

Corn Market Outlook for 2023

2023 Kansas Corn School

Oakley, Kansas

January 12, 2023

DANIEL O'BRIEN

EXTENSION AGRICULTURAL ECONOMIST

KANSAS STATE
UNIVERSITY

Department of Agricultural Economics



Corn Market Perspective

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Grain & Corn Market Outlook ²⁰²³

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1) “Tight!” 2023 Global Corn, Other Grain & Oilseed Stocks

- *The importance of South America’s 2023 corn & soybean crops!!*
- Occurring &/or Anticipated in 2023:
 - Drought in Argentina
 - Smaller Crops & Exports from Ukraine

Grain & Corn Market Outlook ²⁰²³

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2) Corn Production damage in the Western-Central Plains during 2022

- *Western Kansas / OK / TX / NE → Corn Basis strength ^{Historic++}*

► Q? 2023 U.S. Corn Production?

→ Seasonal risk-Spring-Summer 2023

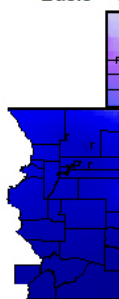
Corn Basis, 01-04-2023

Basis = Cash Price - Nearby Futures Price

CBT Mar
Futures
Price: \$6.54

\$/Bushel

1.53
.81
.71
.51
.36
.22
.12
.06
-.04
-.24

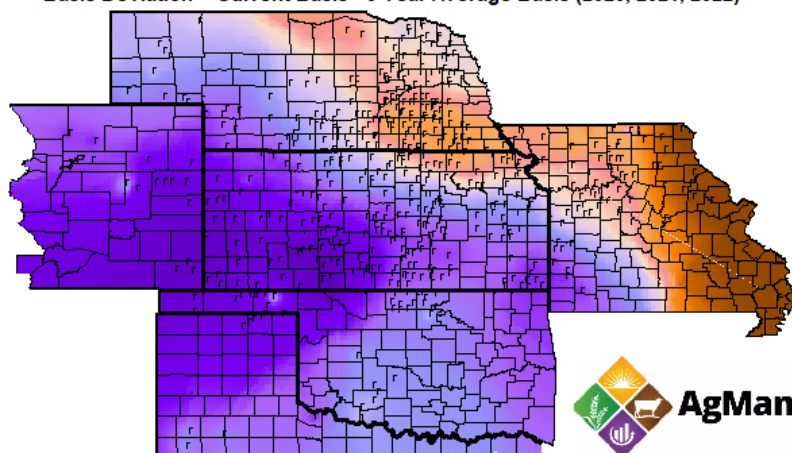


Corn Basis Deviation, 01-04-2023

Basis Deviation = Current Basis - 3 Year Average Basis (2020, 2021, 2022)

\$/Bushel

1.30
.96
.85
.73
.56
.47
.39
.35
.25
.11



Grain Market Outlook 2023

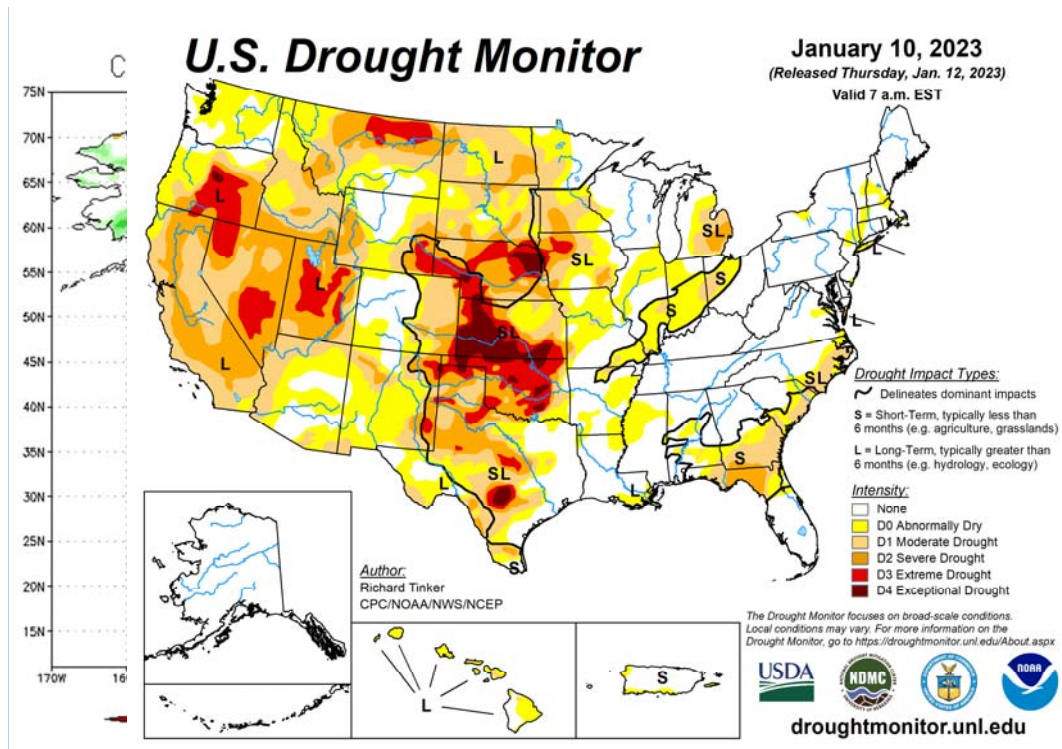
3) Continuance of dry La Nina Weather Pattern in 2023???

- “La Nina is expected to continue into winter, with equal chances of La Nina & ENSO-neutral during January-March 2023. In February-April 2023, there is a 71% Chance of ENSO-neutral.”

