.S. Sorghum Acreage

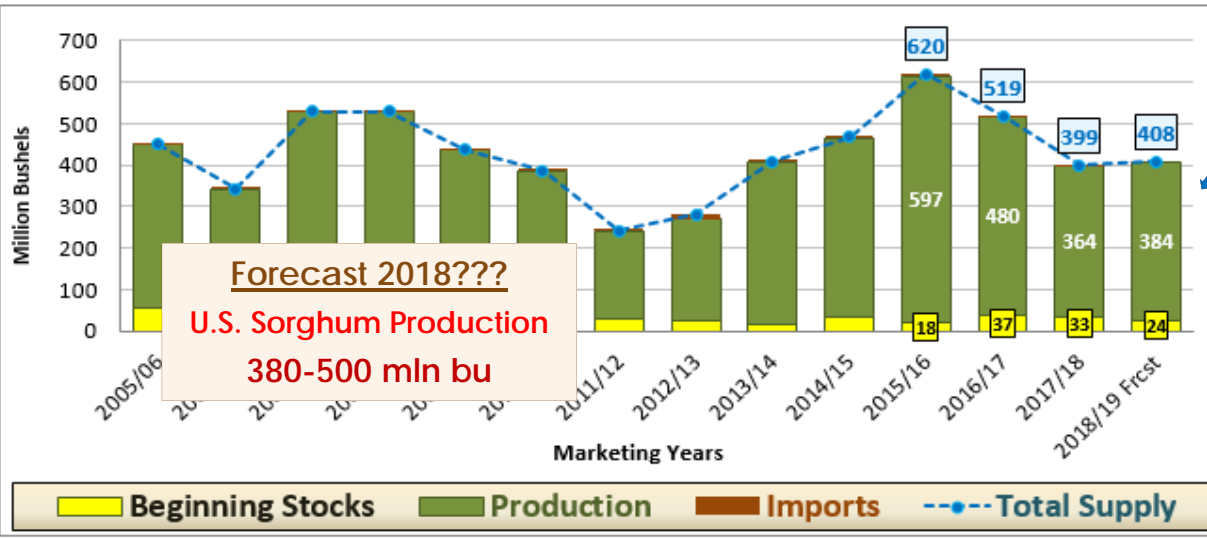


U.S. Sorghum Yields

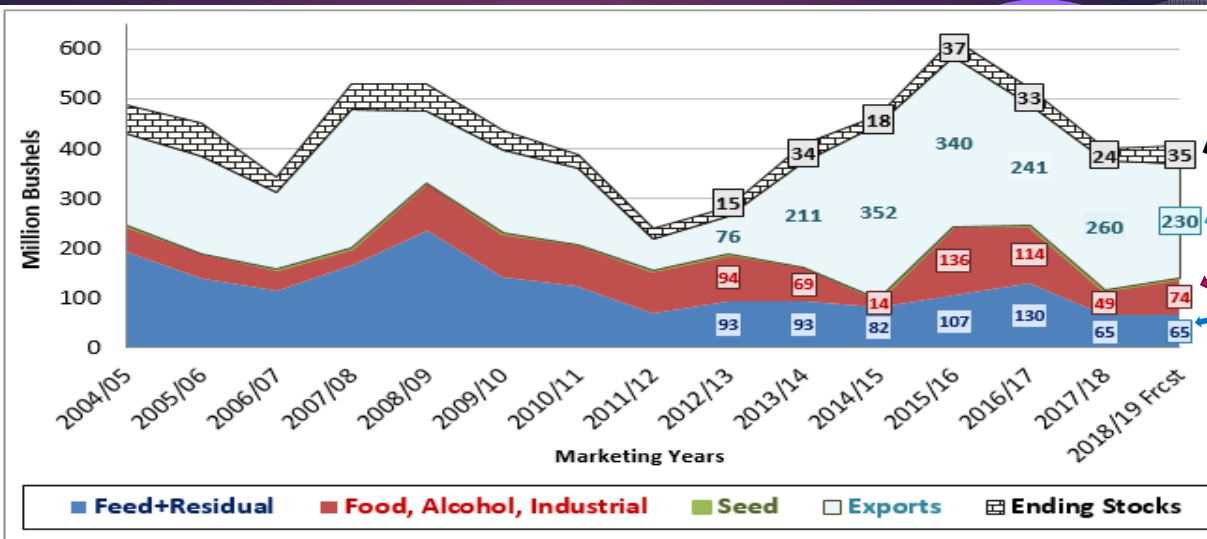
USDA 2018 USDA Forecast = 67.3 bu/ac



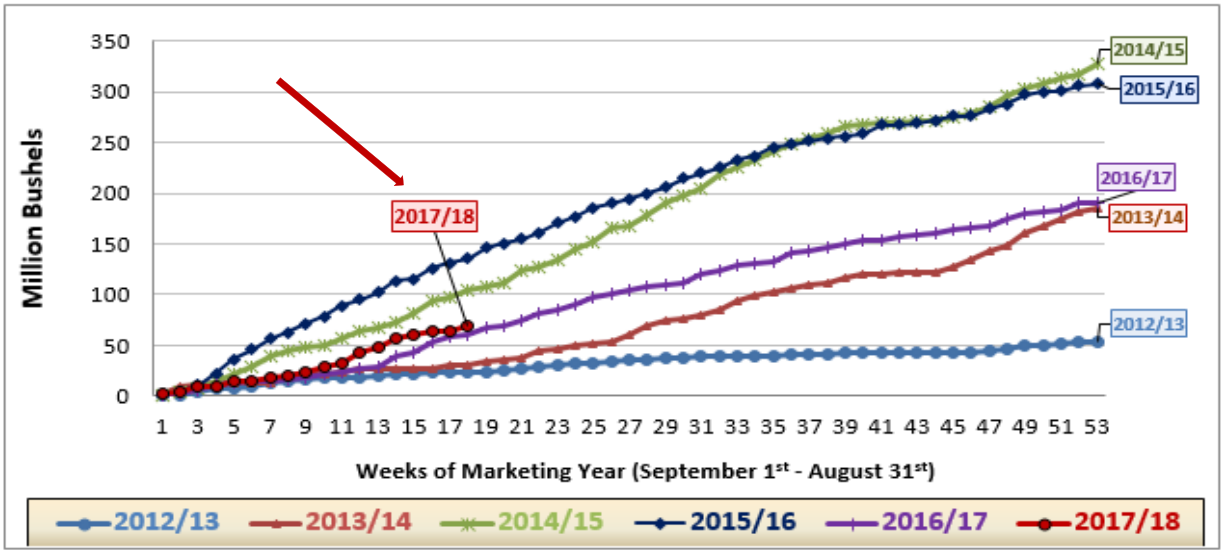
U.S. Sorghum Crop & Supplies



U.S. Sorghum Use - By Category

