

# 2019 Grain Market Outlook

Sumner County Ag Day

Wellington, Kansas

January 17, 2019

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EXTENSION AGRICULTURAL ECONOMIST

**KANSAS STATE**  
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Department of Agricultural Economics

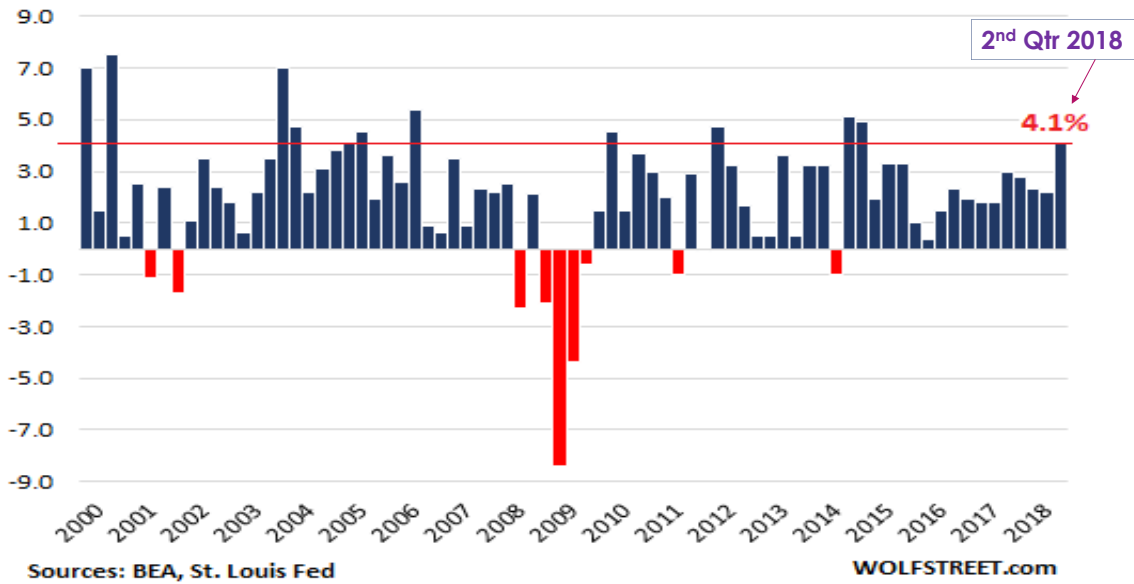


## 2019 Grain Market “Drivers”

### 1) U.S. Economy

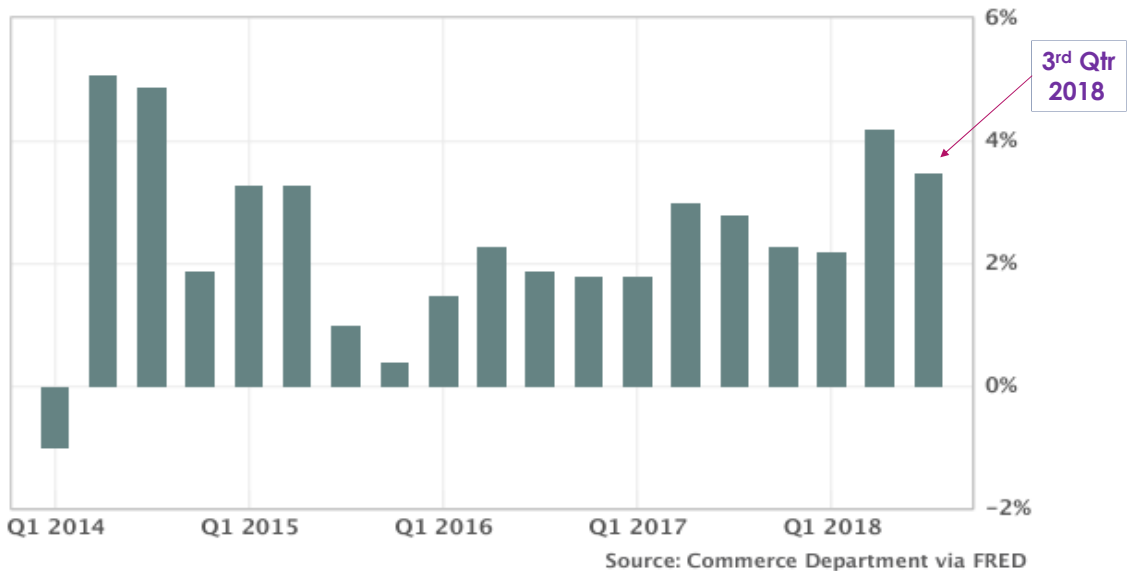
- A relatively strong U.S. GDP, but fears of future inflation

## US "Real" GDP Growth, from Prior Quarter Annualized % Rate



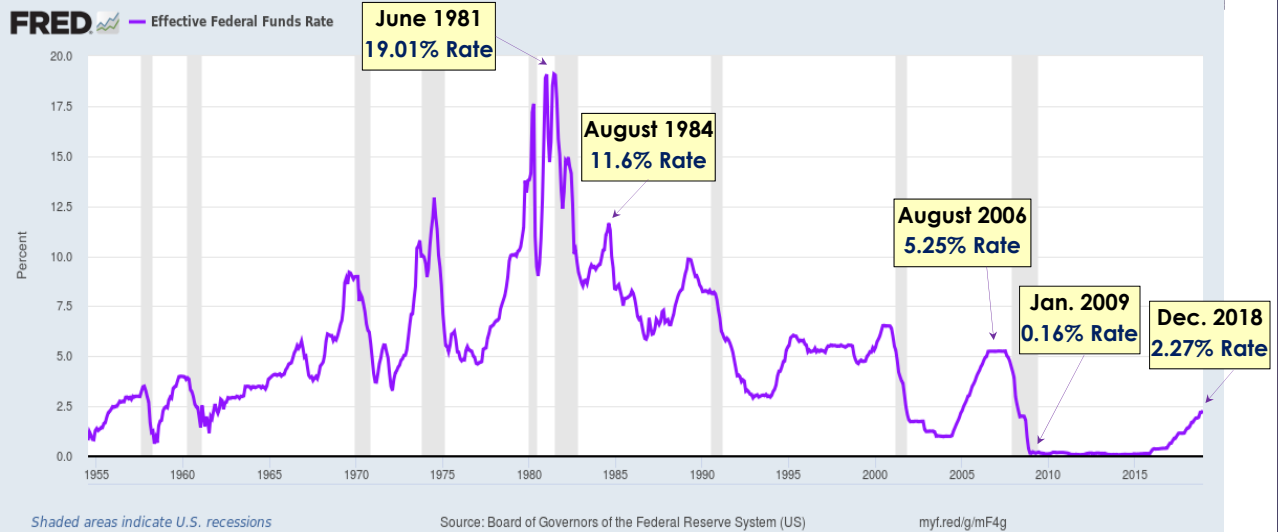
## Real GDP

Change from previous quarter at annual rate, seasonally adjusted

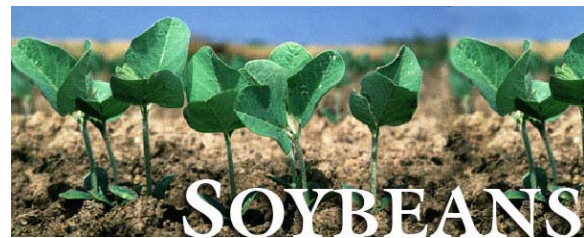


# U.S. Fed: Effective Federal Funds Rate

July 1954 through December 2018



# 2019 Soybean Markets



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# CME Soybean Futures

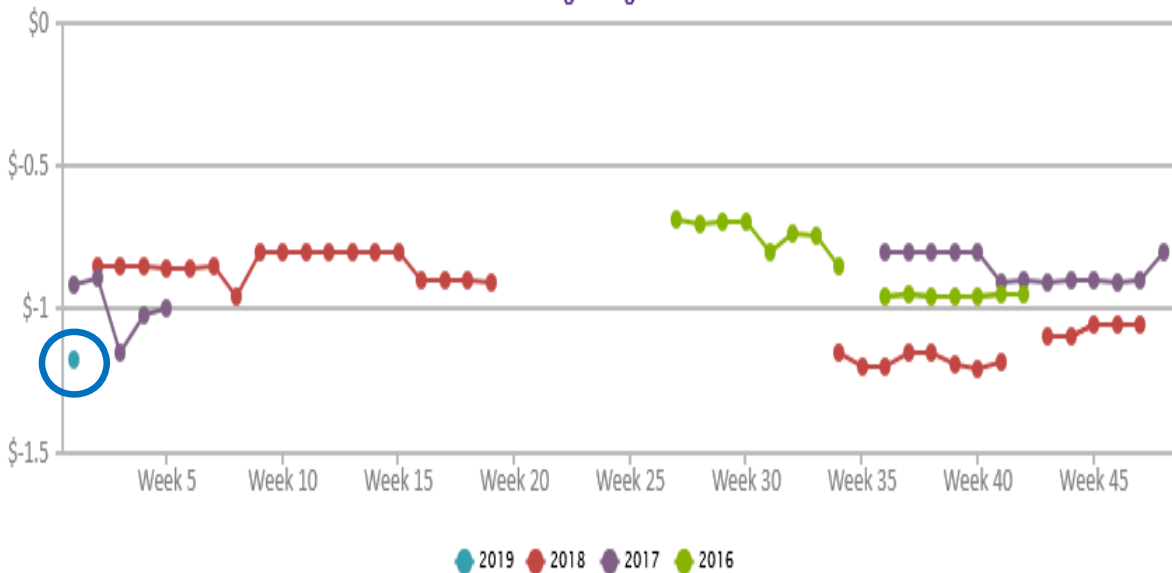


**Monthly Chart:** Nov. 2009 through December 2018 + 1/16/2019



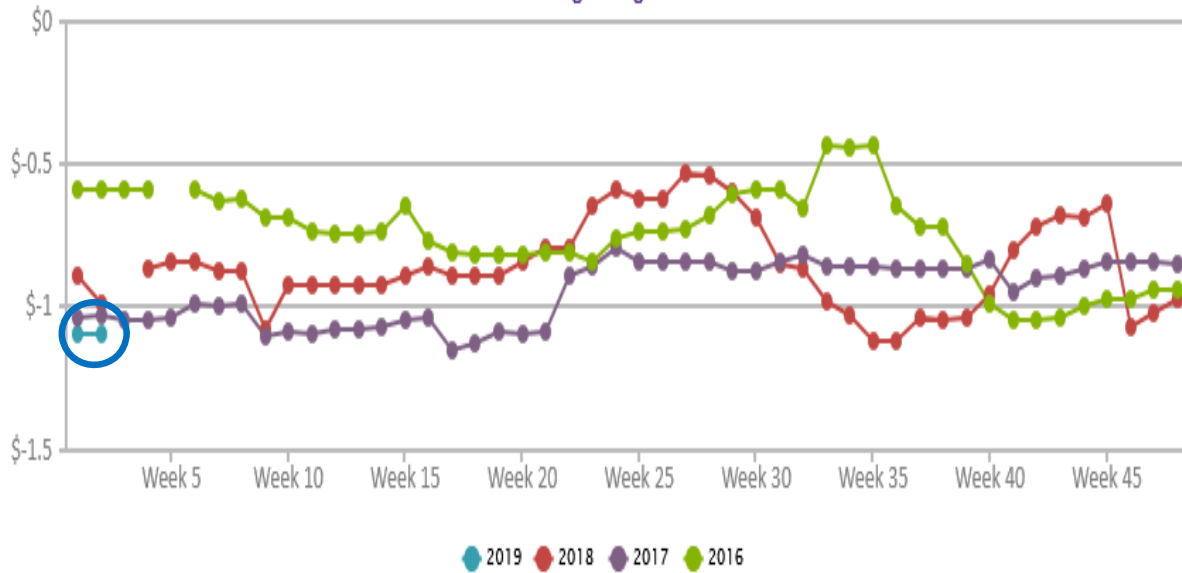
## WELLINGTON, KS: Soybeans Basis - SCOLAR GRAIN CO

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



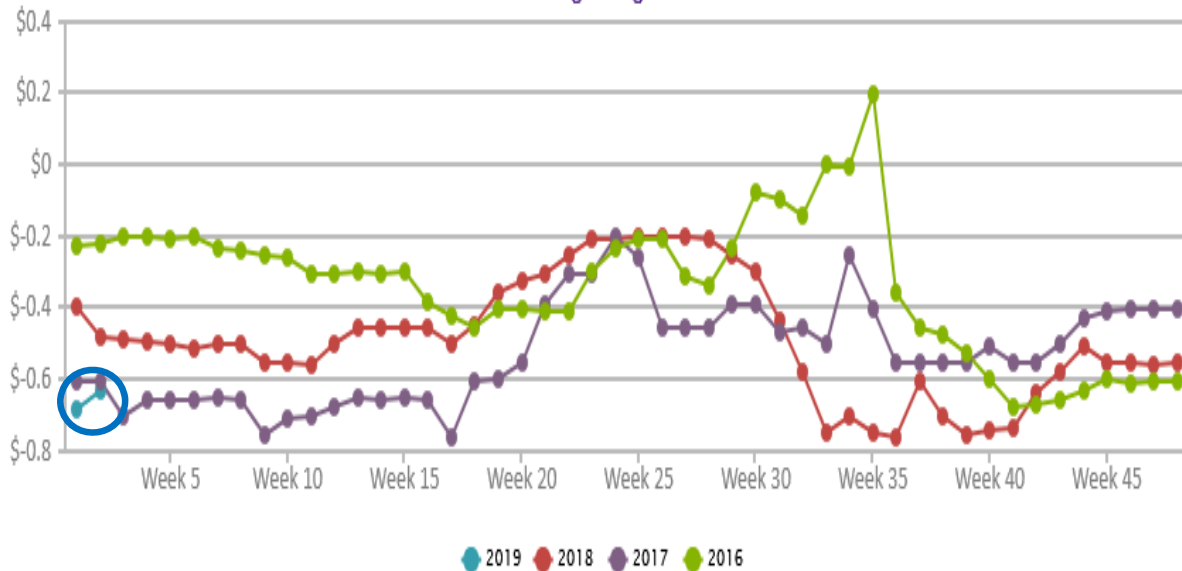
## WICHITA, KS: Soybeans Basis - MID KANSAS COOP

www.AgManager.info



## WICHITA, KS: Soybeans Basis - CARGILL

www.AgManager.info

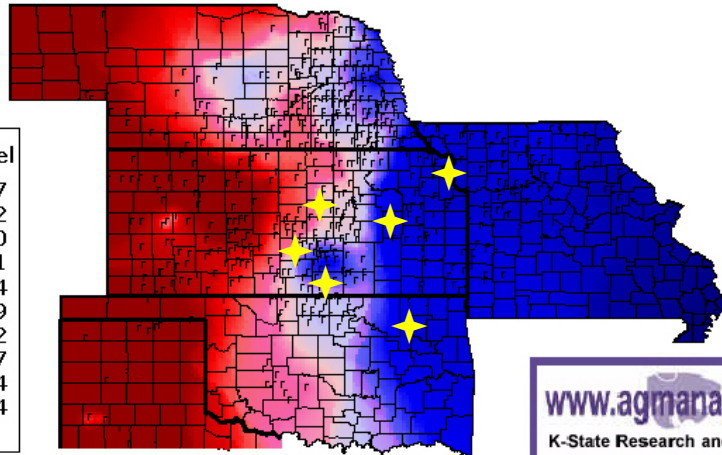


## Soybean Basis, 01-09-2019

Basis = Cash Price - Nearby Futures Price

CBT Mar  
Futures  
Price: \$9.24

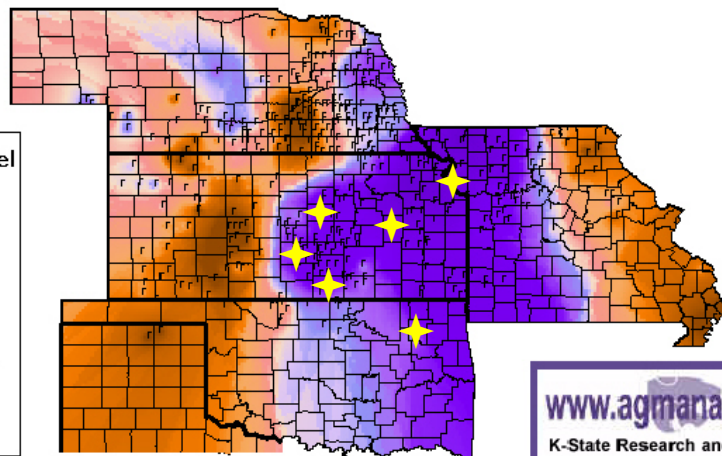
\$/Bushel	
Dark Blue	-.17
Blue	-1.02
Light Blue	-1.10
Very Light Blue	-1.11
White	-1.14
Light Pink	-1.19
Pink	-1.22
Red-Pink	-1.27
Red	-1.34
Dark Red	-1.44



## Soybean Basis Deviation, 01-09-2019

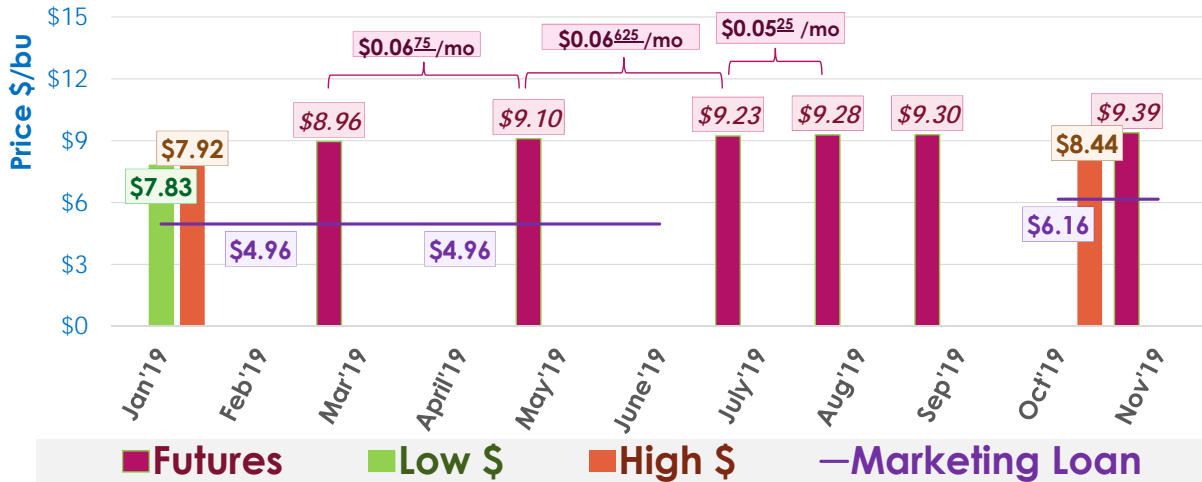
Basis Deviation = Current Basis - 3 Year Average Basis (2016, 2017, 2018)

\$/Bushel	
Dark Purple	.07
Medium Purple	-.23
Light Purple	-.26
Very Light Purple	-.28
White	-.29
Light Blue	-.30
Pink	-.31
Orange	-.34
Dark Orange	-.35
Dark Orange	-.39



# Soybean Cash & Futures Price\$'s

Wellington, KS Local Elevators - January 16, 2019



## 2019 Soybean Market "Drivers"

### 1) 2019 South America Crop Production Prospects

- "Dry" in Brazil - ↓ Soybean Production (*1<sup>st</sup> vs 2<sup>nd</sup> Crop Corn?*)
- Preliminary forecasts – Down from 120 to 110-115 mmt?