U.S. Climate Prediction Center / NCEP January 3, 2023

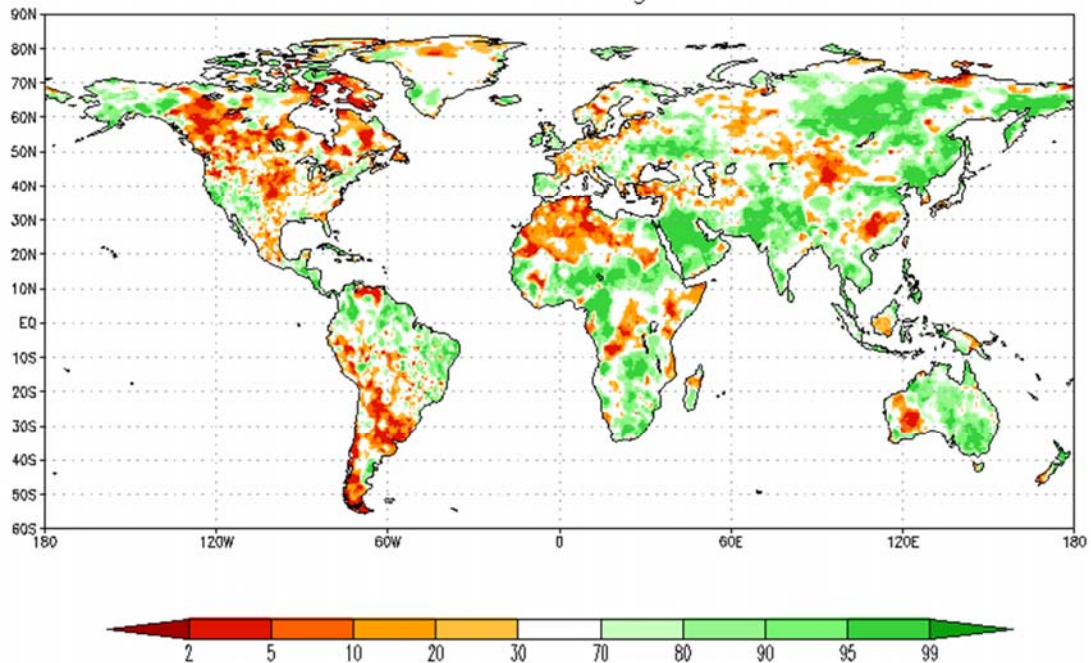
- “La Nina is breaking down, and an El Nino is forecast to emerge in 2023. Returning after several years, an El Nino can completely change the weather patterns for the weather seasons of 2023 & 2024.”

Severe Weather Europe, Andrej Flis January 11, 2023



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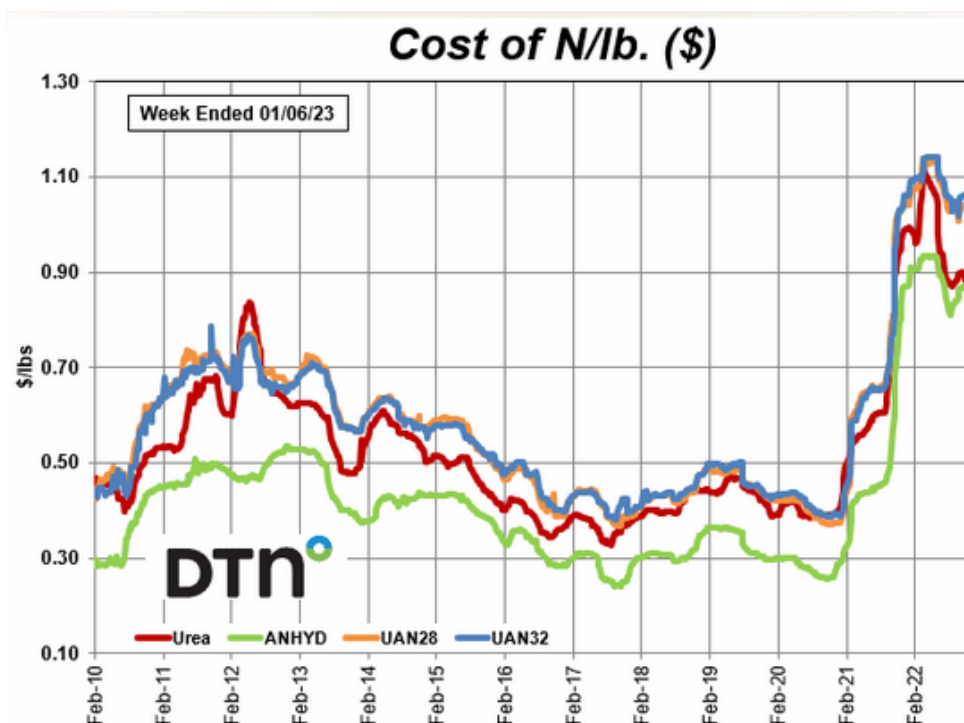
Calculated Soil Moisture Ranking Percentile 20230110

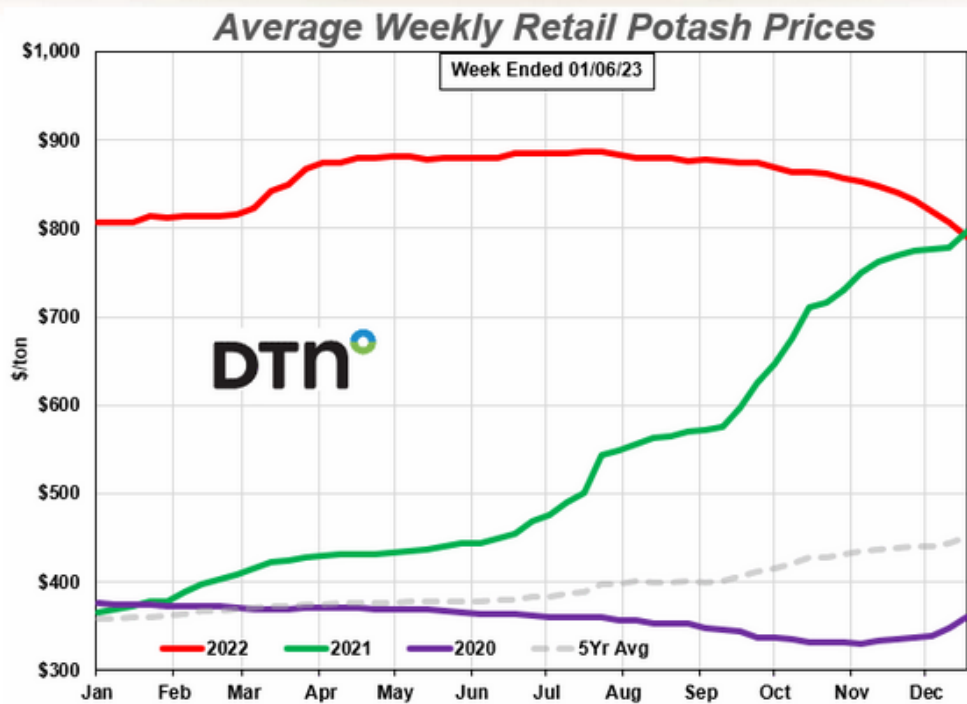
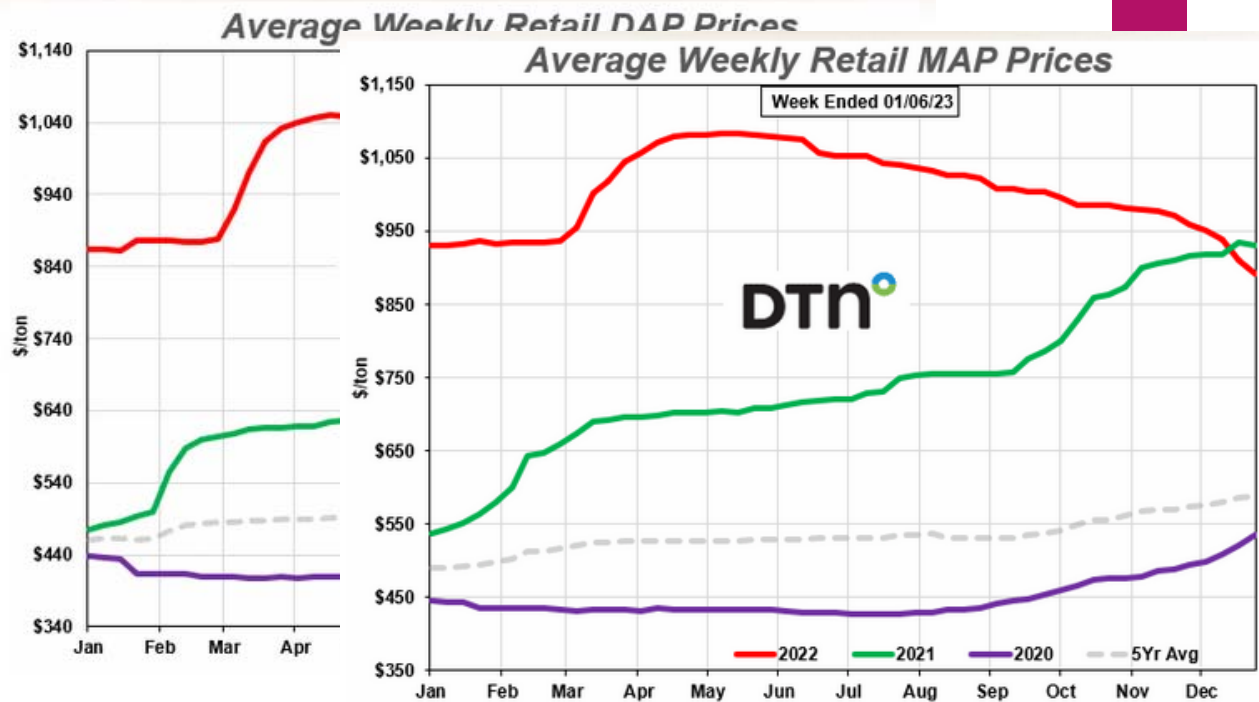