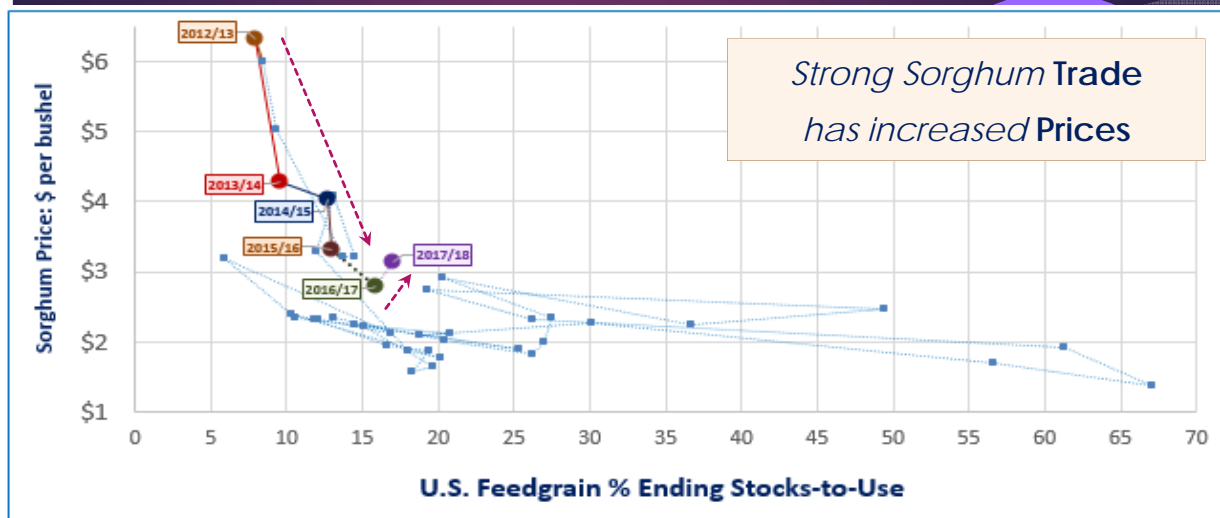


U.S. Sorghum Exports - Weekly thru January 11, 2018



U.S. Milo \$ vs U.S. Feedgrain % Stocks/Use

MY 1973/74 thru "New Crop" MY 2017/18



Questions?

Daniel O'Brien – Extension Ag Economist

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