## Monthly Crop Calendar for Soybeans

	Plant		Bloom		Harvest							
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Ukraine				P P	P P			H H	H H			
EU				P P	P P				H H	H H		
Russia				P P	P P				H H	H H	H H	H H
US					P P P		B B B			H H	H H	H H
China					P P P P				H H	H H	H H	
Canada					P P P P		B B B			H H	H H	H H
Indonesia					P P P P	P P P		H H	H H	H H		
Mexico	H H	H H			P P P P	P P P	P P P	P P P	P P P	H H	H H	H H
India						P P P	P P P				H H	H H
Paraguay	H H	H H	H H	H H	H H	H H				P P	P P	P P
Brazil	H H	H H	H H	H H	H H	H H					P P	P P
Argentina	P	B B			H H	H H	H H					P P
South Africa			H H	H H								P P

Sources: USDA, AMIS, & CHS, Inc.

CHS Hedging Jenna Roe

## 2019 Soybean Market "Drivers"

### 1) 2019 South America Crop Production Prospects

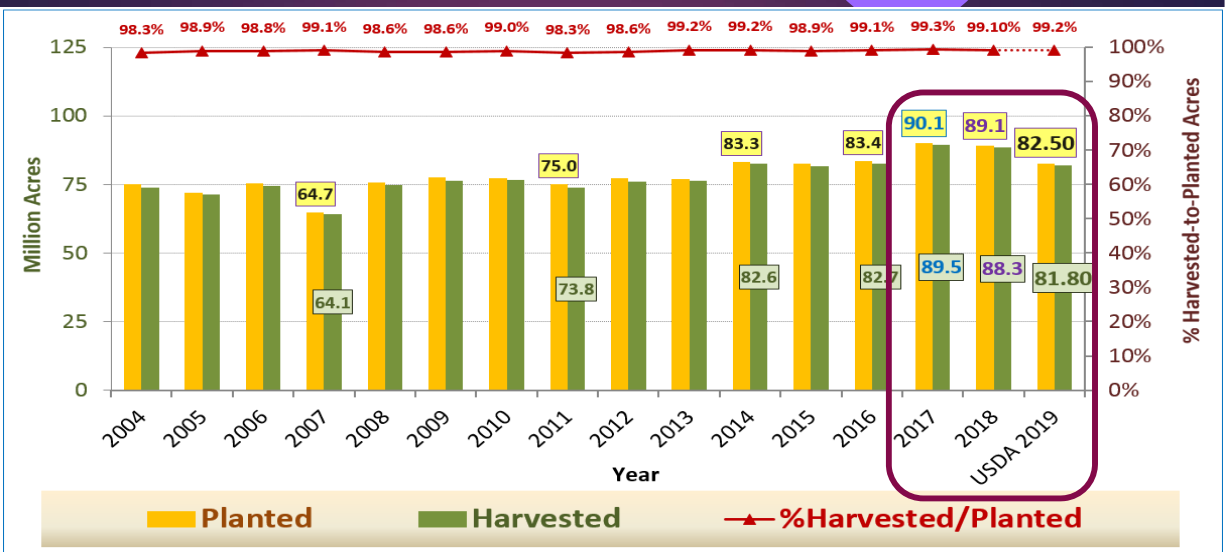
- "Dry" in Brazil - ↓ Soybean Production (1<sup>st</sup> vs 2<sup>nd</sup> Crop Corn?)
- Preliminary forecasts – Down from 120 to 110-115 mmt?

### 2) 2019 U.S. Soybean Acres

- "Narrative" ⇒ U.S. Soybean Acres **Down 6.5+ mln acres**<sup>USDA</sup>
- **BUT** now issues in So. America, U.S.-China may change that



# U.S. Soybean Acreage



## 4) U.S. Soybean Usage in “Current” MY 2018/19 (thru 8/31/2019)

- **Soy Crush** 2018/19 = 2.080 bln bu (*Record vs 2.055 bb last year*)
- **Exports** 2018/19 = 1.900 bln bu (*Down vs 2.129 - 2.166 bb last 2 yrs*)
- **Total Use** 2018/19 = 4.107 bln bu (*Down vs 4.296 - 4.214 bb last 2 yrs*)

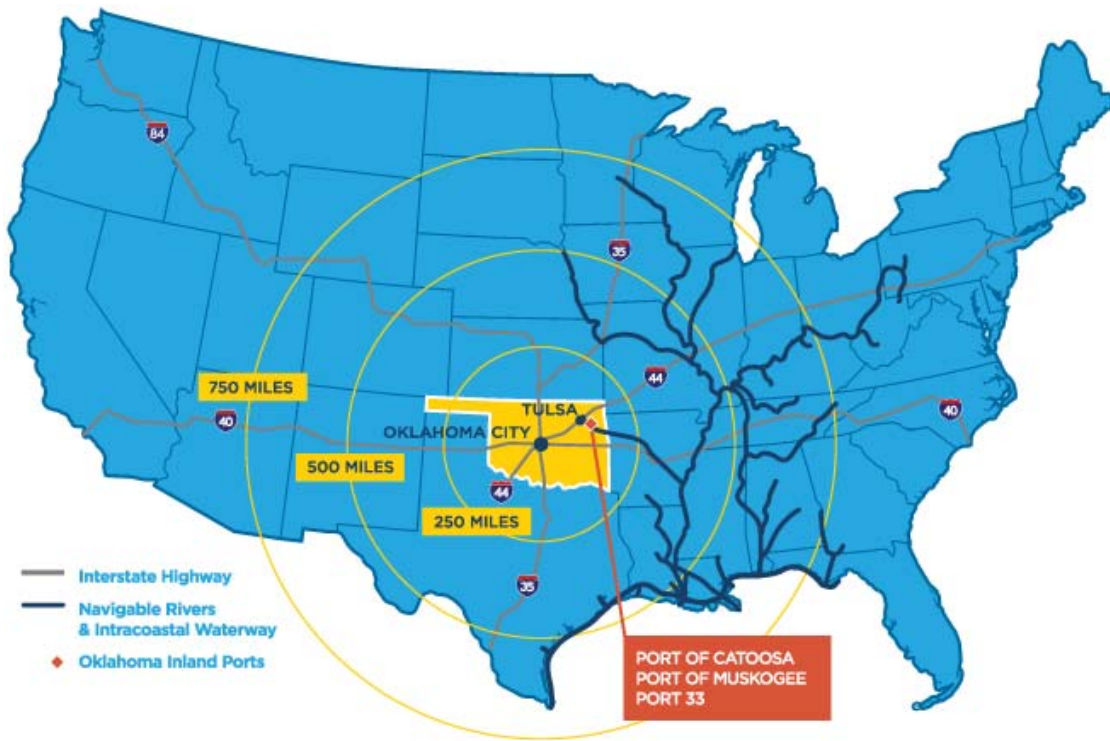
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- **SBM Exports** 2018/19 = 13.75 mln tons (*vs 14.8 - 11.6 mln tons last 2 years*)

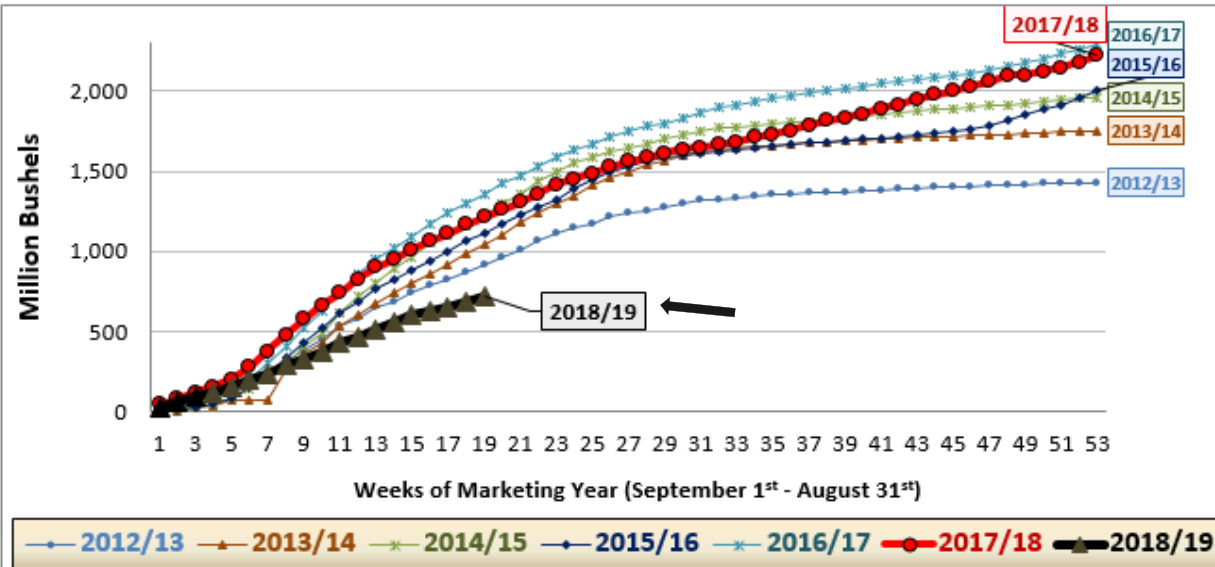


# NOPA

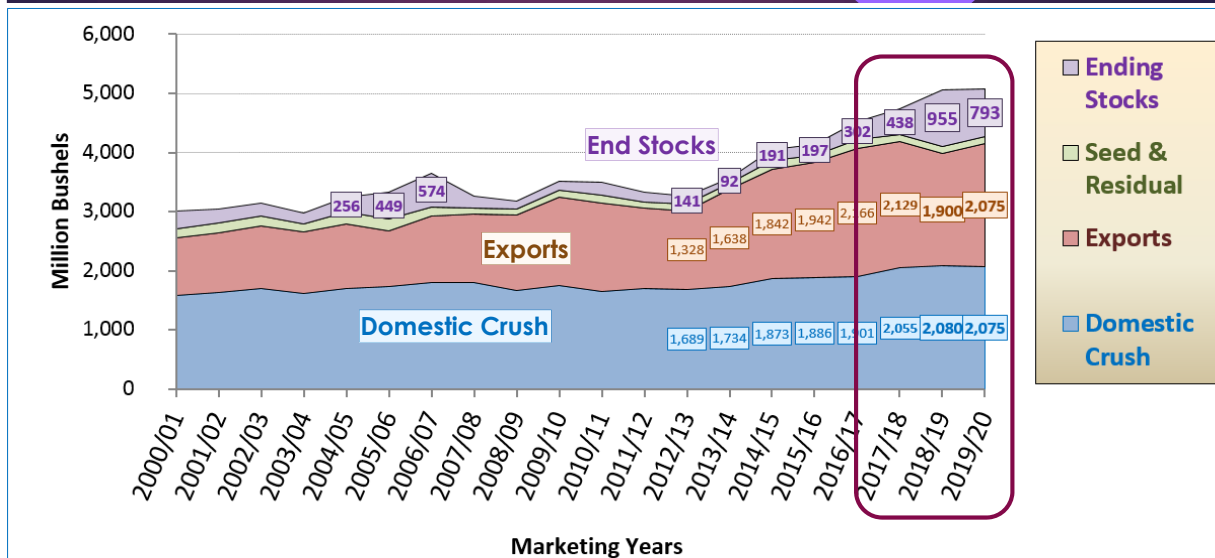
NATIONAL OILSEED  
PROCESSORS ASSOCIATION



# U.S. Soybean Exports – Cumulative Weekly (1/10/19)



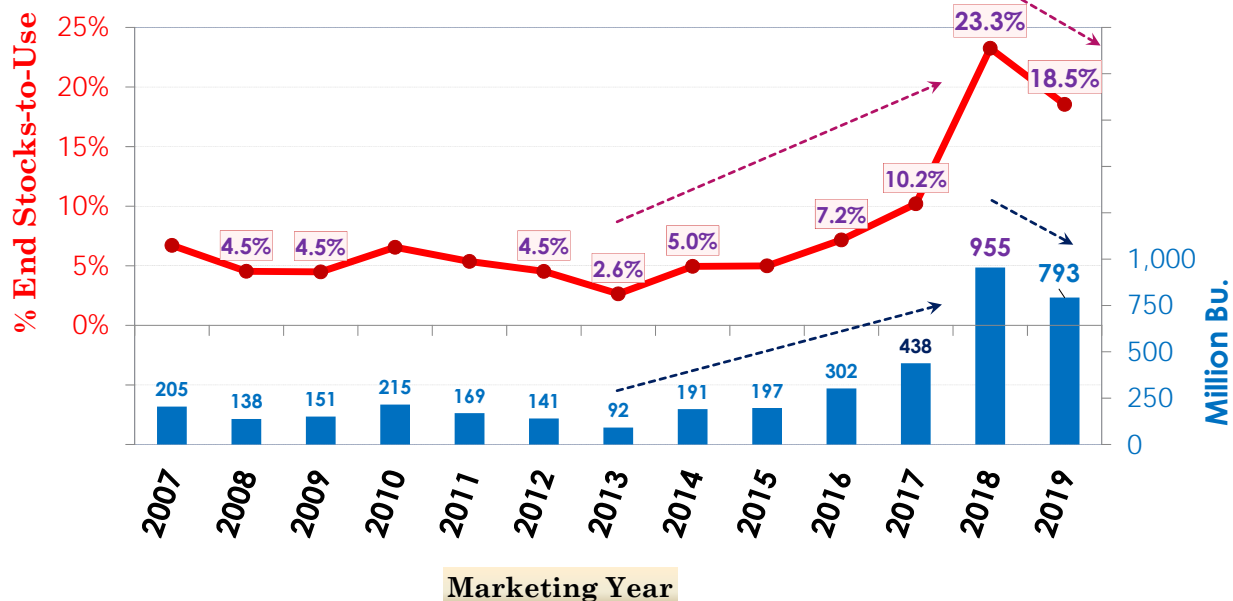
# U.S. Soybean Use & End Stocks



## 5) "Large" U.S. Soybean Stocks & % Stocks-to-Use

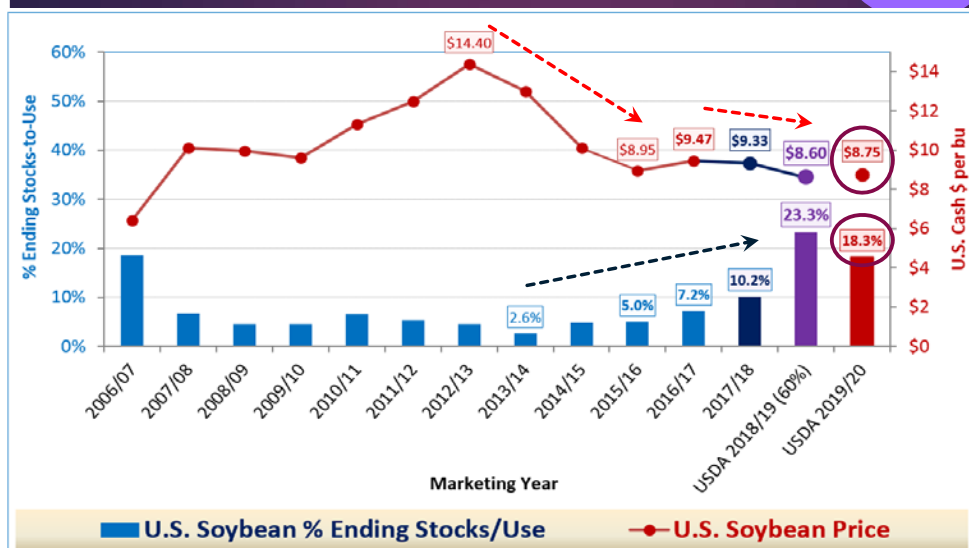
- **955 mb @ 23.25% Stocks/Use** in "Current" MY 2018/19
- **Impact of +/- 250 mb on U.S. soybean S/D Balances?**
  - **705 mb vs 1.205 bb** U.S. soybean ending stocks
  - **≤ 17% vs ≥ 29% Stocks/Use** ⇒ *Significant* +/- \$ effects
- ❖ **"≤ 17% Stks/Use" Scenario** – *"Moderate Price Support"*
- ❖ **"≥ 29% Stks/Use" Scenario** – *"Overwhelming Supplies"*