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4) Moderating prices for Fertilizer & other Crop Inputs – (*but still historically high!*)

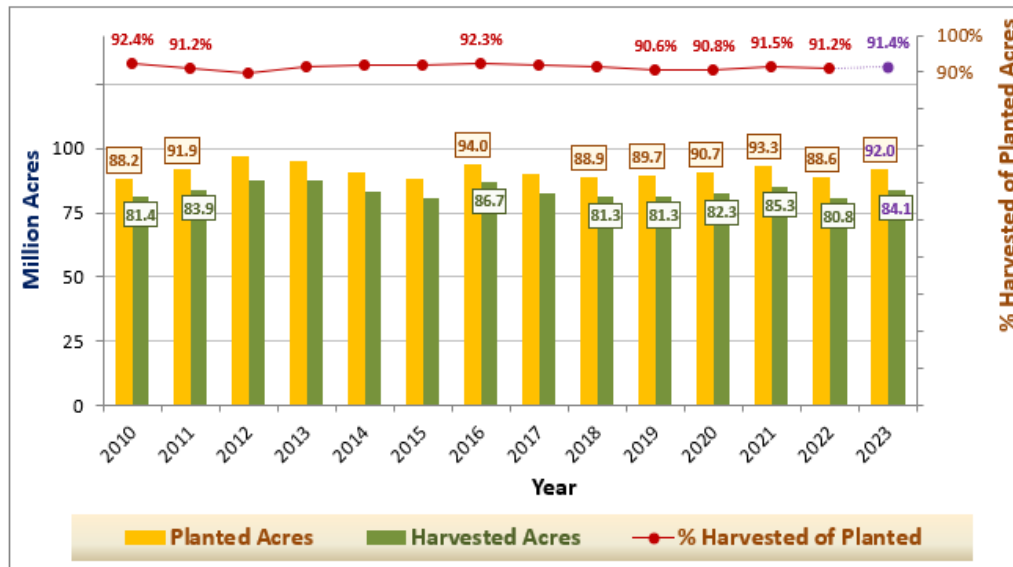
- Lower natural gas prices, w. *but continued supply-chain challenges*
- Lower fertilizer / crop input costs will encourage **2023 U.S. Corn Acres** – **≈ 92 million acres in 2023**
 - 88.6 million acres in 2022
 - 93.3 million acres in 2021
 - 90.7 million acres in 2020





U.S. Corn Acreage for Years 2010-2023

as of the December 9, 2022 USDA NASS & WASDE Reports |



Grain Market Outlook 2022-2023

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5) U.S. & Foreign Ag response in 2023 to current corn prices?

- **Crop Acres?** Usually, \uparrow Prices \rightarrow \uparrow Corn Acres, **BUT ALL** crop \$'s are high (especially soybeans)
- **Crop Costs?** **IF** high fertilizer & other crop costs, **THEN** it limits Corn Acres in higher cost cropping systems²⁰²³
- **Rationing Grain Use:** Evidence of reductions in Ethanol, Exports....
- **Cropland Markets & Cash Rents:** High corn prices being reflected

6) Impact of Ongoing & Possible Geopolitical Conflicts ^{In 2023}

- *Ukraine-Russia War???: Prospects for de-escalation & grain trade?*
- *China-Taiwan??? - IF this occurs, it would impact the global economy along with U.S. grain trade*
 - *Impacting U.S. soybeans, grain sorghum, likely all U.S. agricultural commodities – including U.S. corn*

7) Overall Prospects for 2023 Corn Markets???

- U.S. Corn Prices supported @ Moderate-to-High Levels – *until* grain markets are confident of larger crops & rebuilding of stocks
 - “2023/24 ‘New Crop’ Forward Bids” are vulnerable to decline in late Spring – Summer²⁰²³ on into 2023 Fall harvest
- Ukraine-Russia War Effect: *Smaller* Ukraine corn exports
- South America Crop Impact: **Brazil & Argentina** corn crop prospects will effect U.S. corn prices through August 2023

South America Corn-Soybean Calendar

□ South America Planting Influences ⇒ “*Bid for Acres*”

• Brazil & Argentina Corn & Soybean Crop Calendar

○ Brazil

- Corn: 1st crop *Planting* – October-December ⇒ Harvest: February-June
- Soybeans: *Planting* – October-December ⇒ Harvest: March-June
- Corn: 2nd crop *Planting* – January-February ⇒ Harvest: March-June

○ Argentina

- Corn: *Planting* – mid September-December ⇒ Harvest: mid March-early June
- Soybeans: 1st crop *Planting* – November-December ⇒ Harvest: Late March-early May
- Soybeans: 2nd crop *Planting* – December-early Jan. ⇒ Harvest: mid April – mid June

What to anticipate: Year 2023 (1st of 3)

□ 2023 Spring Planting of Feedgrains & Oilseeds

- With tight stocks across crops – any threats to planting 2023 U.S. corn or soybeans could cause **STRONG** price volatility

○ NOV²⁰²³ Soybean futures @ \$13.92 /bu ^{1/11/2023}

○ DEC²⁰²³ Corn futures @ \$5.88 ½ /bu ^{1/11/2023}

- Fall 2023 “New Crop” Soy/Corn \$ Ratio = $\$13.92 \div \$5.88 \frac{1}{2} = 2.37$ (Soybean +)

- Strong “new crop” price competition likely for 2023 planted acres between Feedgrains & Oilseeds ⇒ Likely in February-April 2023

What to anticipate: Year 2023 (2nd of 3)

Q? Are Corn, Soybeans & Wheat futures *at risk* to fall sharply in the last ½ of year 2023?

- With "tight" beginning stocks across these crops – less risk of declines until at least late spring – early summer
- THEN the *risk* to grain sellers is that crop markets will discount the possibility of "short crops" in 2023
- ⇒ IF in Summer 2023 U.S. & Foreign crop prospects become "OK-to-Good", THEN grain prices will likely "slide" into Fall 2023 (*by traders with no motive to "buy the market"*)

What to anticipate: Year 2023 (3rd of 3)

- USDA Reports ⇒ *Often associated with grain market volatility*
 - Crop Production: Jan. 12; Feb. 8; March 8; April 8; May 12, June 9, July 12
 - Planted Area: Prospective Plantings – May 31st & Acreage – June 30th
- Prospects for "Active" Demand-Pull for Corn in Western KS
 - User's looking to secure available "new crop" supplies (i.e. "scrambling")
 - "Inverted" futures & strong basis possible during Sep-Nov²⁰²³ Quarter IF a short crop happens

Corn Prices & Market Fundamentals

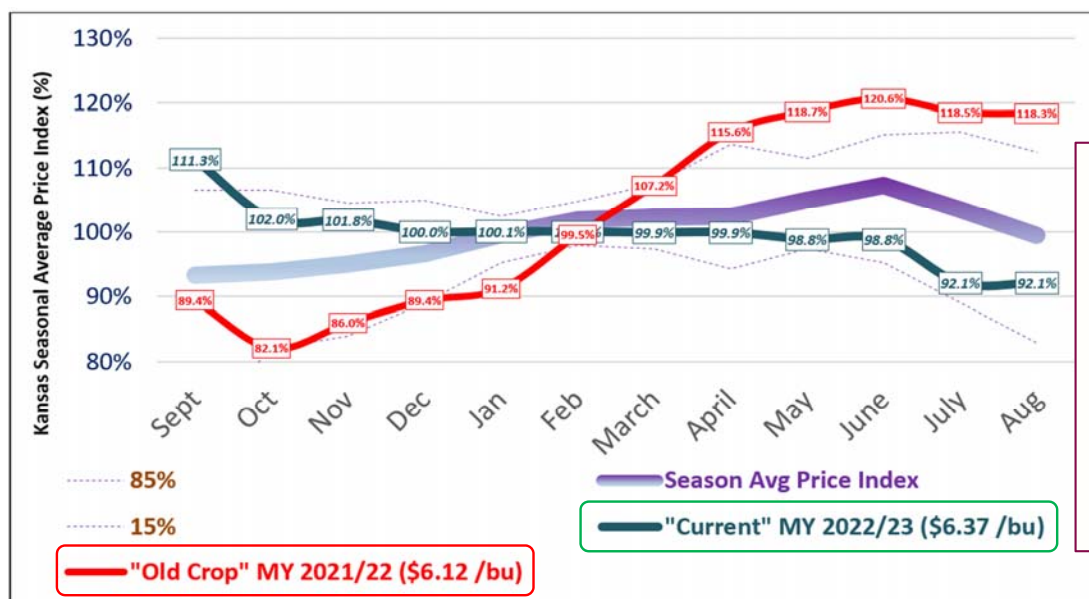


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Kansas Corn Seasonal Prices

Long Term Seasonal \$ Trends + MY 2021/22 & "Current" MY 2022/23 As Of 1/11/2023



**USDA
Forecasts:**

"Old Crop"
MY 2021/22
= \$6.00 /bu U.S.

"New Crop"
MY 2022/23
= \$6.70 /bu U.S.