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





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



MY 2006/07  
 Thru "Next Crop"  
 MY 2019/20  
 Including  
 preliminary  
 U.S. Soybean  
 S-D & Prices  
 For "Next Crop"  
 MY 2019/20

## 6) U.S. Soybean Price Outlook <sup>USDA</sup>

- **\$8.60 /bu** in "Current" MY 2018/19
- **\$8.75 /bu** in "Next Crop" MY 2019/20 (+\$0.15 /bu vs current)
  - **USDA Forecast for "Next Crop" MY 2019/20 :**
    - **82.50 million acres planted** (vs 89.145 ma current)
    - **50.0 bu/ac,** (vs 52.1 bu/ac current)
    - **4.090 bb Production** (vs 4.600 bb current)
    - **2.075 bb Domestic Crush** (vs 2.080 bb current)
    - **2.075 bb Exports** (vs 1.900 bb current)
    - **793 mb Ending Stocks** (vs 955 mb current)
    - **18.5% Ending Stocks / Use** (vs 23.25% current)

## 7) "Other" Soybean Market Factors

- Ongoing Negotiations between U.S. & China wrt trade issues  
⇒ *More positive prospects for resolution in recent days*

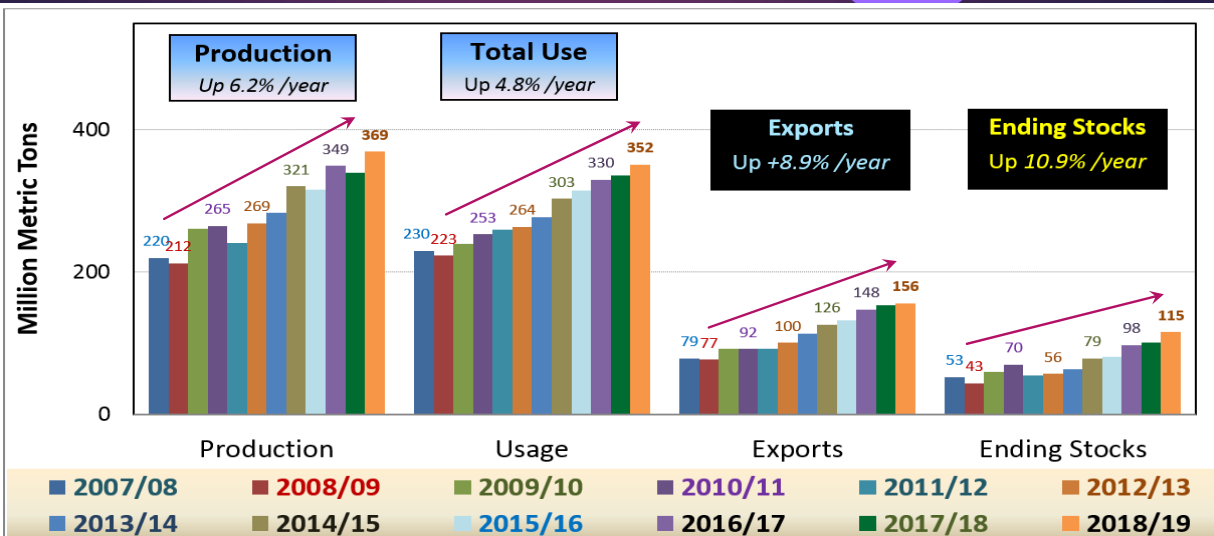
- **USDA Market Facilitation Payments (MFP)**

- *\$1.65 /bu* for 2018 Soybean Production

Q? What impact could these 2018 Soybean MFP payments have on U.S. farmer's acreage choices in 2019?

- **New Farm Bill ARC vs PLC Choices.....**

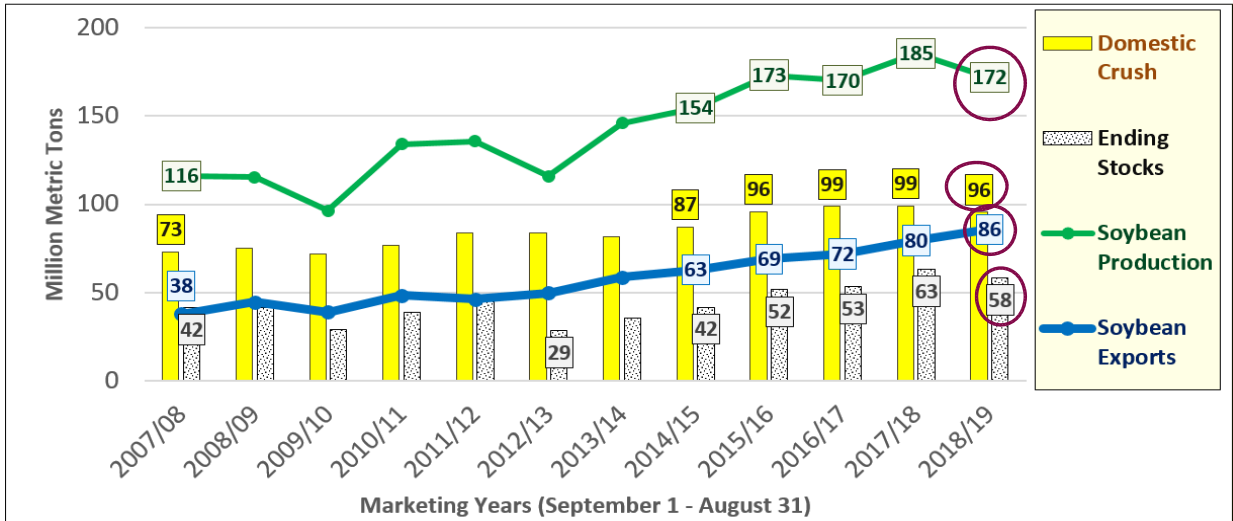
## World Soybean Supply, Use & Stocks



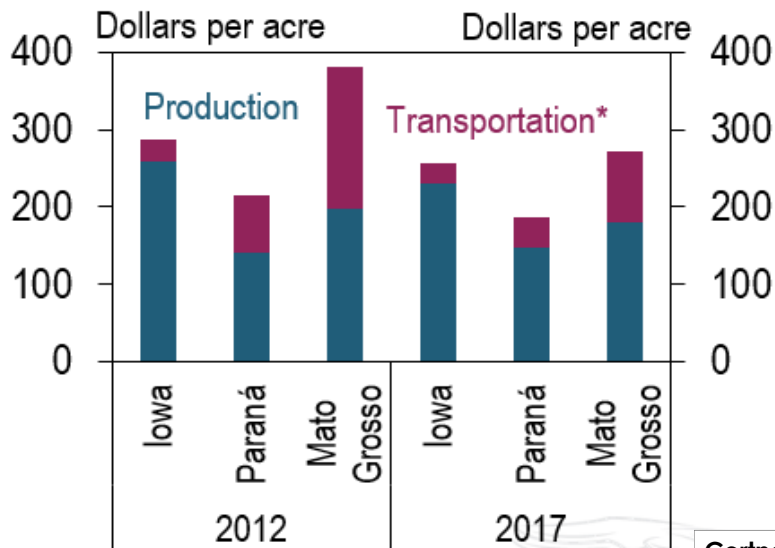
# So. America Soybean Supply-Demand



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



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



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

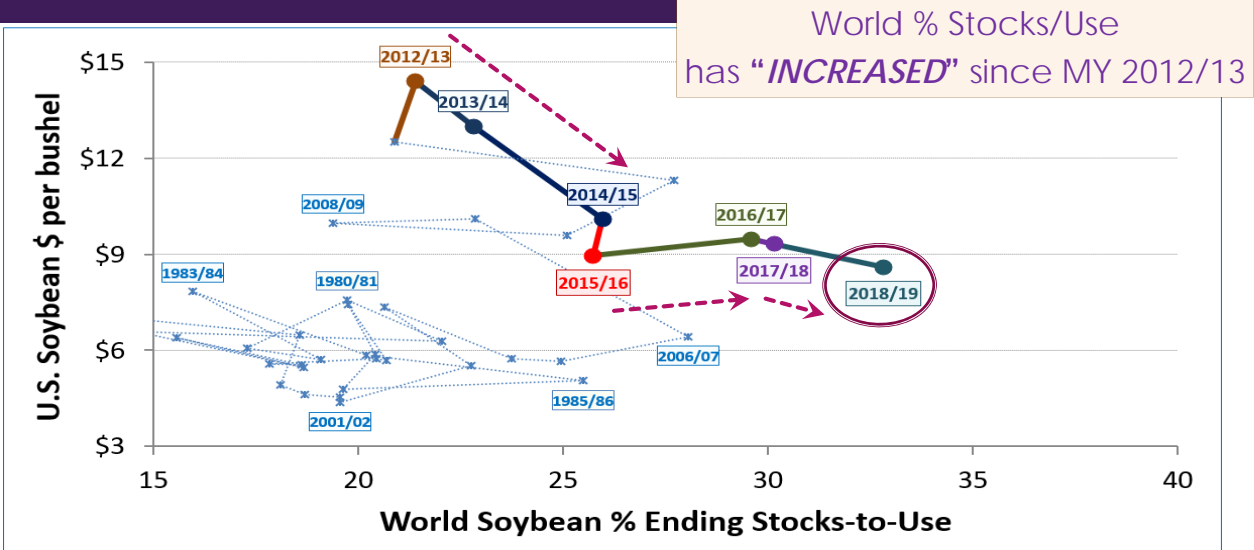
Cortney Cowley  
Federal Reserve Bank of KC  
Omaha Branch





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

MY 1973/74 – “Current” MY 2018/19



## U.S. Soybean Market Prospects in 2019

### A. U.S.-China Trade Dispute

- *HAS* has *LIMITED* U.S. export shipments & forward purchases & *HAS* affected U.S. Soybean prices

### B. USDA forecasts U.S. Exports to be *down* due to Tariffs

- Foreign buyer "*switching*" between *U.S.* & *South America*, & some "*trans-shipments*" have occurred among countries

### C. Market Focus in Winter-Spring 2018-19

- **So. America 2019** crop prospects – their response to high 2018 \$'s

# 2019 Corn & Sorghum Markets



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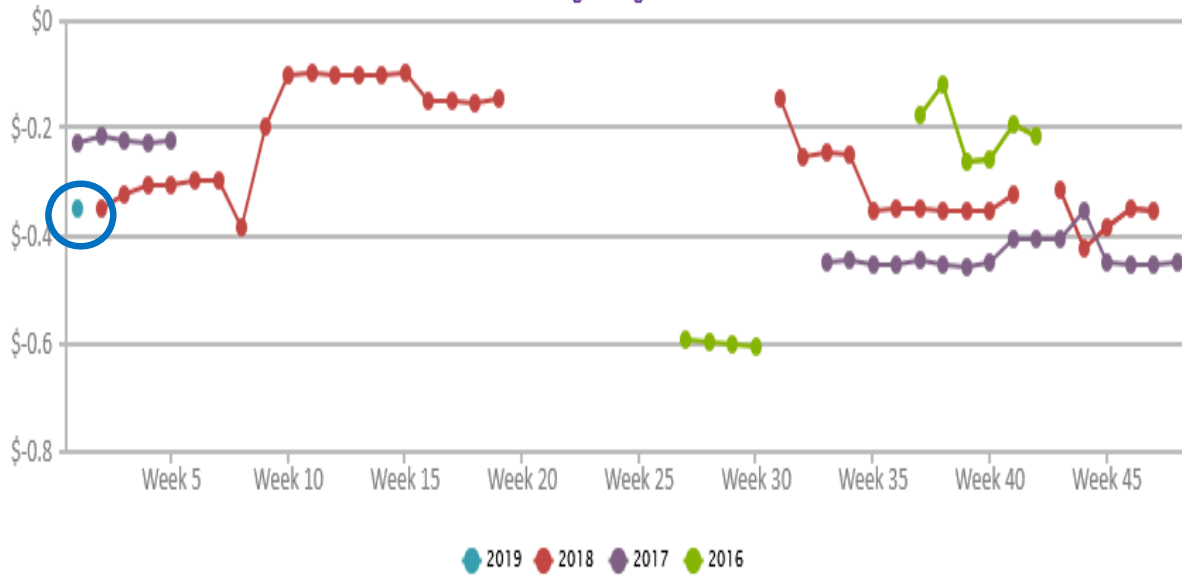
## CME Corn Futures

Monthly Chart: November 2009 – December 2018 + 1/16/2019



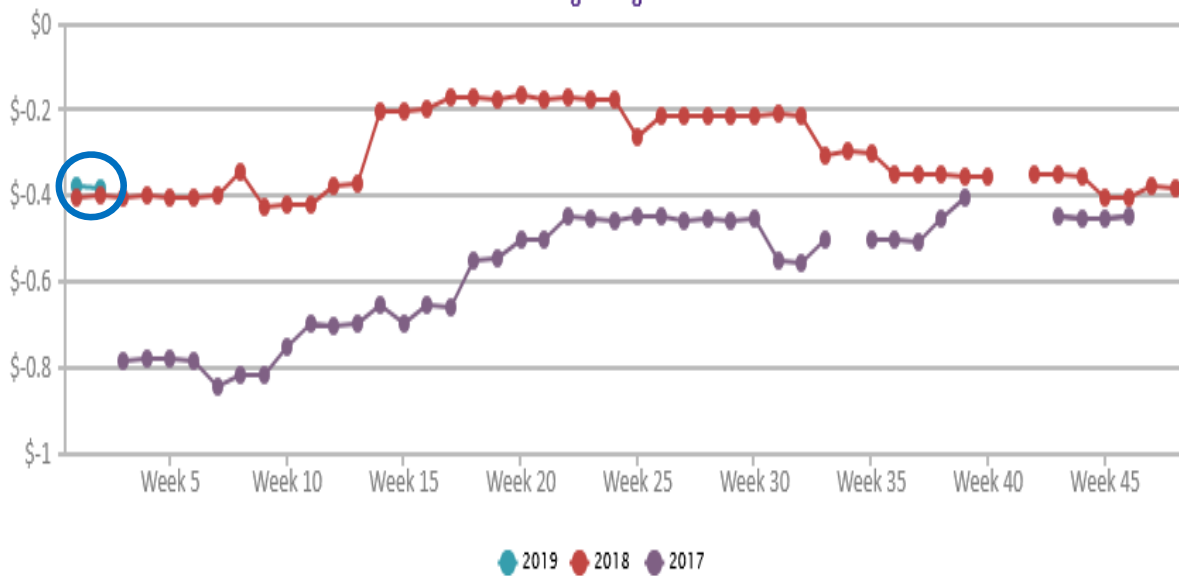
## WELLINGTON, KS: Corn Basis - SCOLAR GRAIN CO

www.AgManager.info



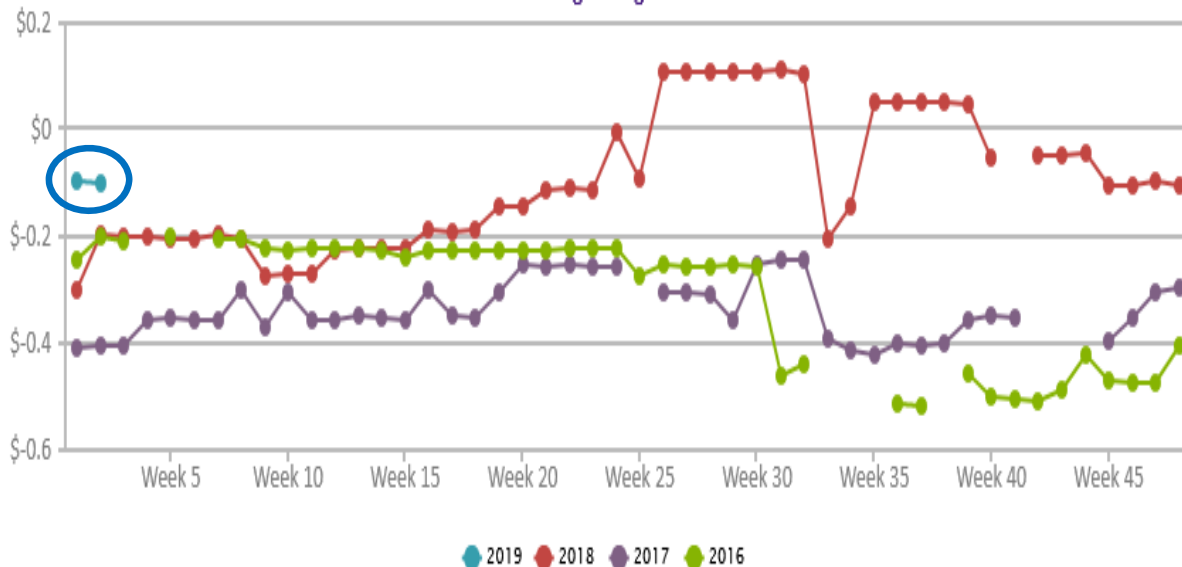
## MAYFIELD, KS: Corn Basis - PROGRESSIVE AG COOP

www.AgManager.info



# COLUMBUS, KS: Corn Basis - FARMERS COOP

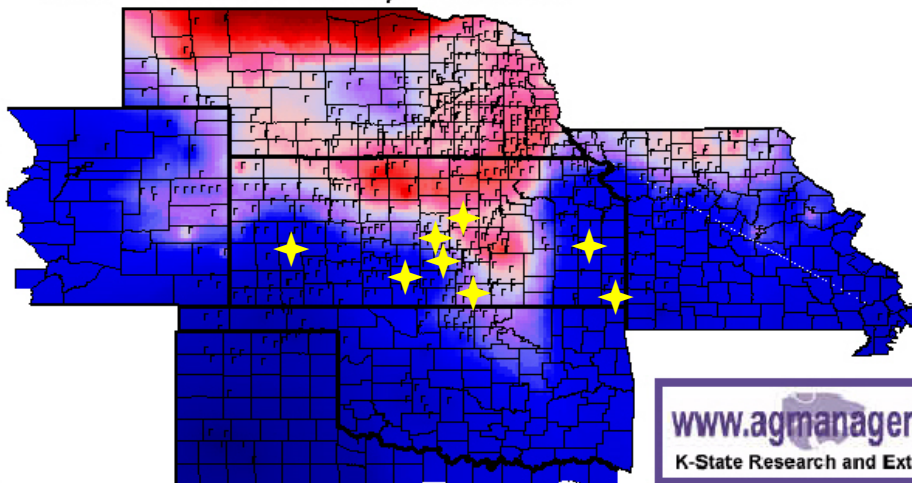
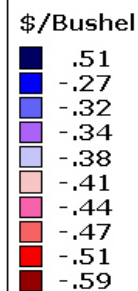
www.AgManager.info



# Corn Basis, 01-09-2019

Basis = Cash Price - Nearby Futures Price

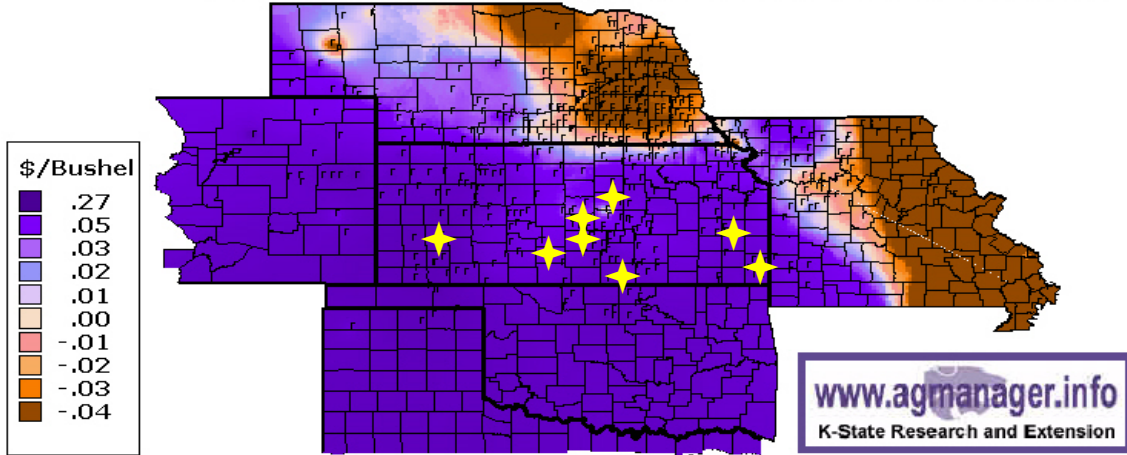
CBT Mar  
Futures  
Price: \$3.82



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K-State Research and Extension

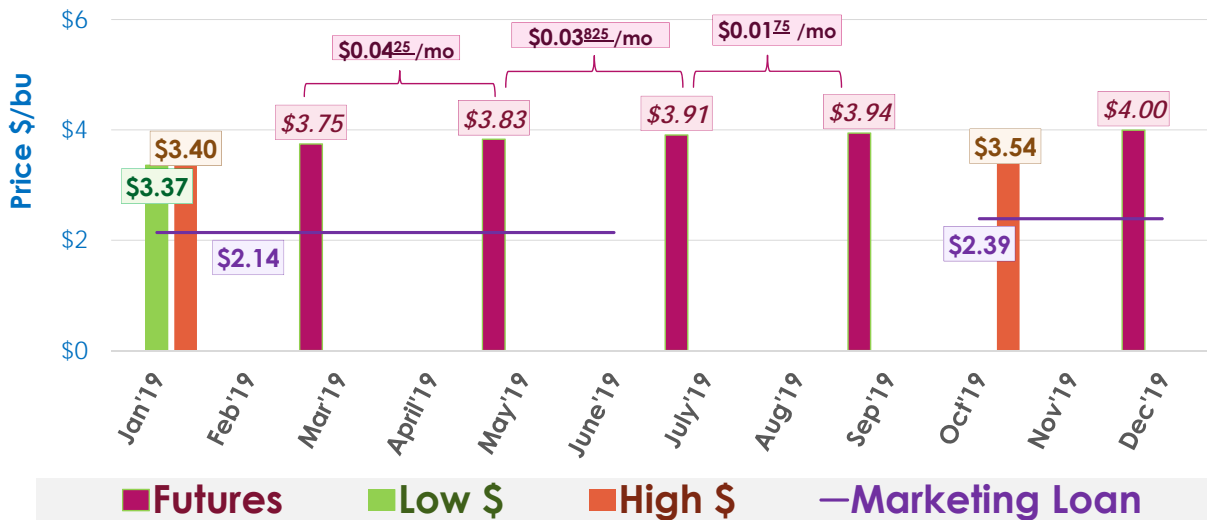
## Corn Basis Deviation, 01-09-2019

Basis Deviation = Current Basis - 3 Year Average Basis (2016, 2017, 2018)



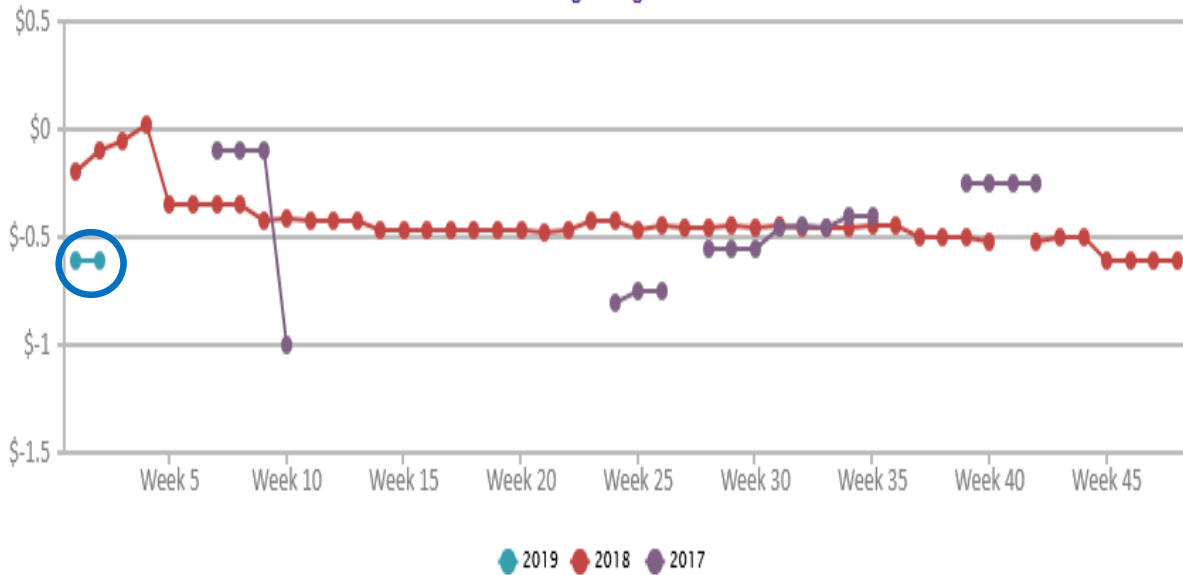
## Corn Cash & Futures Price\$'s

Wellington, KS Local Elevators - January 16, 2019



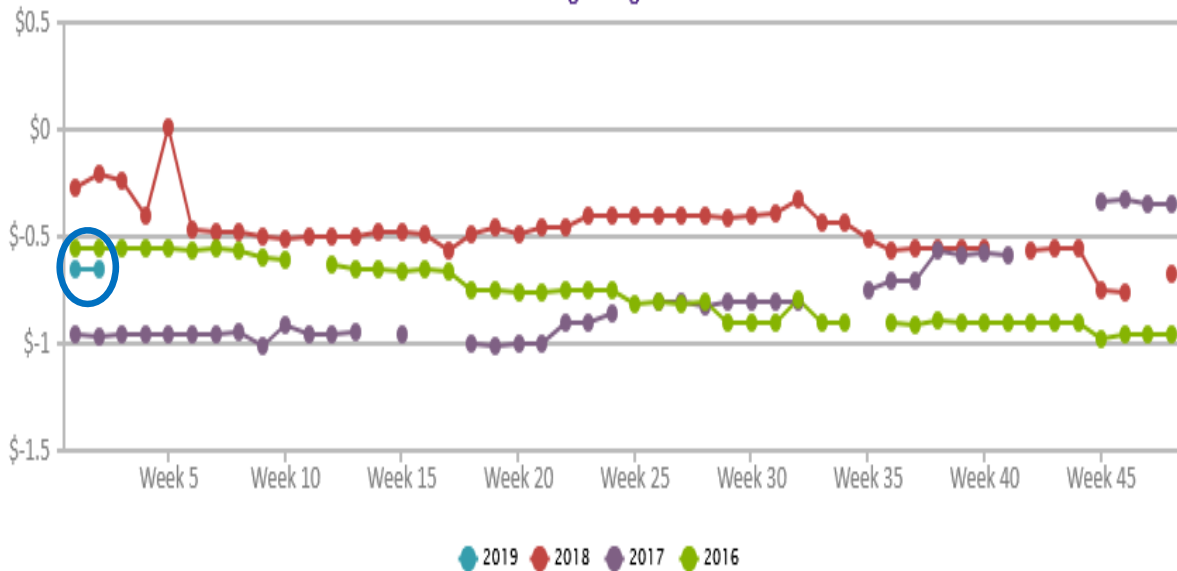
## WELLINGTON, KS: Grain Sorghum Basis - PROGRESSIVE AG COOP

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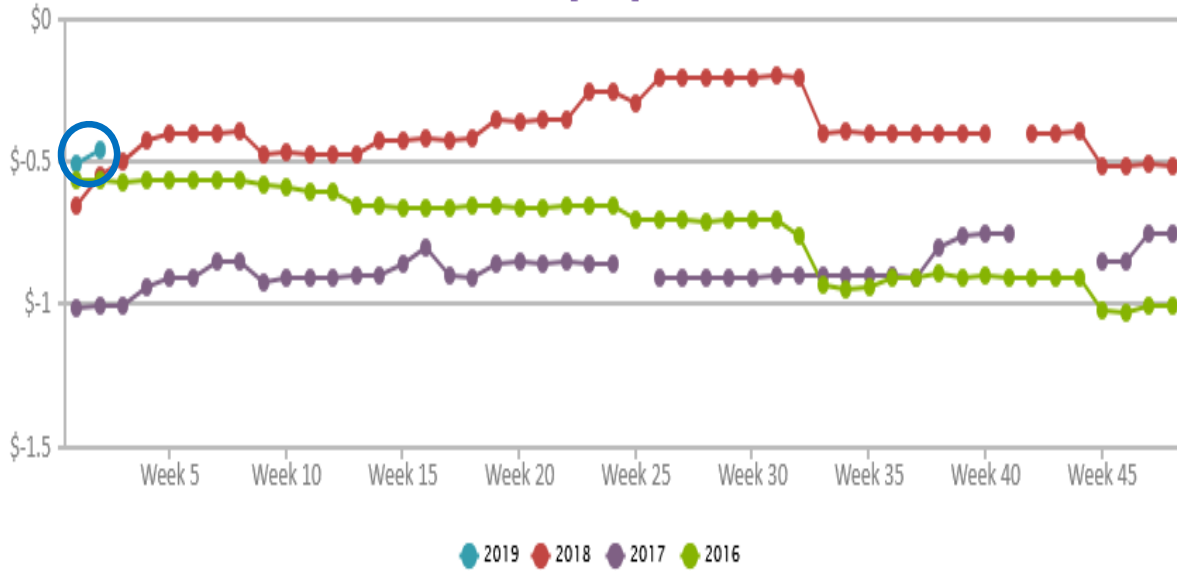
## WINFIELD, KS: Grain Sorghum Basis - FLEMING FEED & GRAIN

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# COLUMBUS , KS: Grain Sorghum Basis - FARMERS COOP

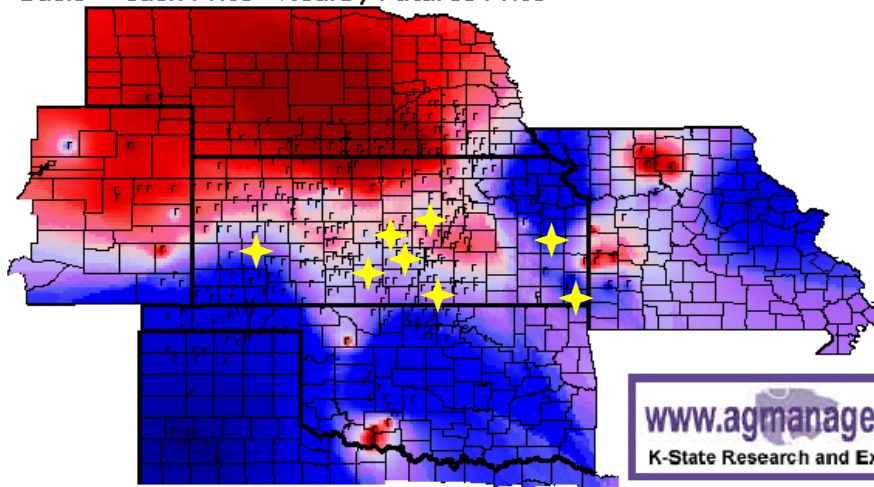
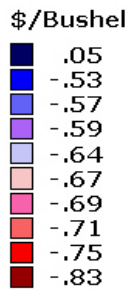
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# Grain Sorghum Basis, 01-09-2019

Basis = Cash Price - Nearby Futures Price

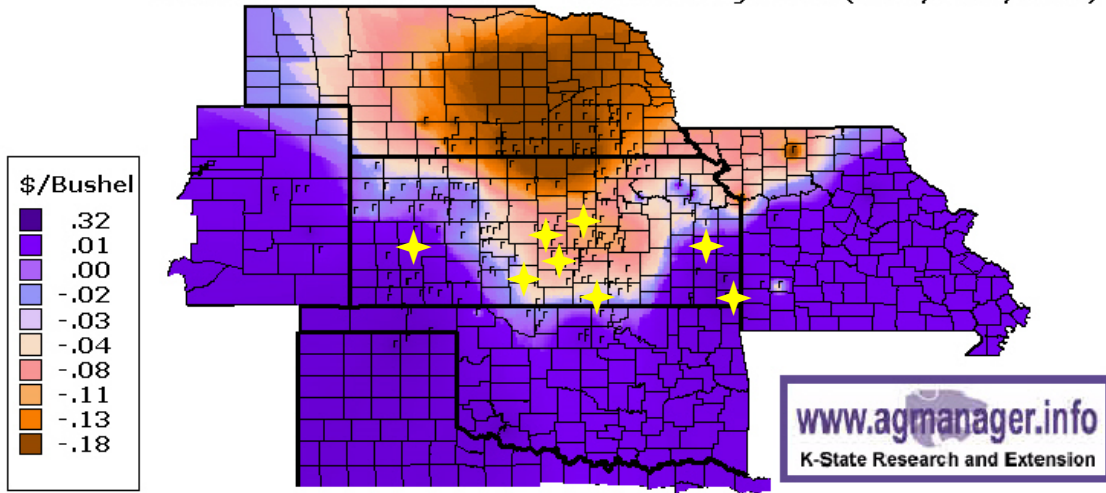
CBT Corn  
Mar Futures  
Price: \$3.82



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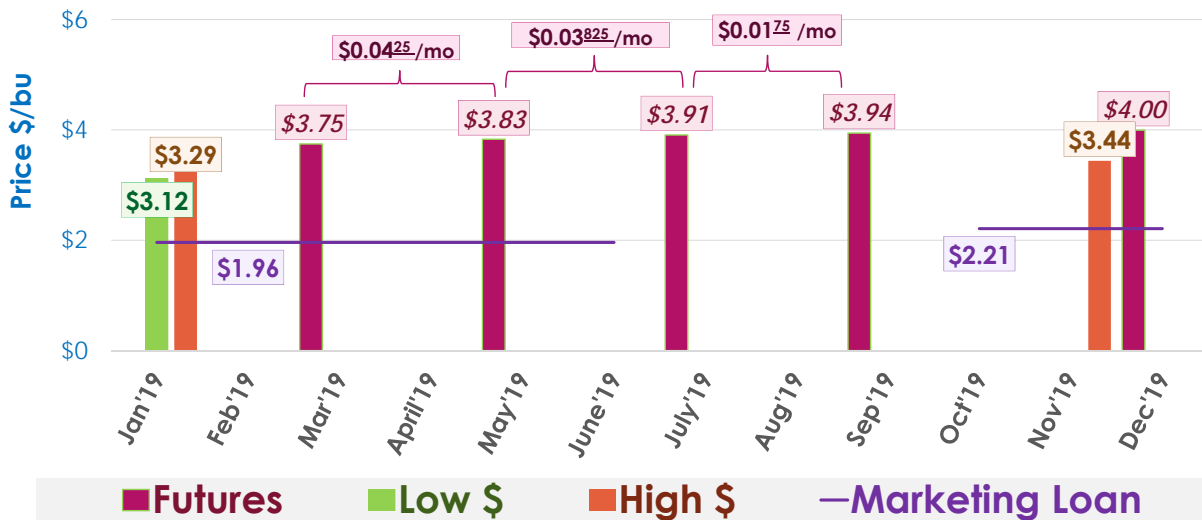
## Grain Sorghum Basis Deviation, 01-09-2019

Basis Deviation = Current Basis - 3 Year Average Basis (2016, 2017, 2018)



## Sorghum Cash & Corn Futures Price\$'s

Wellington, KS Local Elevators - January 16, 2019





# 2019 Corn Market "Drivers"

## 1) 2019 South America Crop Production Prospects \*\*\*

- Will "Dry Conditions" in Brazil occurring NOW persist into spring & affect 2<sup>nd</sup> crop Brazil Corn?