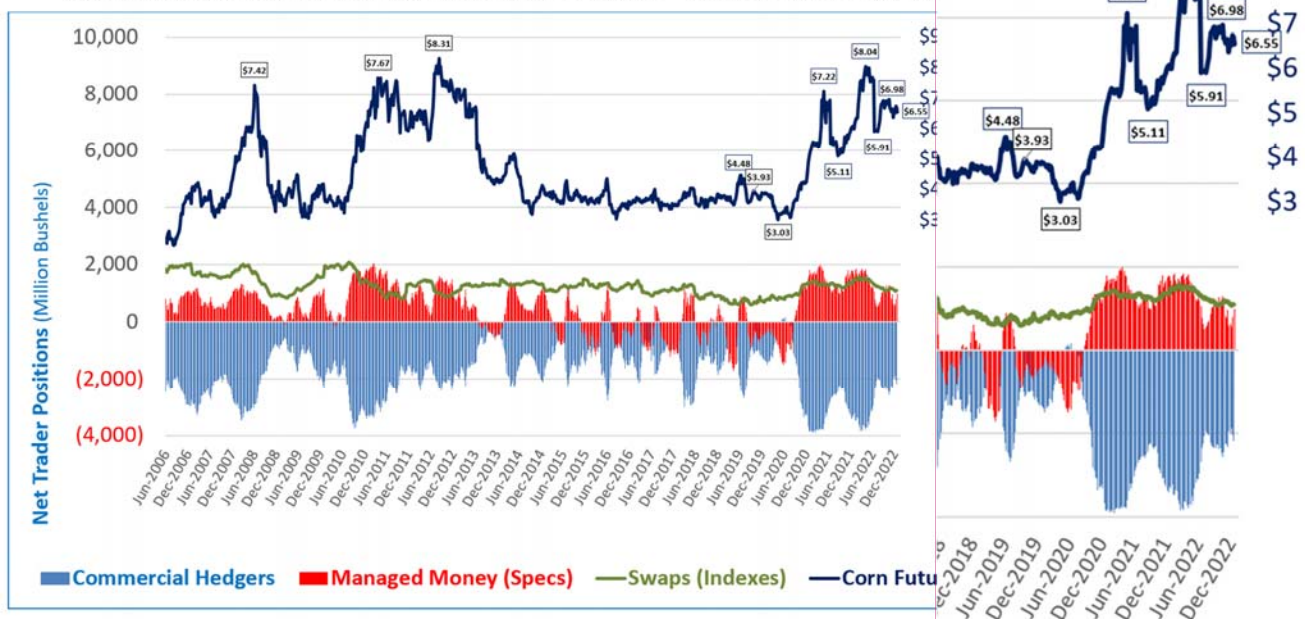
CME MARCH 2023 Corn Futures Daily

23



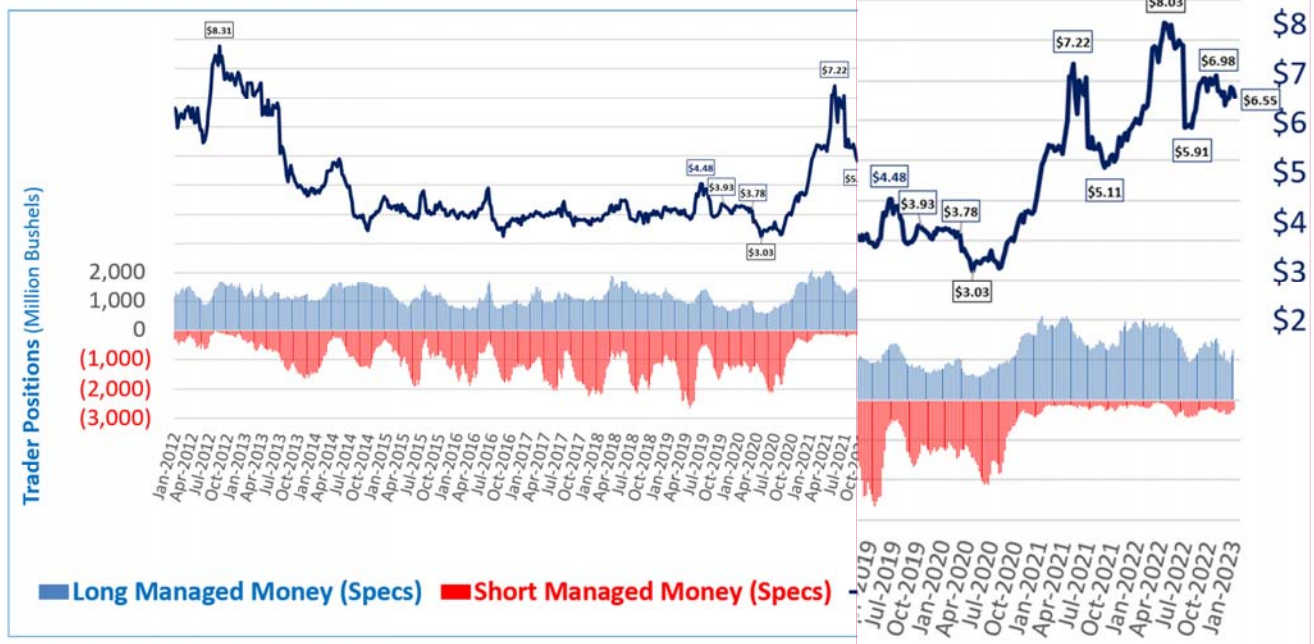
Net Position of Traders for CME CORN: June 2006

January 3, 2023 (Weekly CFTC Position of Trader Data) + January 10, 2023 MAR²⁰²³ Corn Futures Closing Price



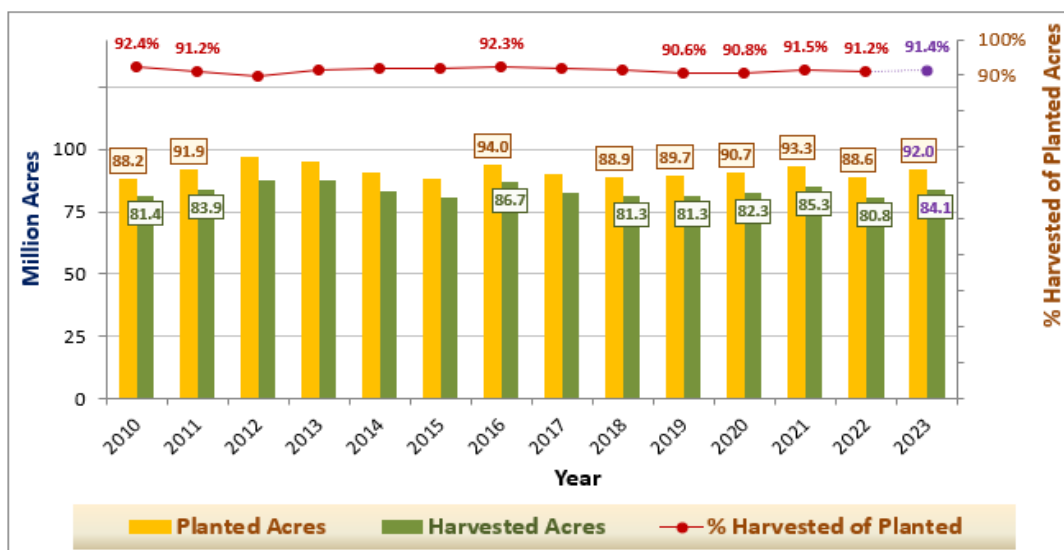
CME CORN Managed Money Traders (Specs), Longs & Shorts:

June 2006 thru January 3, 2023 (Weekly CFTC Position of Trader Data) + Jan. 10, 2023 MAR²⁰²³ C