## Monthly Crop Calendar for Corn

	Plant		Silk			Harvest																	
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep											
EU	H	H	H	H				P	P	P	P			H	H	H	H						
US	H	H	H						P	P	P	S	S	S			H						
Mexico Summer	H	H	H	H	H	H	H	H	H														
Ukraine	H	H	H						P	P	P						H						
Russia	H	H	H	H					P	P		S	S	S									
China	H	H							P	P	P	P					H	H					
Indonesia Dry Region	H	H							P	P	P	P	P	P	H	H	H	H					
Philippines Main					P	P	P	P	P	H	H	H	H	P	P	P	P	P	P				
Canada	H	H	H	H										P	P	P	P	S	S	S	H		
India	H	H	H	H	H	H	H	H															
Brazil 1st crop	P	P	P	P	P	P	H	H	H	H	H	H	H										
Argentina	P	P	P	P	S	S	S							H	H	H	H	H			P	P	
Philippines 2nd Crop	P	P	P	P	H	H	H	H	H													P	P
South Africa	P	P	P	P	P	P	S	S															
Mexico Winter																							
Brazil 2nd crop																							
Indonesia Rainy Region	H	H	H	H	H	H								P	P	P	P	P	P	P			
Nigeria																							

Sources: USDA, AMIS, and CHS, Inc. locations

\*Production estimates are in million metric tons and come from the FAS/USDA's most recent monthly World Agricultural Production report.

\*\*Production estimates are for ALL CORN. Numbers will be listed next to the variety that comes first in the chart.

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# 2019 Corn Market “Drivers”

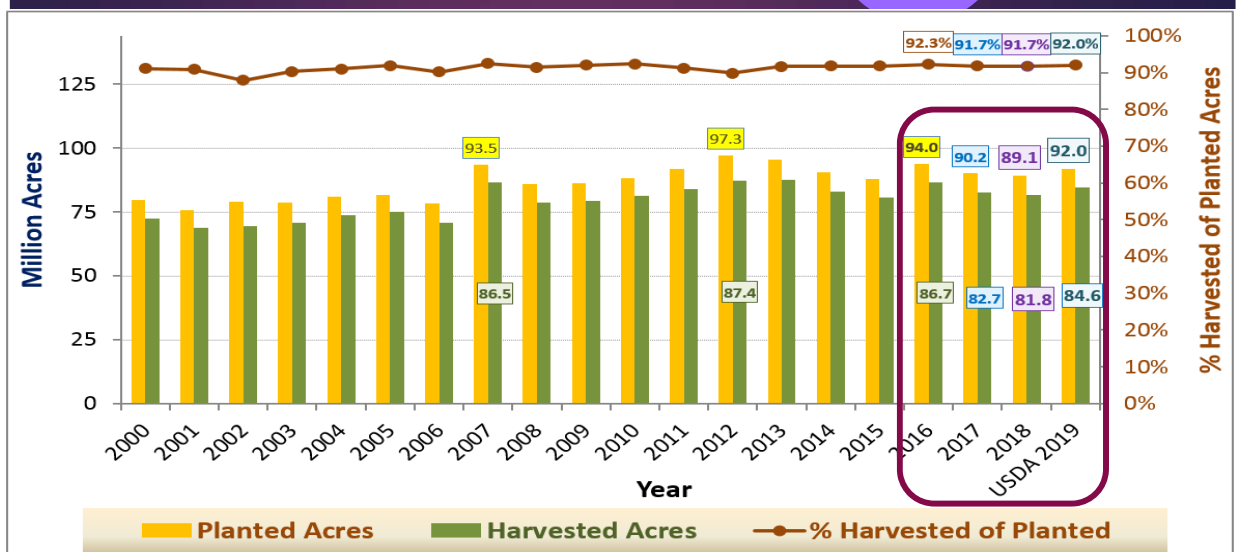
## 1) 2019 South America Crop Production Prospects

- Will “Dry Conditions” in Brazil occurring NOW persist into spring & affect 2<sup>nd</sup> crop Brazil Corn?

## 2) 2019 U.S. Corn Acres

- Market “Narrative” ⇒ U.S. Corn Acres **UP 3 to 4 mln acres+**
- **BUT** now (just as with Soybeans) issues in South America, U.S.-China negotiations, & other issues may change that

# U.S. Corn Acreage

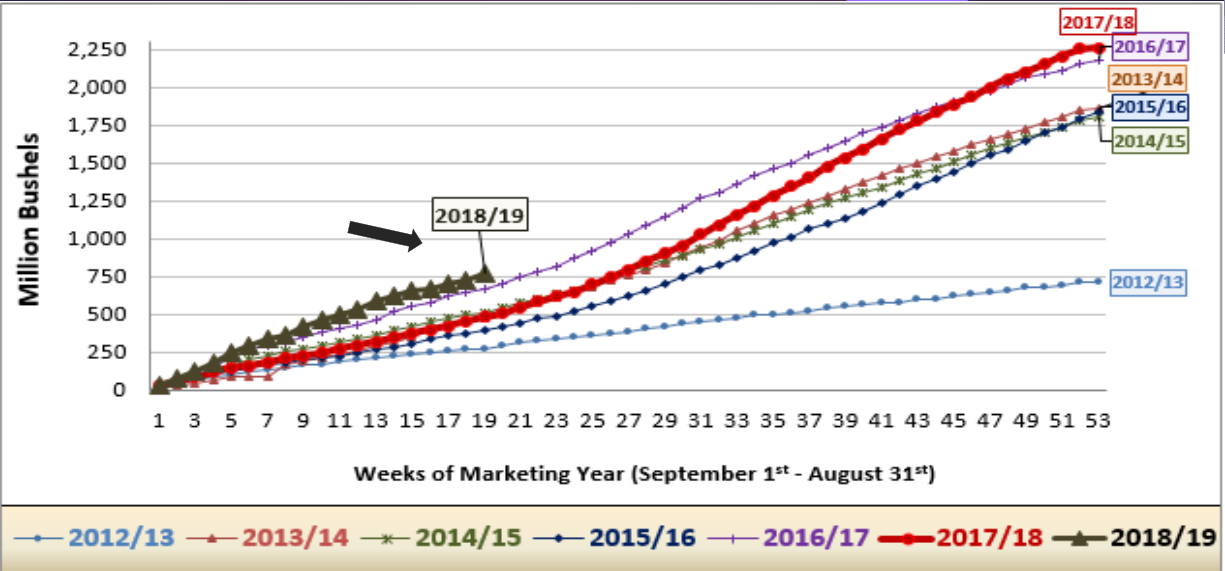


### 3) U.S. Corn Usage in “Current” MY 2018/19 (thru 8/31/2019)

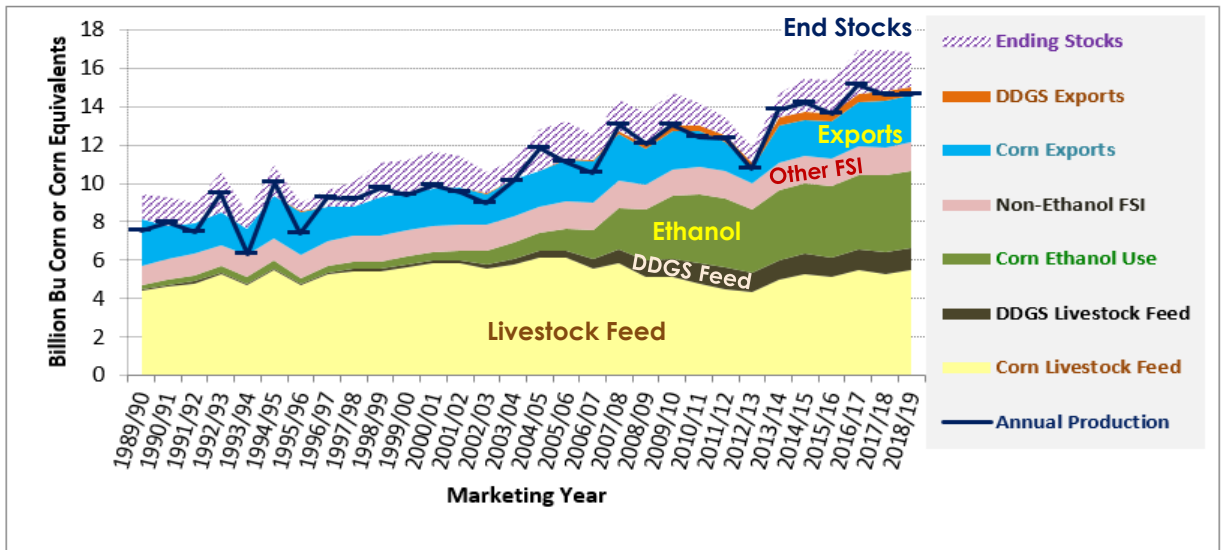
- Low Ethanol Plant Profitability – “slower” corn use @ 5.600 bb
- U.S. Exports @ 2.450 bb<sup>USDA</sup>
- Feed Use @ 5.500 bb (10 year high)



# U.S. Corn Exports – Weekly thru January 10, 2019



# U.S. Corn Use – Together by Category



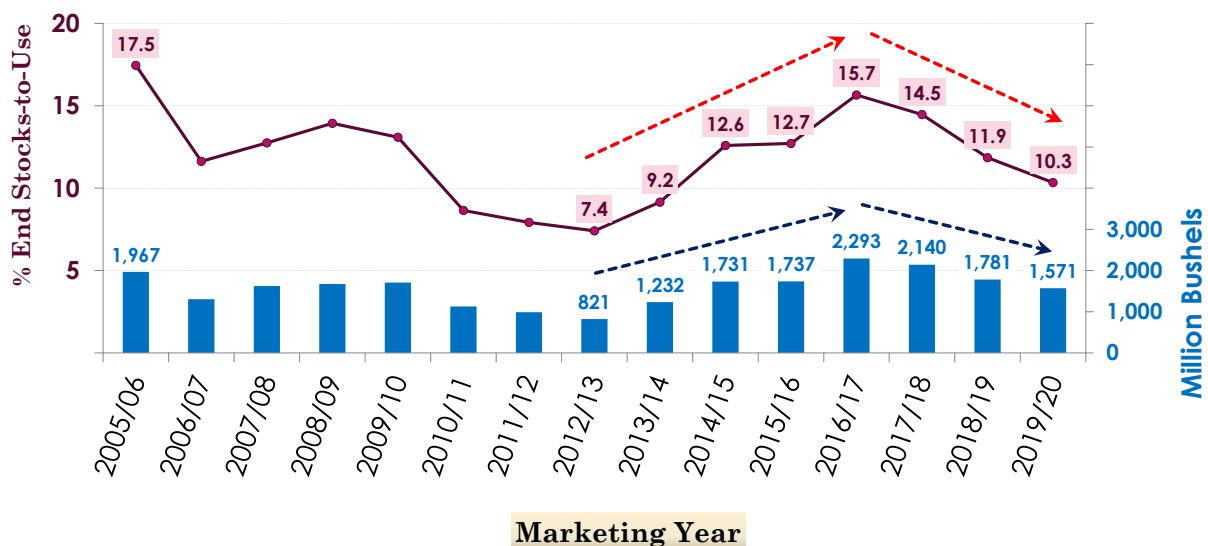
#### 4) U.S. Corn Usage in “Current” MY 2018/19 (thru 8/31/2019)

- Low Ethanol Plant Profitability – “slower” corn use @ 5.600 bb
- U.S. Exports @ 2.450 bb<sup>USDA</sup>
- Feed Use @ 5.500 bb (10 year high)

#### 5) “Tighter” U.S. Corn Stocks & % Ending Stocks-to-Use

- **1.781 bb @ 11.85% Stocks/Use** in “Current” MY 2018/19
- **Impact of +/- 250 mb ?**
  - **1.531 bb vs 2.031 bb** U.S. corn ending stocks
  - **≤ 10% S/U vs ≥ 13% S/U** ➔ *Significant* +/- Corn price effects

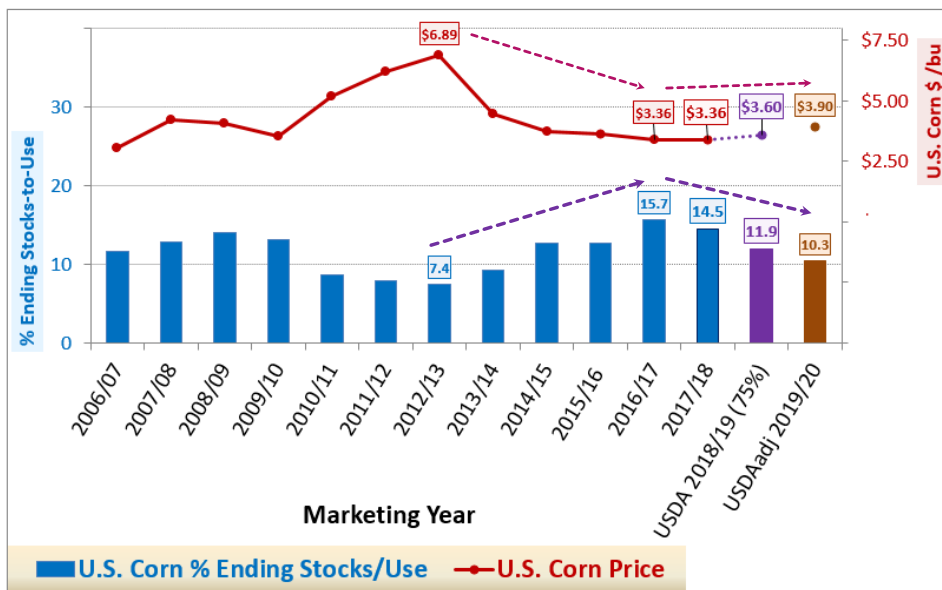
### U.S. Corn Ending Stocks & % Stx/Use



## 6) U.S. Corn Price Outlook <sup>USDA</sup>

- \$3.60 /bu in “Current” MY 2018/19
- \$3.90 /bu in “Next Crop” MY 2019/20 (+\$0.30 /bu vs current)
  - USDA<sup>2019/20</sup>: 176.5 bu/ac, 14.930 bb, strong Use, 1.571 bb Stocks

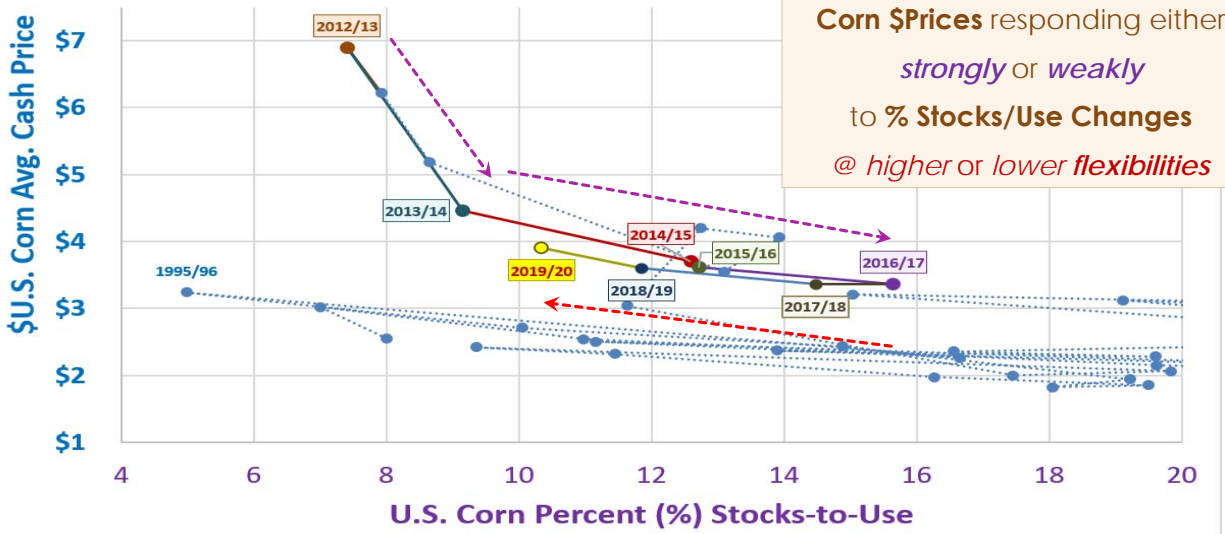
## U.S. Corn % Stocks/Use vs Price\$



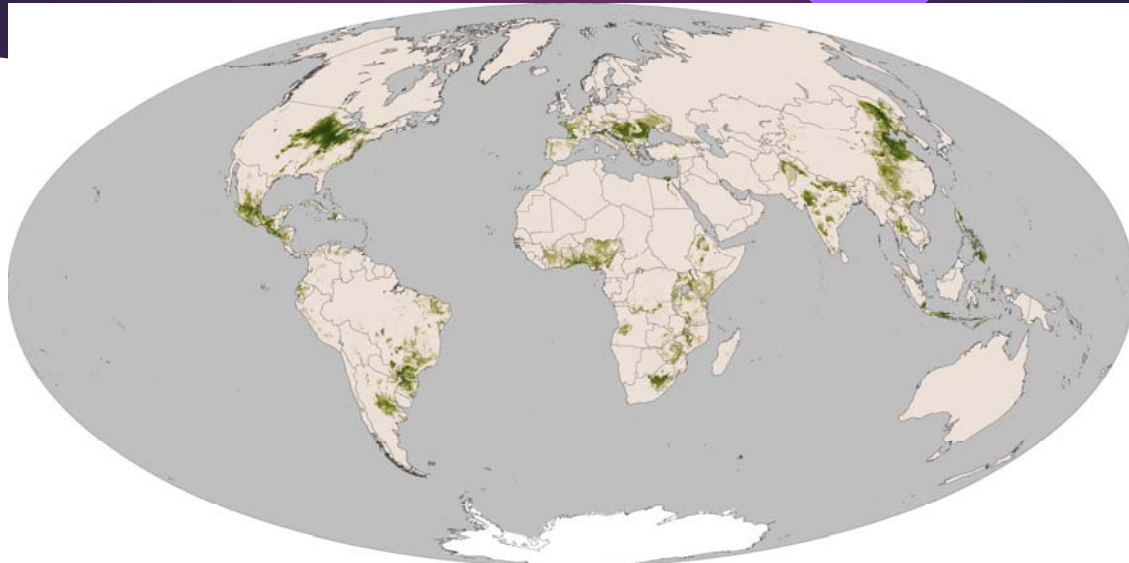
MY 2006/07  
Thru “Next Crop”  
MY 2019/20

Including  
preliminary  
U.S. Corn Supply-  
Demand & Prices  
For “Next Crop”  
MY 2019/20

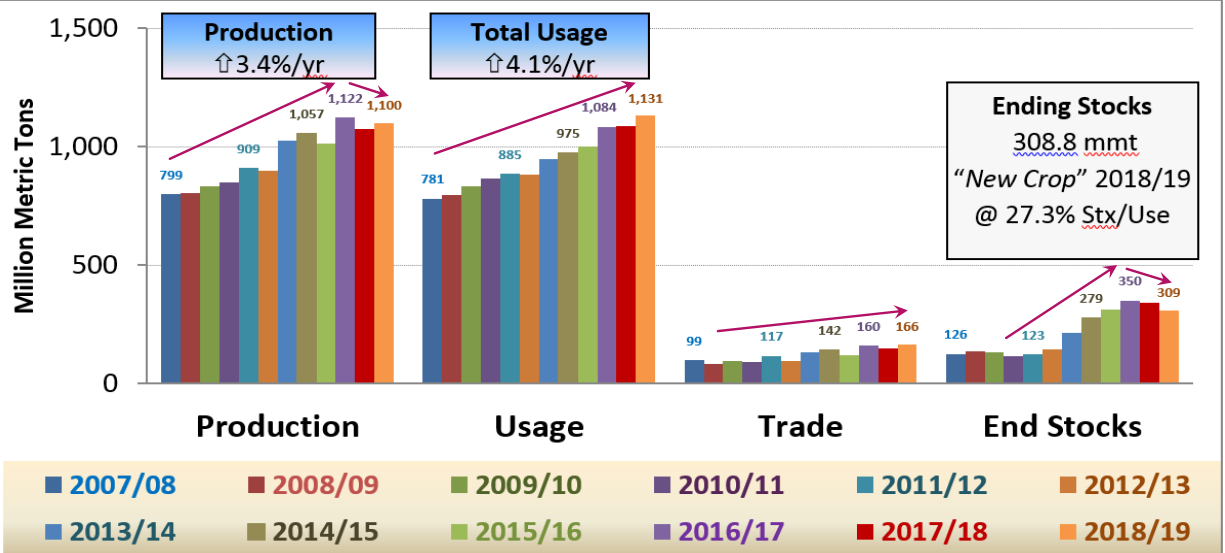
# U.S. Corn % Stocks/Use vs Price\$



# World Corn (Maize) Production Regions



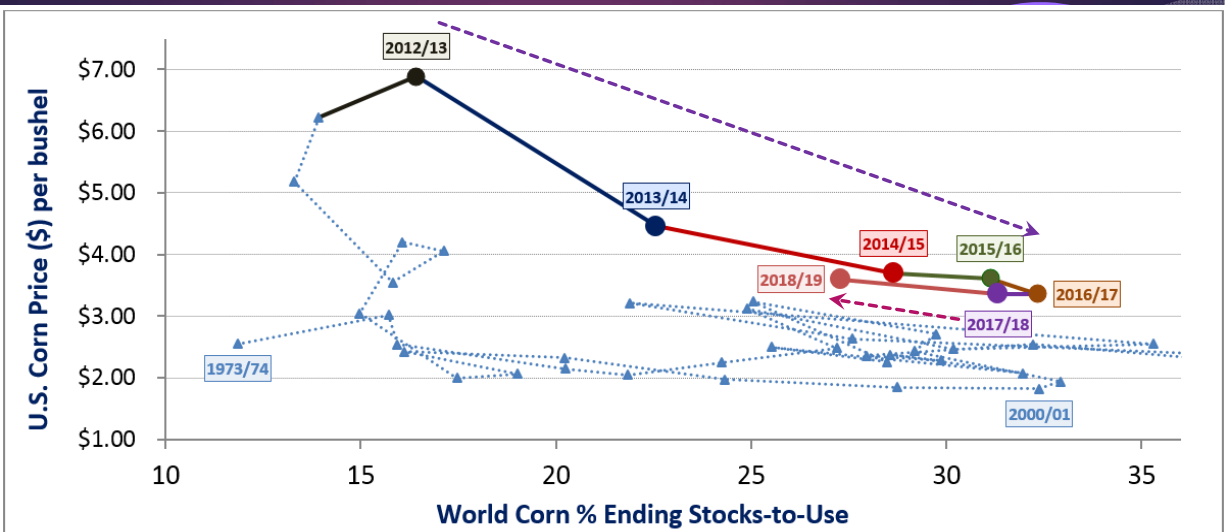
# World Corn Supply, Use & Stocks



Ernst & Young

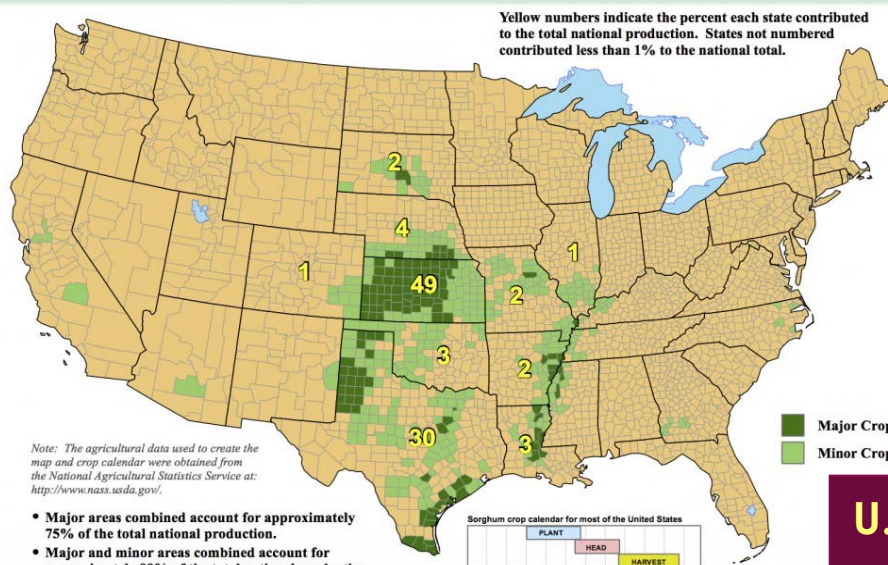
# U.S. Corn Price\$ vs World % Stocks-to-Use

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



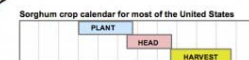


## United States: Sorghum



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.



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.

USDA Agricultural Weather Assessments  
World Agricultural Outlook Board

## U.S. Grain Sorghum Production Regions

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

### • Corn: “Moderate” Stocks & % S/U

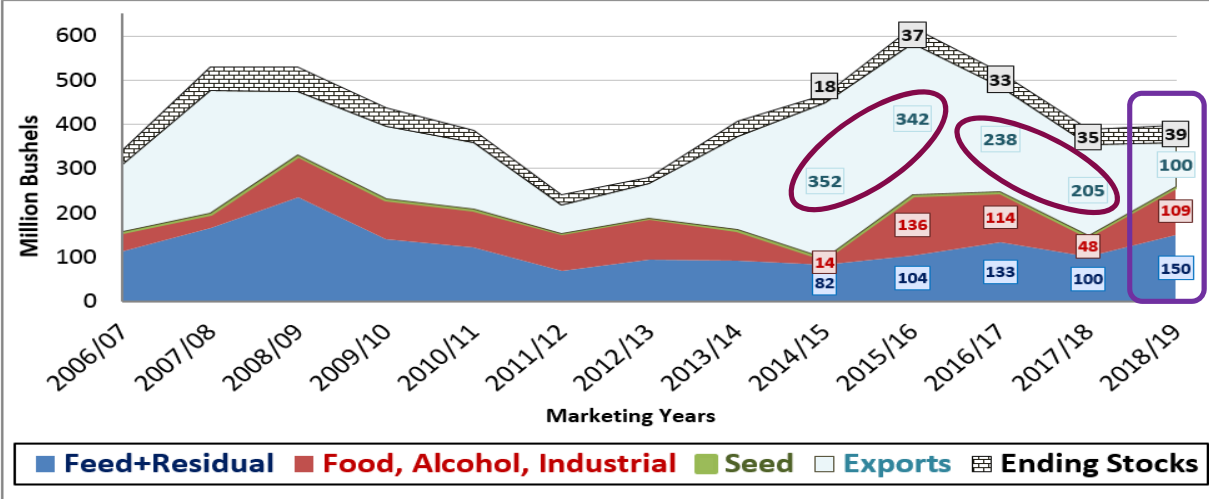
- End Stocks 2018/19 ⇒ 1.781 bln bu (vs 2.140 bb last year)
- % Stocks/Use 2018/19 ⇒ 11.9% S/U (vs 14.5% Stx/Use last year)

### • Grain Sorghum: “Low” Price\$’s (Hurt by trade issues)

- End Stocks 2018/19 ⇒ 39 mln bu (↓ Exports; ↑ Ethanol & Feed Use)
- % Stocks/Use 2018/19 ⇒ 10.8% S/U (vs 9.6% Stx/Use last year)

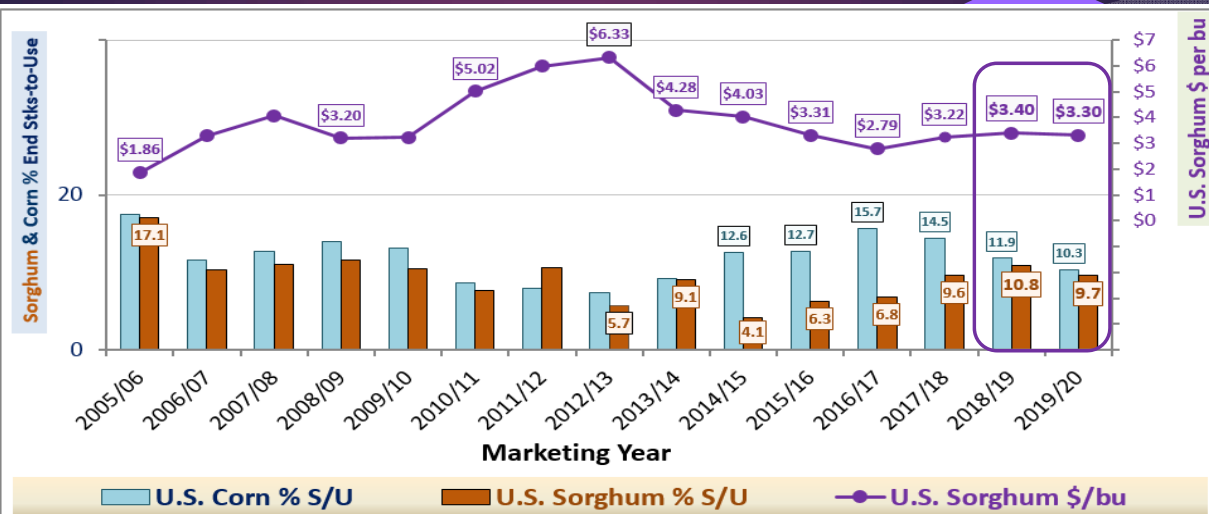
# U.S. Sorghum Usage

Marketing Years 2006/07 thru 2018/19 (as of December 11, 2018)



# U.S. Sorghum Stks/Use & Price\$

Marketing Years 2005/06 thru "Next Crop" MY 2019/20



# Wheat Markets



**KANSAS STATE UNIVERSITY** Department of Agricultural Economics

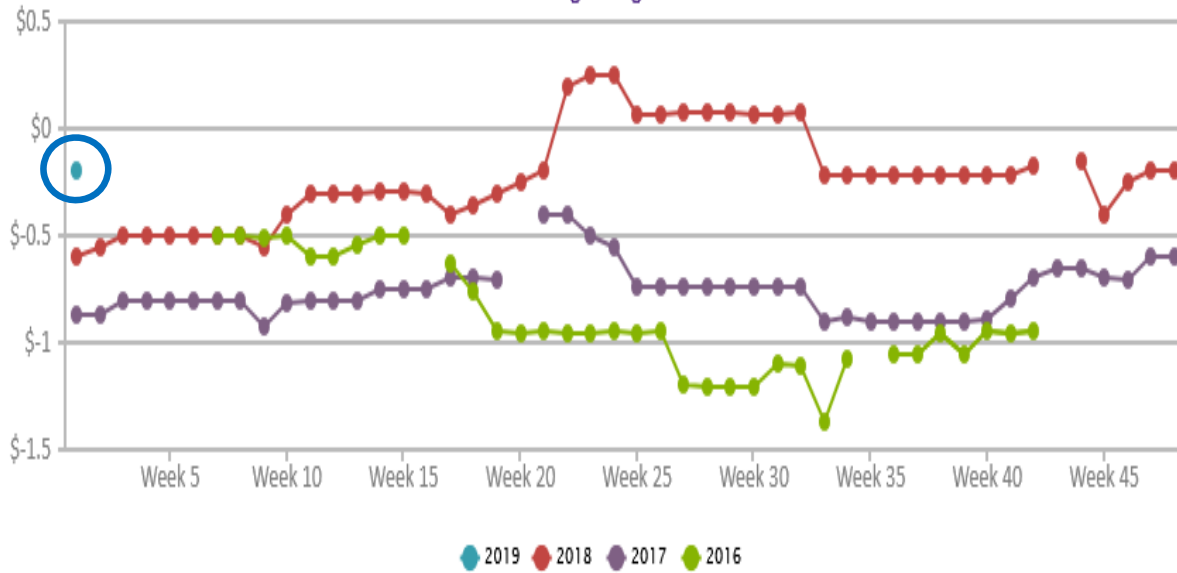
# CME Kansas Hard Red Winter Wheat

Monthly Chart: November 2009 – December 2018 + 1/16/2019



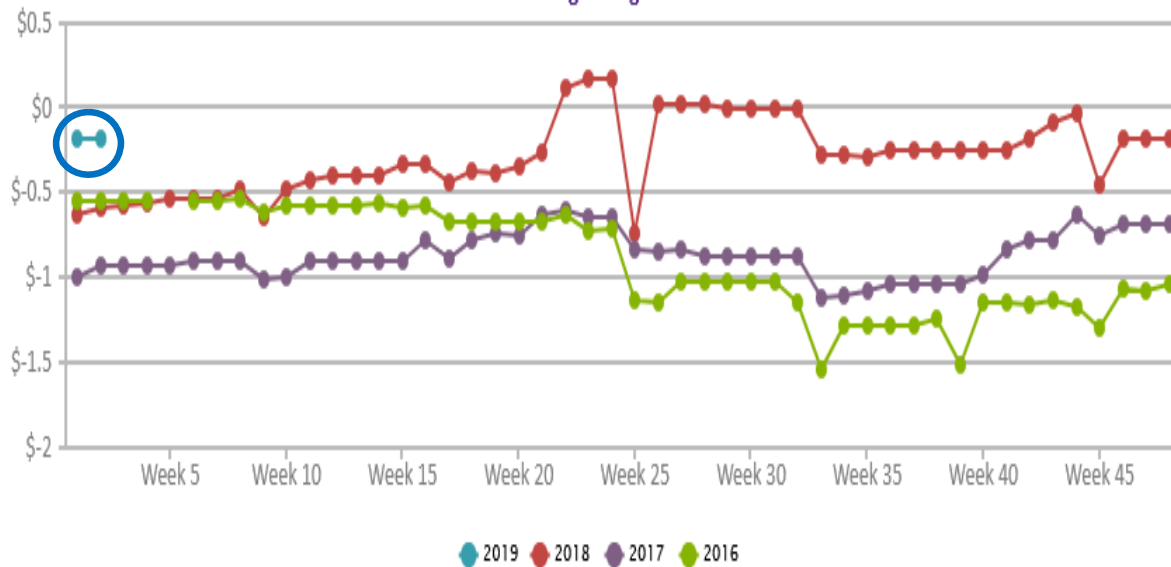
## WELLINGTON, KS: Hard Red Winter Wheat Basis - SCOLAR GRAIN CO

www.AgManager.info



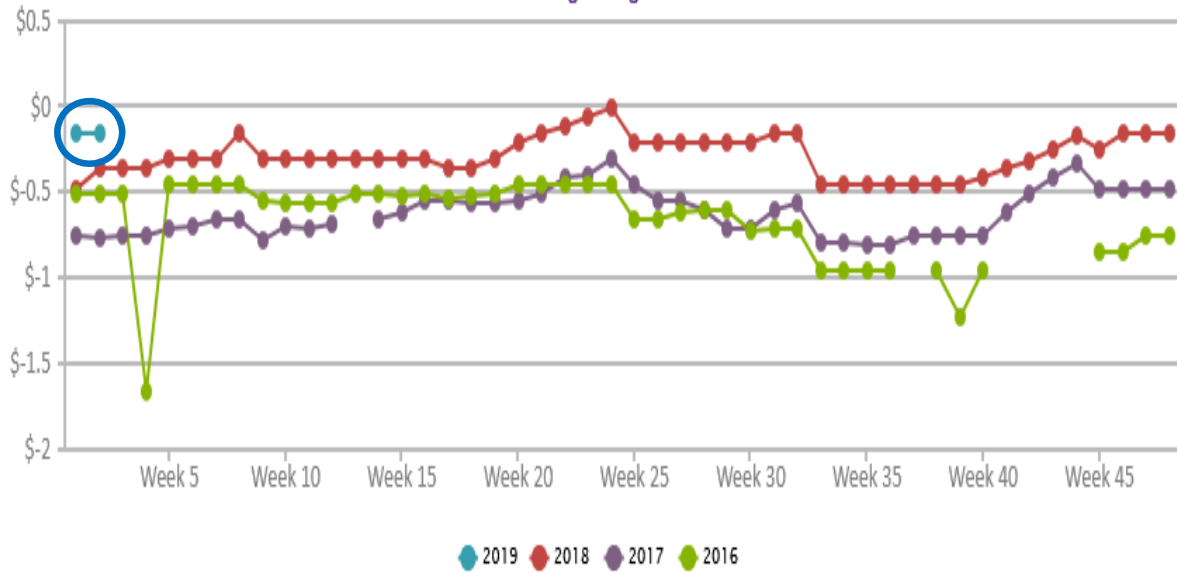
## WICHITA, KS: Hard Red Winter Wheat Basis - MID KANSAS COOP

www.AgManager.info



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

www.AgManager.info

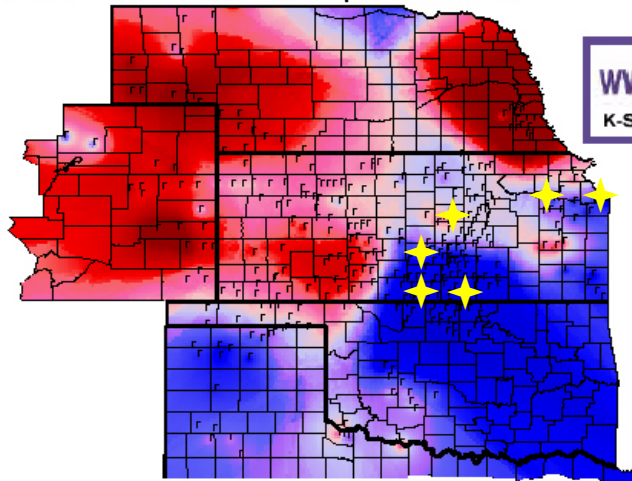


## Wheat Basis, 01-09-2019

Basis = Cash Price - Nearby Futures Price

KCBT Mar  
Futures  
Price: \$5.06

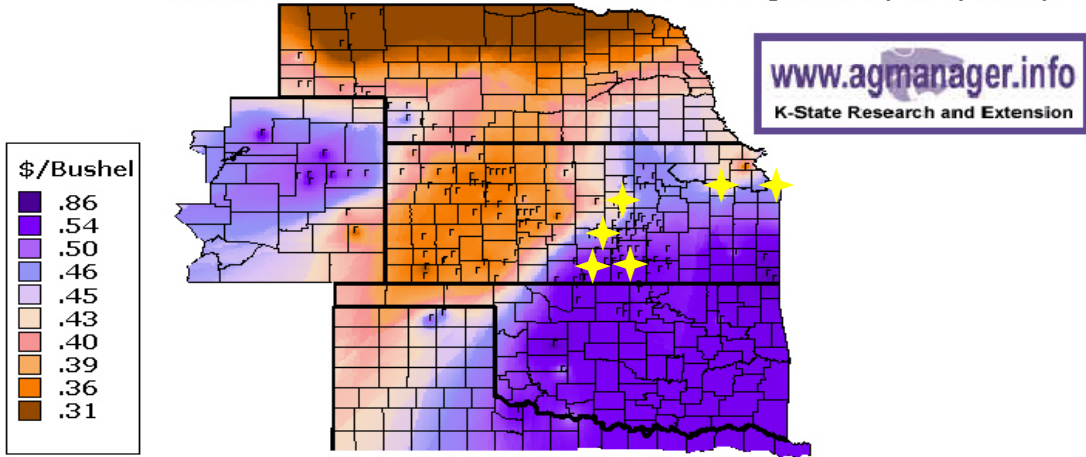
\$/Bushel	
Dark Blue	.13
Blue	-.25
Light Blue	-.31
Very Light Blue	-.32
White	-.36
Light Pink	-.39
Red	-.44
Dark Red	-.47
Dark Red	-.48
Dark Red	-.56



www.agmanager.info  
K-State Research and Extension

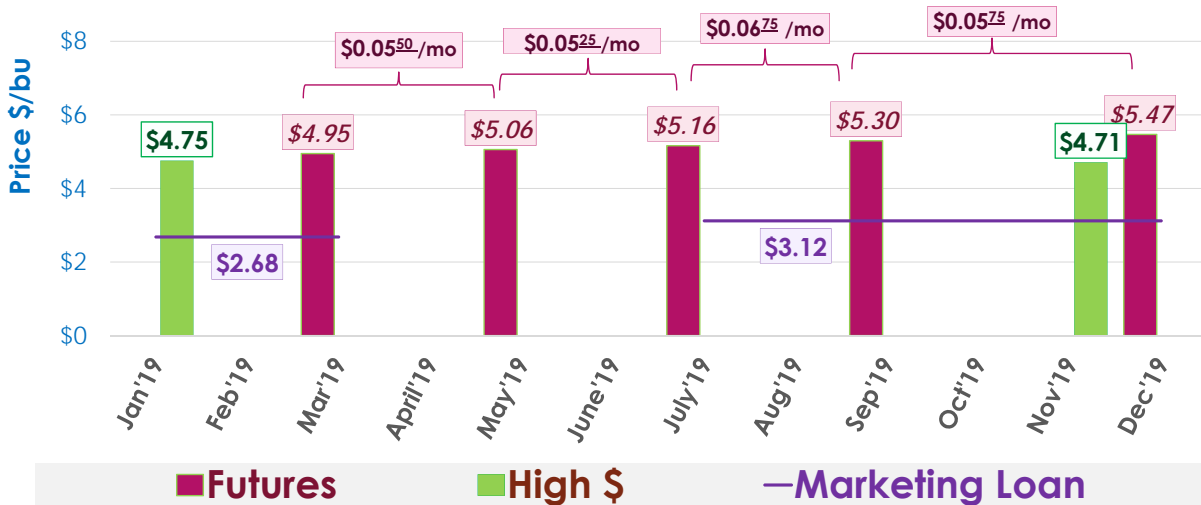
## Wheat Basis Deviation, 01-09-2019

Basis Deviation = Current Basis - 3 Year Average Basis (2016, 2017, 2018)



## HRW Wheat Cash & Corn Futures Price\$'s

Wellington, KS Local Elevators - January 16, 2019



## World Wheat Market Prospects:

Still Large Supplies ⇒ But less of a "*Buyer's Market*"

- **Lower Production - BUT - Record Usage Forecast for 2018/19**
  - 1<sup>st</sup> year lower after 5 consecutive record high World wheat crops
- **Smaller 2018 crops:** E.U., Australia, Russia, Ukraine, China, Pakistan
- **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

## U.S. Wheat Supply-Use

- Market support from **World crop problems & higher protein** in the **2018 U.S. HRW crop**
  - Marginally *lower* U.S. & World **Wheat Stocks**
- **Markets still expect U.S. Wheat Exports to increase "some"**
  - **Exports** <sup>2018/19</sup> = 1.000 bln bu (vs 778 mb – 1.291 bb range since 2008/09)
  - **Food Use** <sup>2018/19</sup> = 970 mln bu (vs *Level+ Use* since MY 2012/13)
  - **Feed Use** <sup>2018/19</sup> = 110 mln bu (vs 50 mb <sup>2017/18</sup> vs 113-365 mb since 2012/13)
  - **HRW Exports** <sup>2018/19</sup> = 320 mln bu (vs 371 mb & 455 mb last 2 years)

## U.S. Wheat Stocks.....

- **All U.S. Wheat:** "Lower but Large" Stocks

- **End Stocks** 2018/19 ⇒ 974 mln bu (vs 1.099 bb last year)
- **% Stocks/Use** 2018/19 ⇒ 45.3% S/U (vs 55.5% Stx/Use last year)

- **U.S. HRW Wheat:** "Still Large" Carryover (also lower)

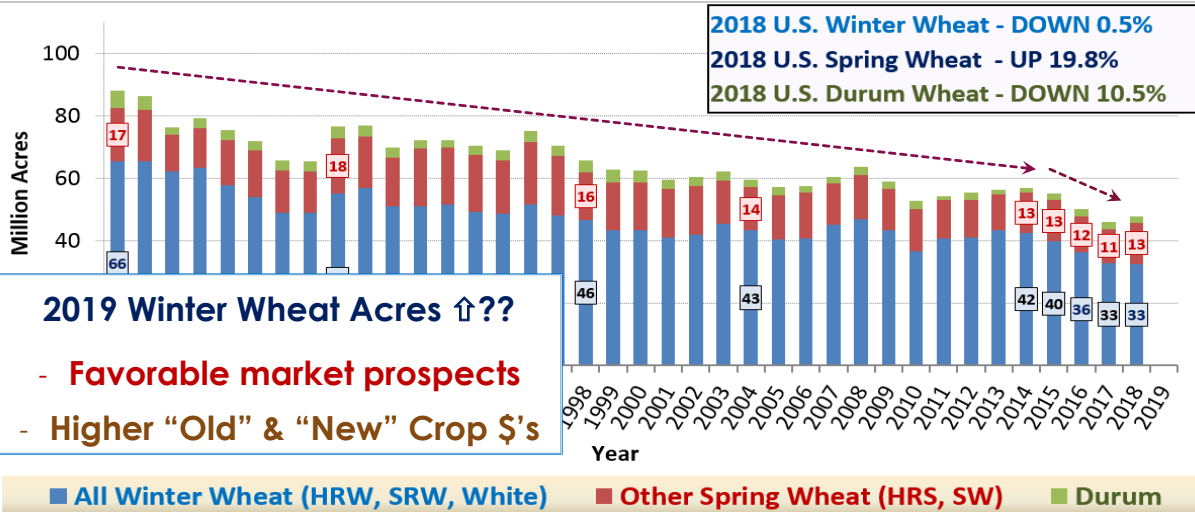
- **End Stocks** 2018/19 ⇒ 468 mln bu (vs 581 mb last year)
- **% Stocks/Use** 2017/18 ⇒ 60.0% S/U (vs 76.0% Stx/Use last year)

## 2018 U.S. Wheat Quality & Grades

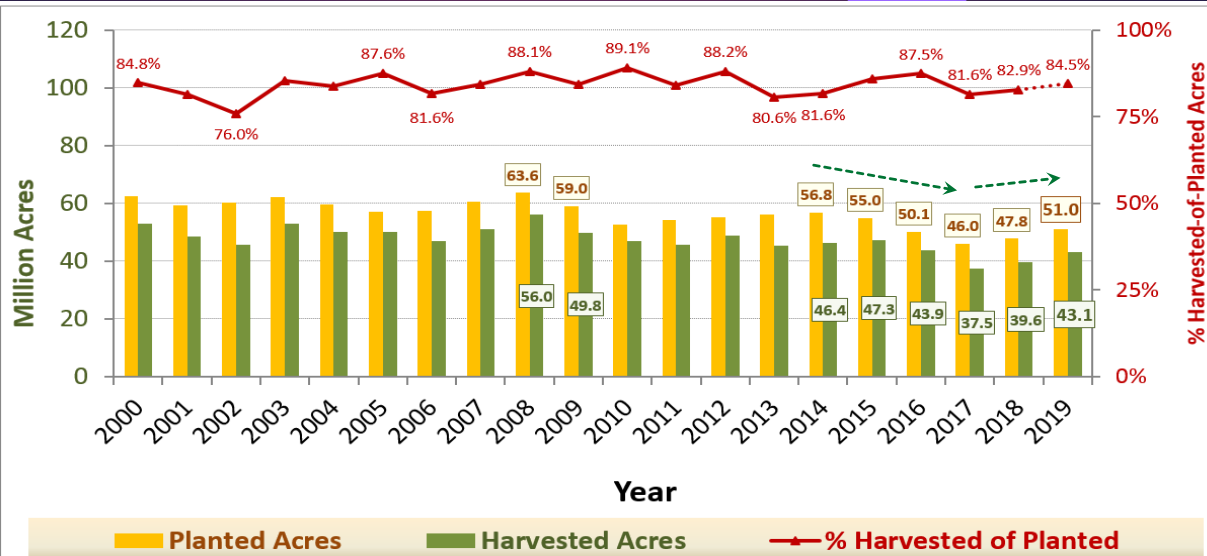
- **HRW Wheat** 2018 ⇒ **12.3% protein**, 61.1 lb test, 1.2% defects
  - Versus 11.4% protein, 60.8 lb test wt, 1.1% defects in 2017
- **SRW Wheat** 2018 ⇒ **10.1% protein**, 57.5 lb test, 1.3% defects
  - Versus 9.5% protein, 58.8 lb test wt, 1.7% defects in 2017
- **Soft White Wheat** 2018 ⇒ **9.3% 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 ⇒ **14.6% protein**, 61.7 lb test, 0.8% defects
  - Versus 14.6% protein, 61.2 lb test wt, 1.0% defects in 2017



# U.S. Wheat Seeded Acreage



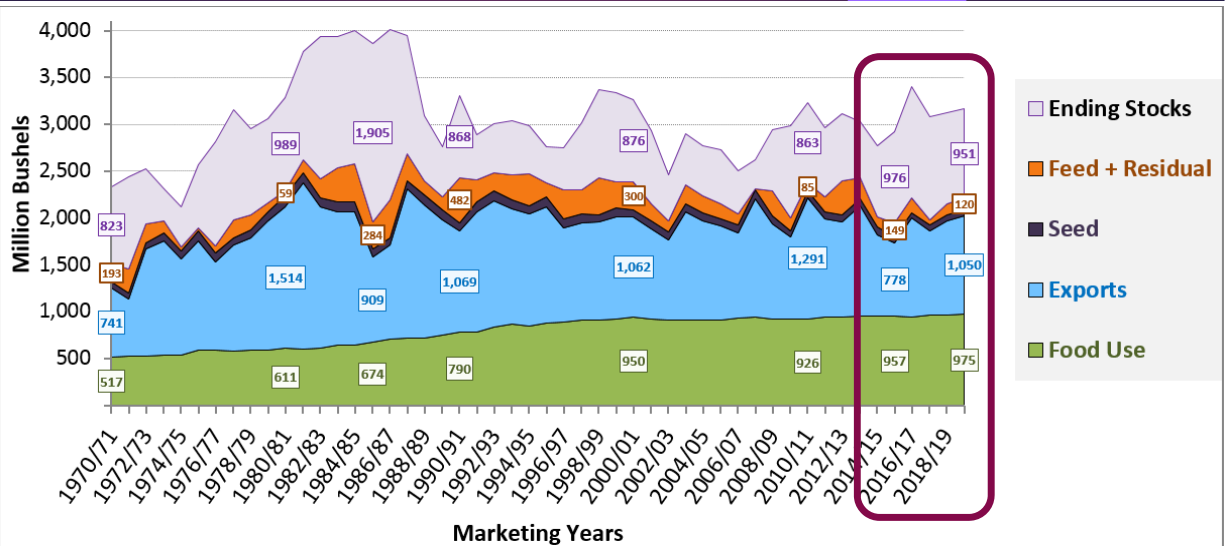
# U.S. Wheat Acreage



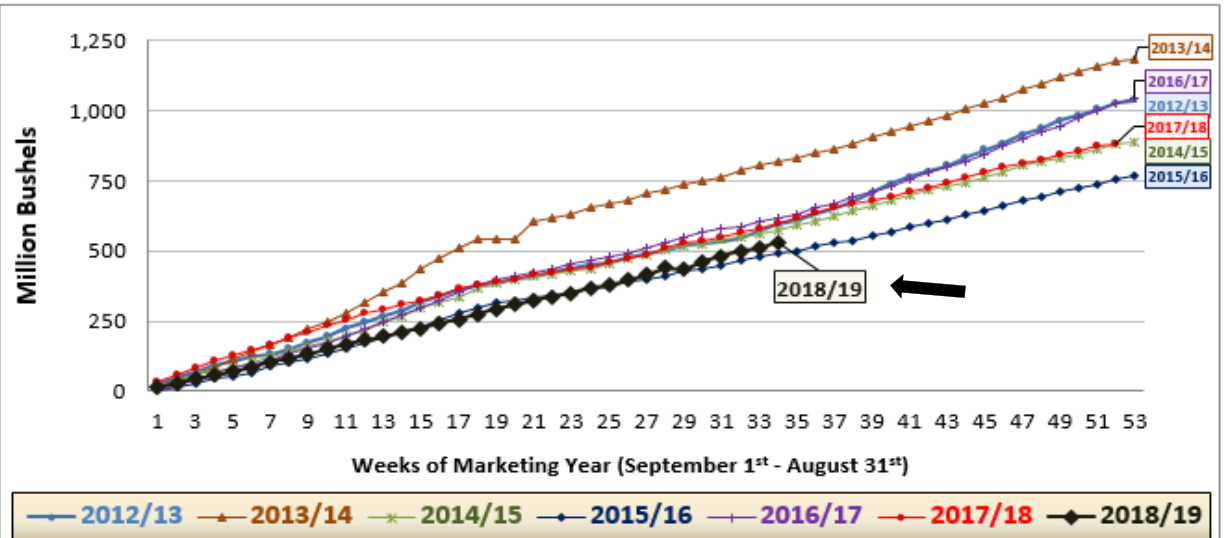
# U.S. Wheat Production & Supplies



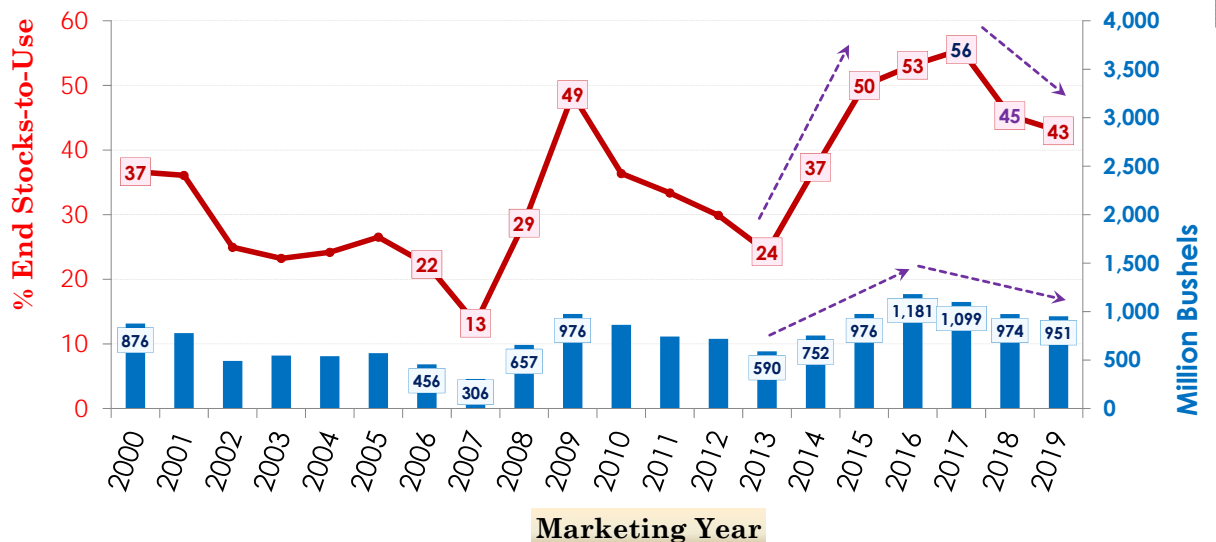
# U.S. Wheat Use by Category



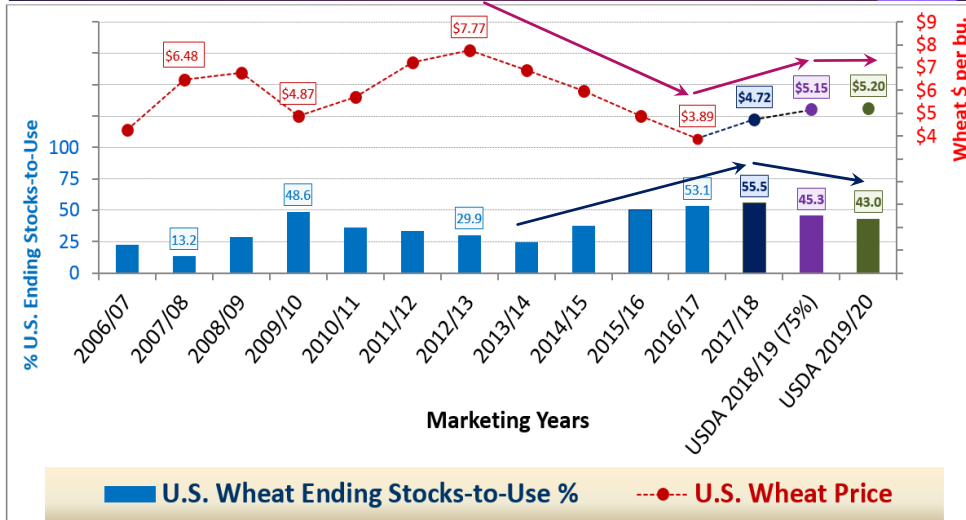
## U.S. All Wheat Exports – Weekly thru January 10, 2019



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



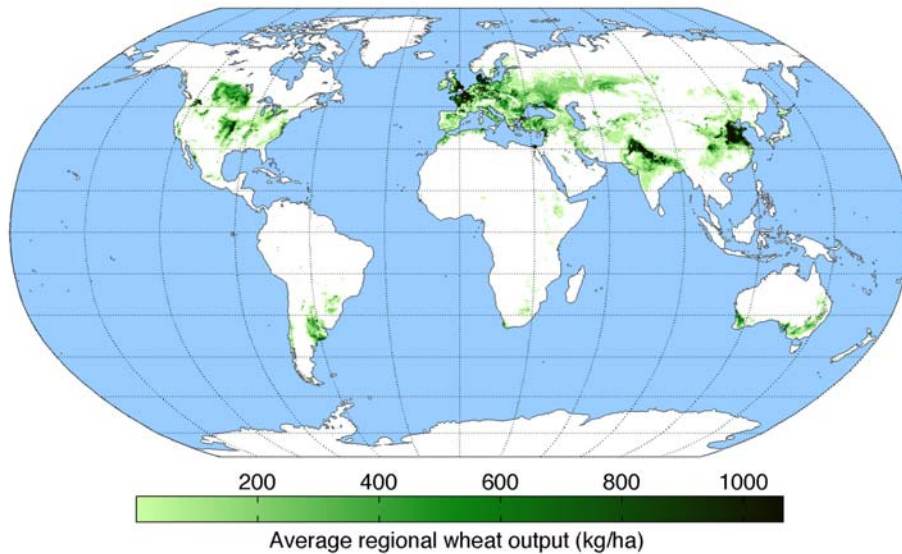
# U.S. Wheat Ending Stocks & Prices



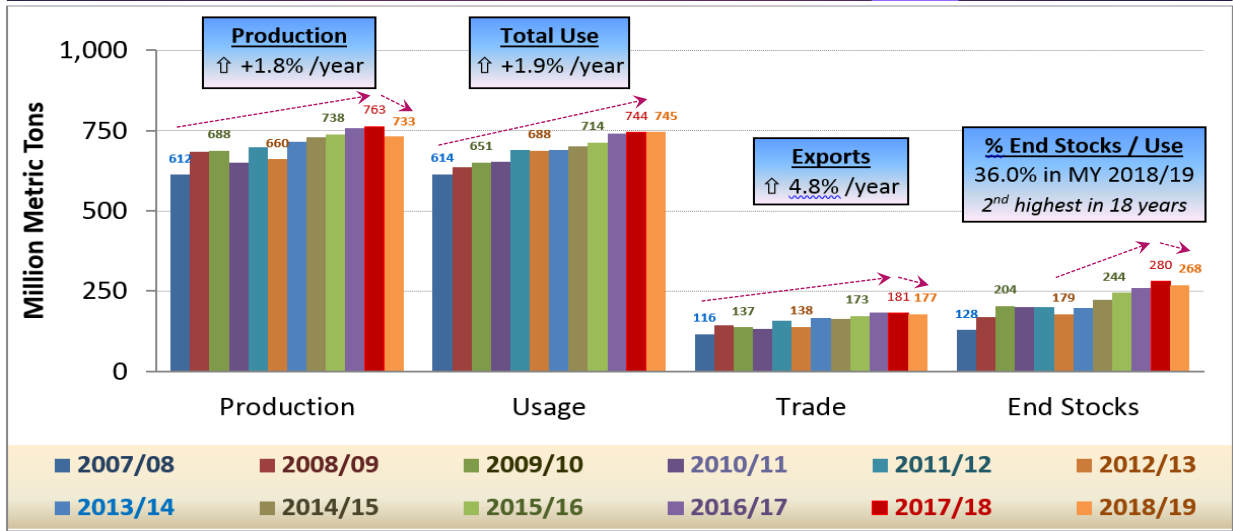
MY 2006/07  
 Thru "Next Crop"  
 MY 2019/20  
 Including  
 preliminary  
**U.S. Wheat Supply-  
 Demand & Prices**  
 For "Next Crop"  
 MY 2019/20



# World Wheat Production Regions



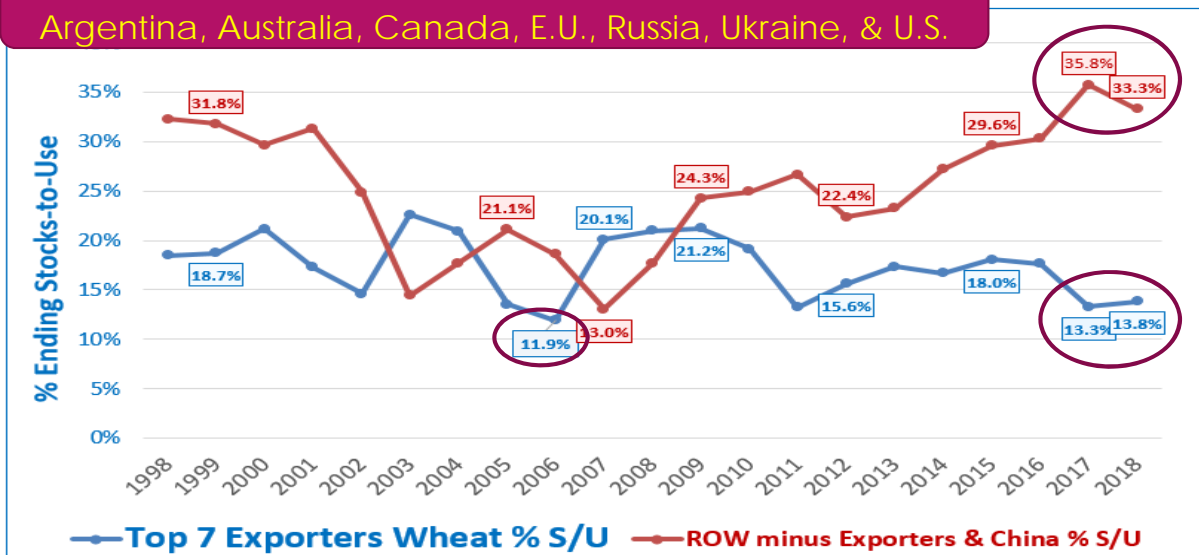
# World Wheat Supply, Use & Stocks



Agribusiness

# 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.

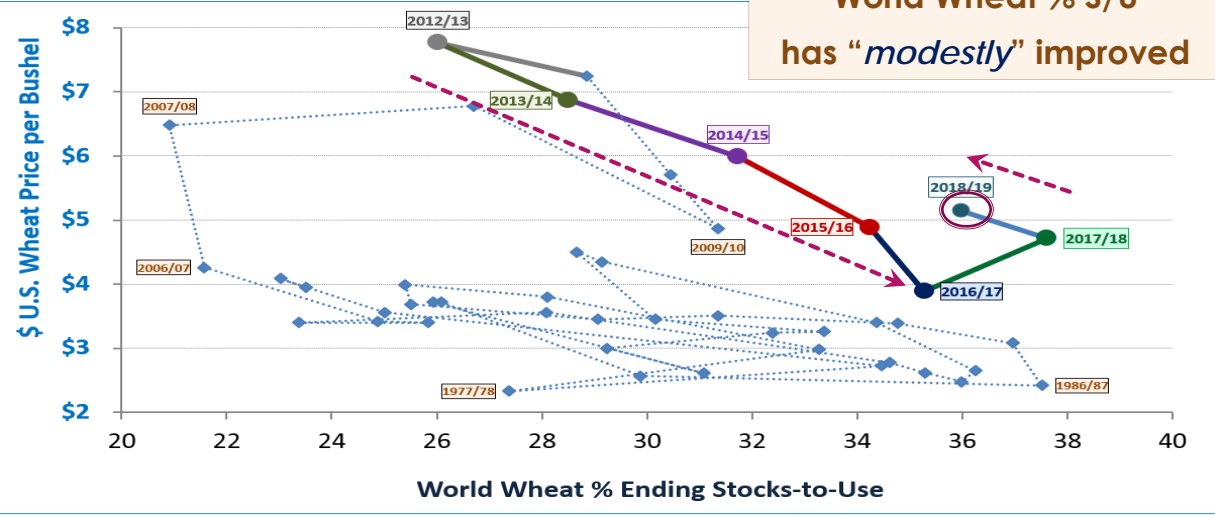


# U.S. Wheat Price (\$) vs World % Stx/Use

MY 1973/74 – "Current" MY 2018/19



World Wheat % S/U  
has "*modestly*" improved

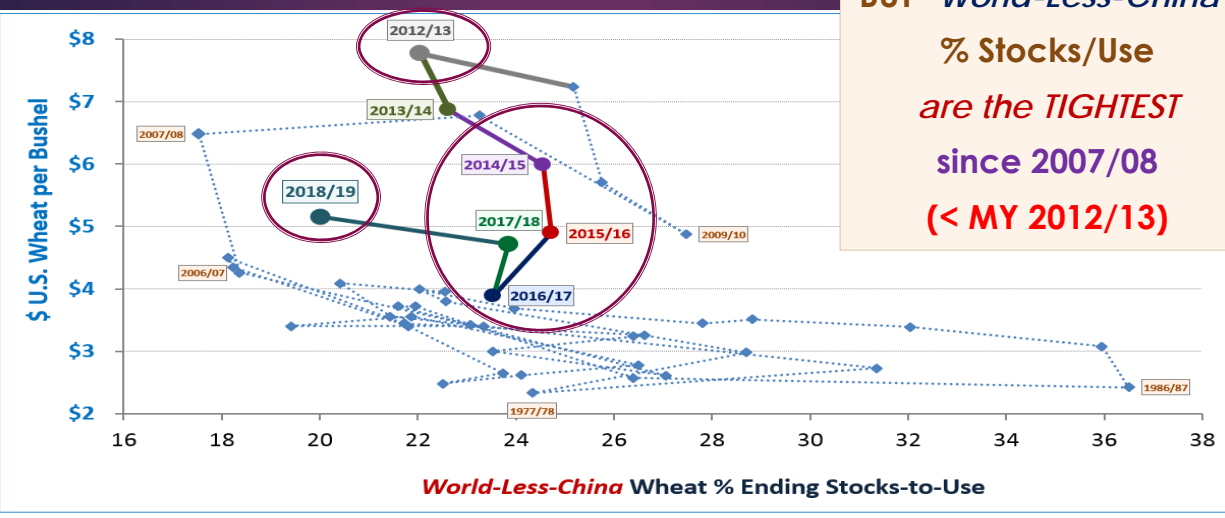


# U.S. Wheat \$ vs Non-China % Stx/Use

MY 1973/74 – "New Crop" MY 2018/19



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)



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