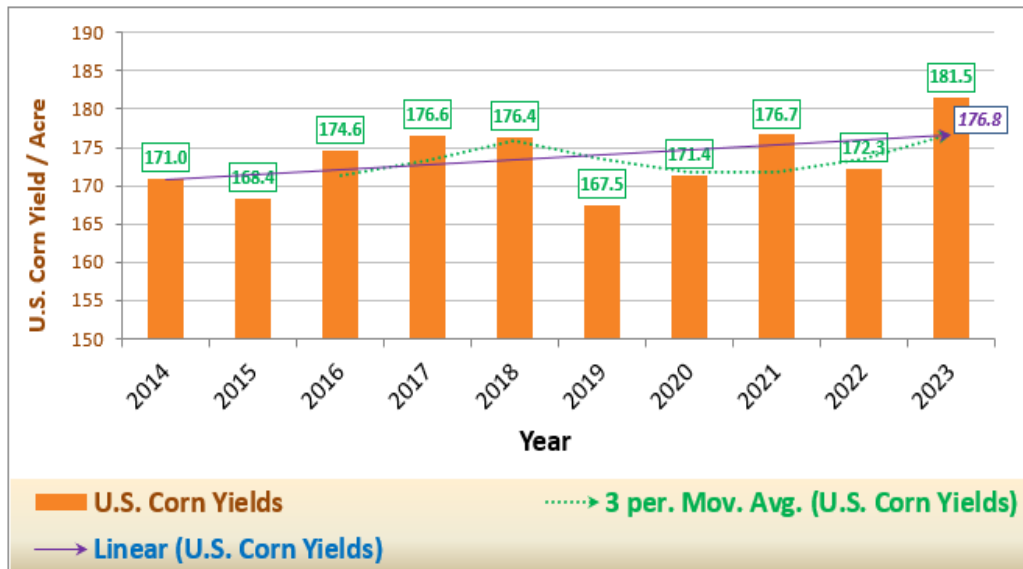
U.S. Corn Acreage for Years 2010-2023

as of the December 9, 2022 USDA NASS & WASDE Reports |



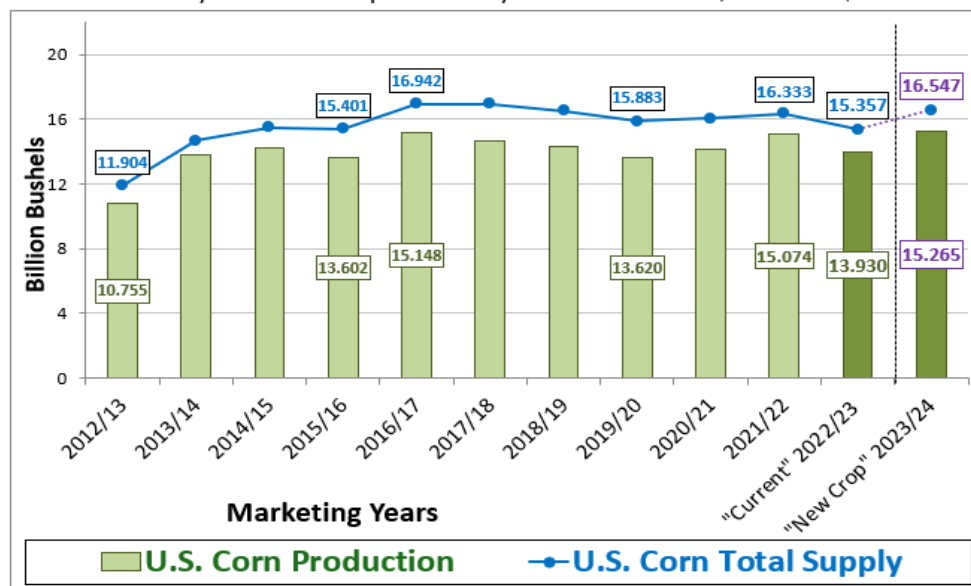
U.S. Corn Yields for 2014-2023 as of the December 9, 2022 USDA NASS &

WASDE Reports



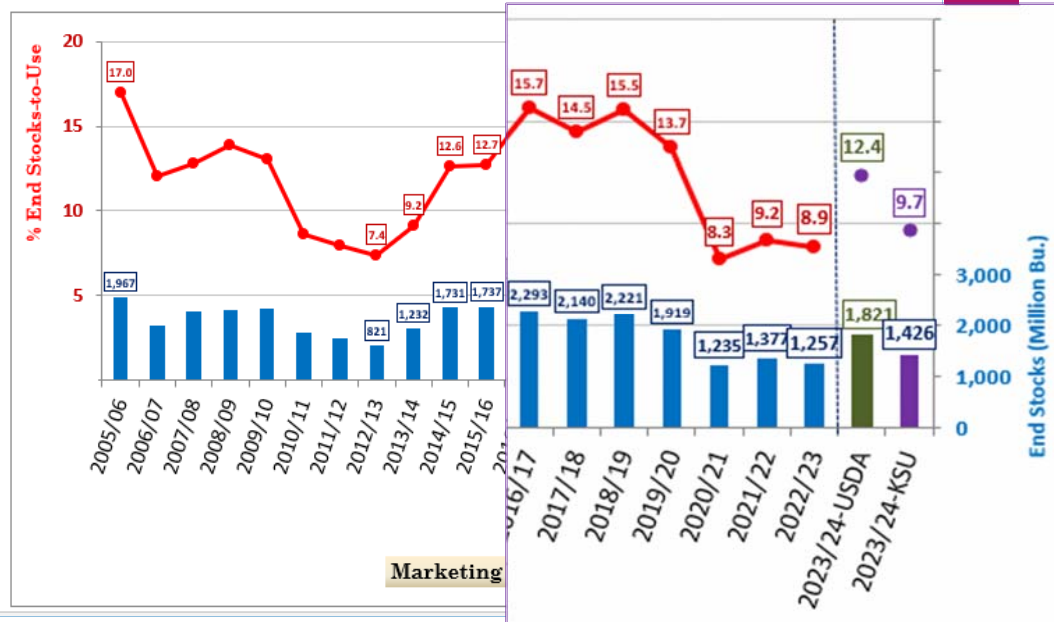
U.S. Corn Production & Total Supplies:

MY 2012/13 - "New Crop" MY 2023/24 as of the December 9, 2022 USDA Reports



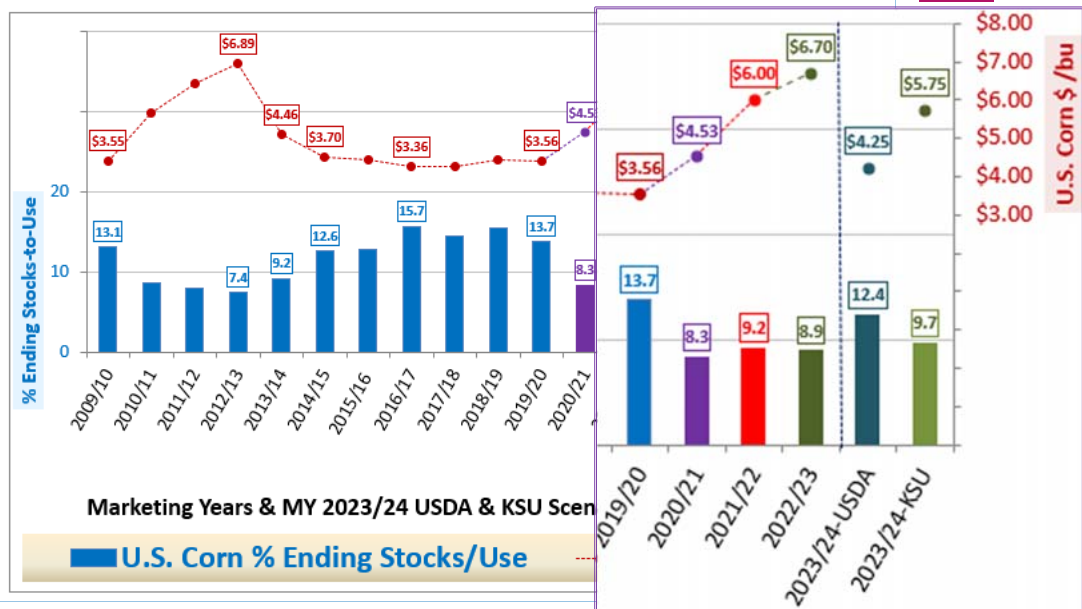
U.S. Corn End Stocks & % Stocks-to-Use

MY 2005/06 thru "New Crop" MY 2023/24 as of December 9, 2022 USDA Reports



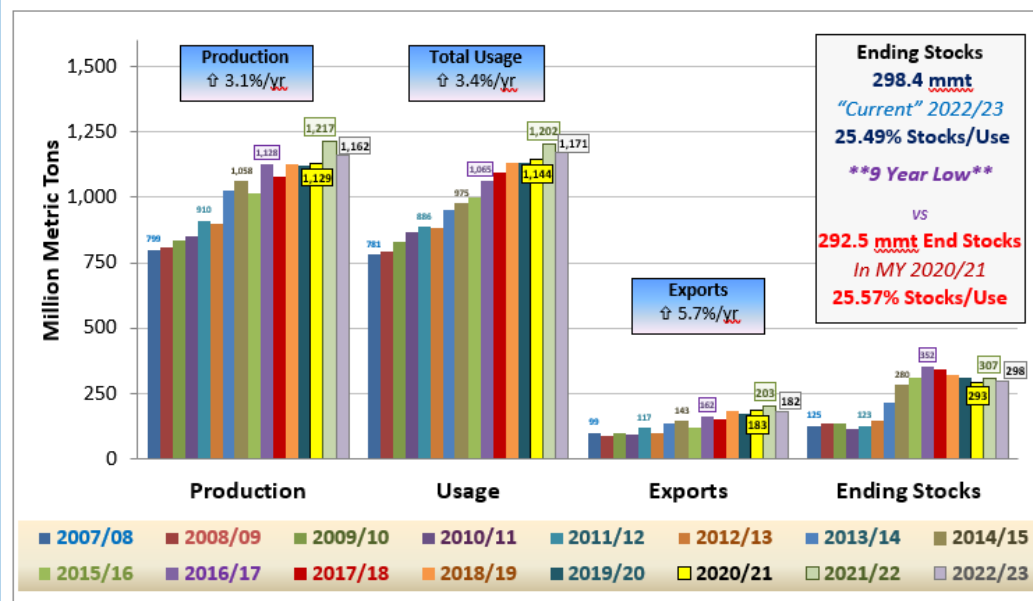
U.S. Corn End Stocks & % Stocks-to-Use

MY 2005/06 thru "New Crop" MY 2023/24 as of December 9, 2022 USDA Reports



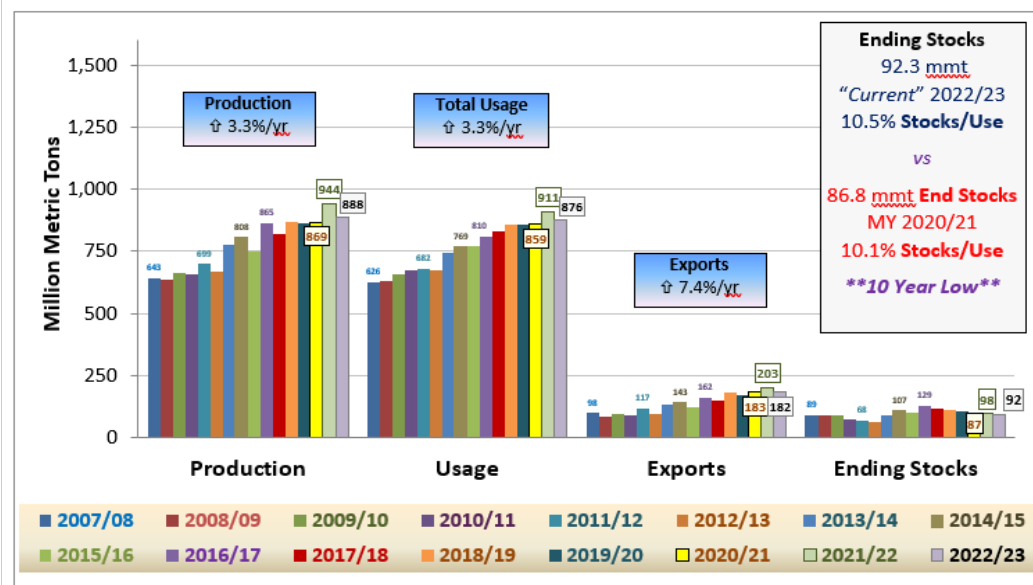
World Corn Supply-Demand

MY 2007/08 – “Current” MY 2022/23 as of the December 9, 2022 USDA WASDE Report



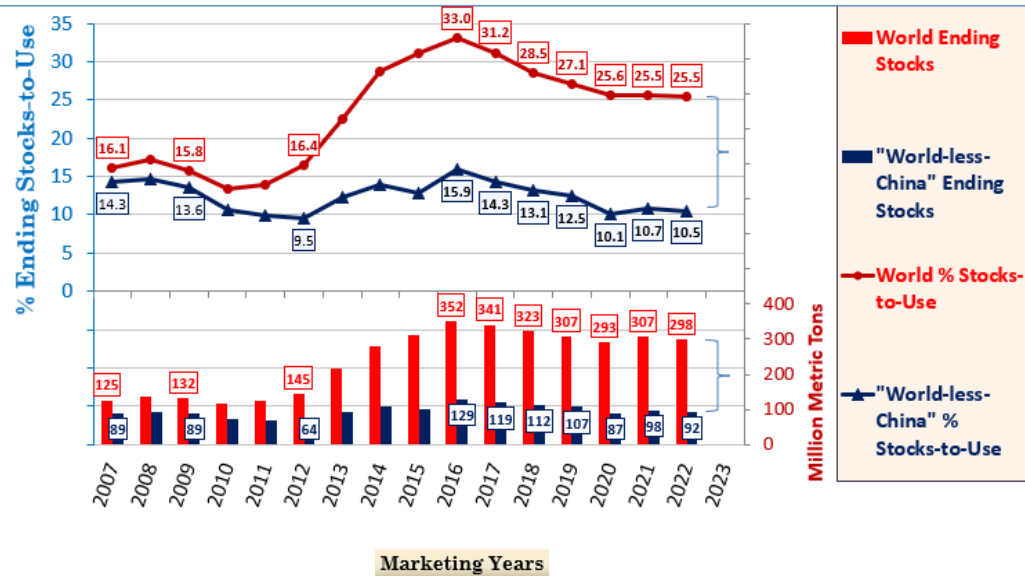
“World Less-China” Corn Supply-Demand

MY 2007/08 – “New Crop” MY 2022/23, as of the December 9, 2022 USDA WASDE Report



World vs "World-Less-China" Corn % Stocks-to-Use:

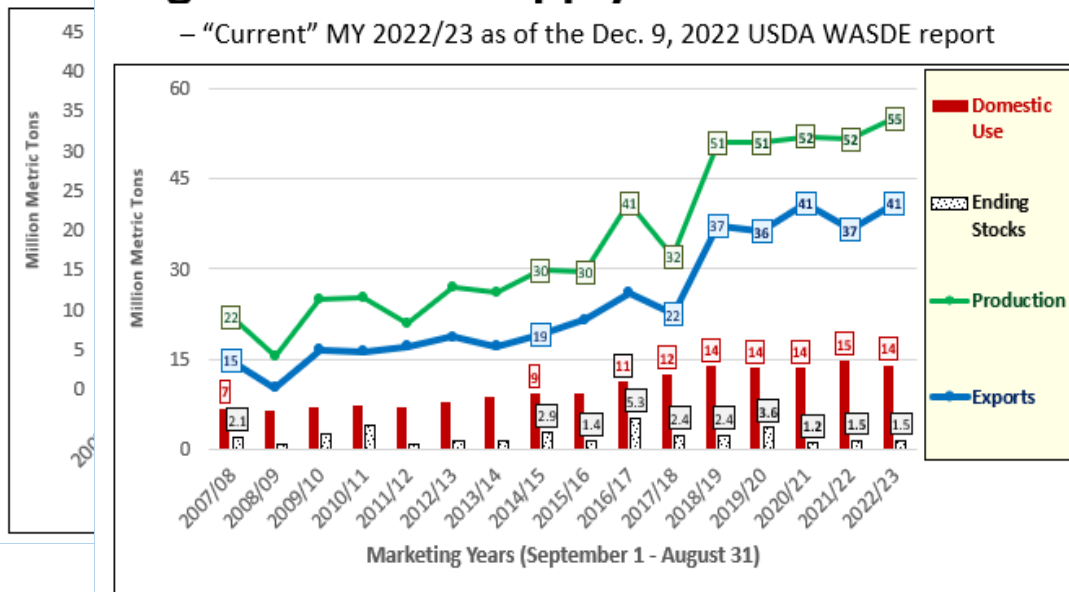
MY 2007/08 through "New" MY 2022/23, as of the December 9, 2022 USDA WASDE report.



Ukraine Corn Supply-Demand: MY 2007/08 –

Argentina Corn Supply-Demand: MY 2007/08

– "Current" MY 2022/23 as of the Dec. 9, 2022 USDA WASDE report



2023 Preharvest Marketing Plan

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CME Continuous Corn Futures *Weekly*

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CME DEC 2023 Corn Futures *Daily*

37



Preharvest Marketing Plan

WINNING THE GAME™

Objective: Buy crop insurance to protect my production risk and price ____% of my anticipated crop (based on APH yield) or _____ bushels.

Price ____ bushels at \$____ cash price (\$____ - ____ futures) (contract month) using ____

Price ____ bushels at \$____ f/ ____ c, or by ____, 2023, using ____

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Plan starts on _____. Completed by _____.

Ignore decision dates and make no sale if prices are lower than \$____ (month/commodity) futures / \$____ local cash price.

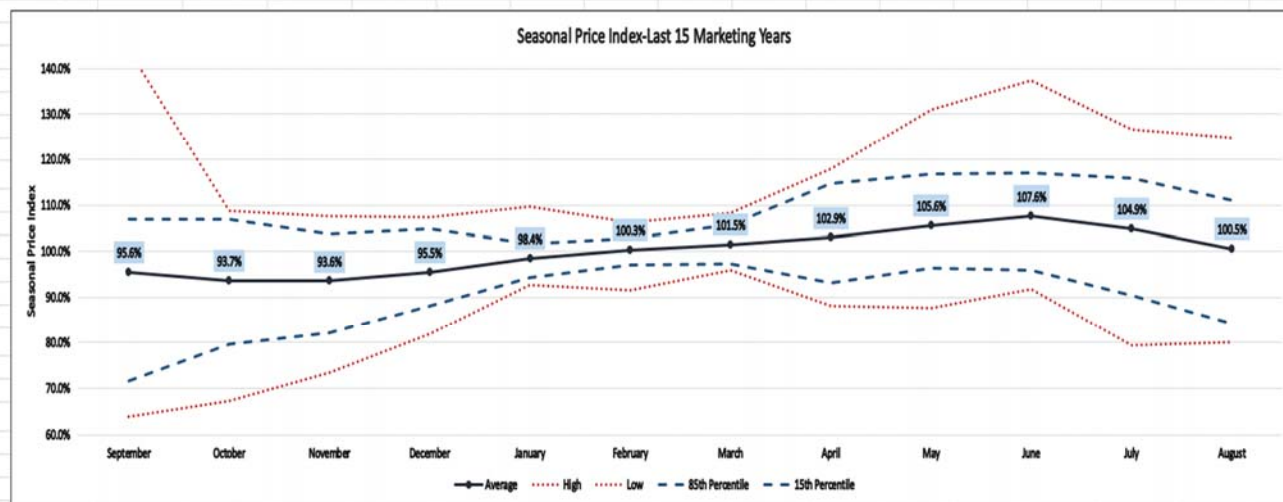
Kansas Cash & Futures Prices						
Date						
1/11/2022 (10:00 p.m.)						
Grain Futures Contracts		Closing \$				
MAR 2023 Corn <small>(2023 Lead contract)</small>		\$6.5550				
DEC 2023 Corn <small>(2023 Harvest Contract)</small>		\$5.8875				
1/11/2022 (10:00 p.m.)		Cash Grain & Harvest Contract Prices @ Kansas Grain Elevators				
		Representing the highest bids available at each location				
Cash Market Spot & FC Bids	Colby ^{Area}	Salina ^{Area}	Topeka ^{Area}	Garden City ^{Area}	Hutchinson ^{Area}	Columbus ^{Area}
	NW KS	NC KS	EC-NE KS	SW KS	SC KS	SE KS
Corn Spot Cash\$	\$7.31	\$7.31	\$7.09	\$7.86	\$7.46	\$7.51
Corn Spot Cash Basis	\$0.76	\$0.76	\$0.54	\$1.31	\$0.91	\$0.96
Corn Harvest FC\$: Fall ²⁰²³	\$5.64	\$5.69	\$5.59	\$6.34	\$5.89	\$5.59
Corn Harvest FC\$ Basis	(\$0.25)	(\$0.20)	(\$0.30)	\$0.45	\$0.00	(\$0.30)

Seasonal Avg. Corn Price Index *Monthly – NW Kansas*

Select Region: Northwest (NW)

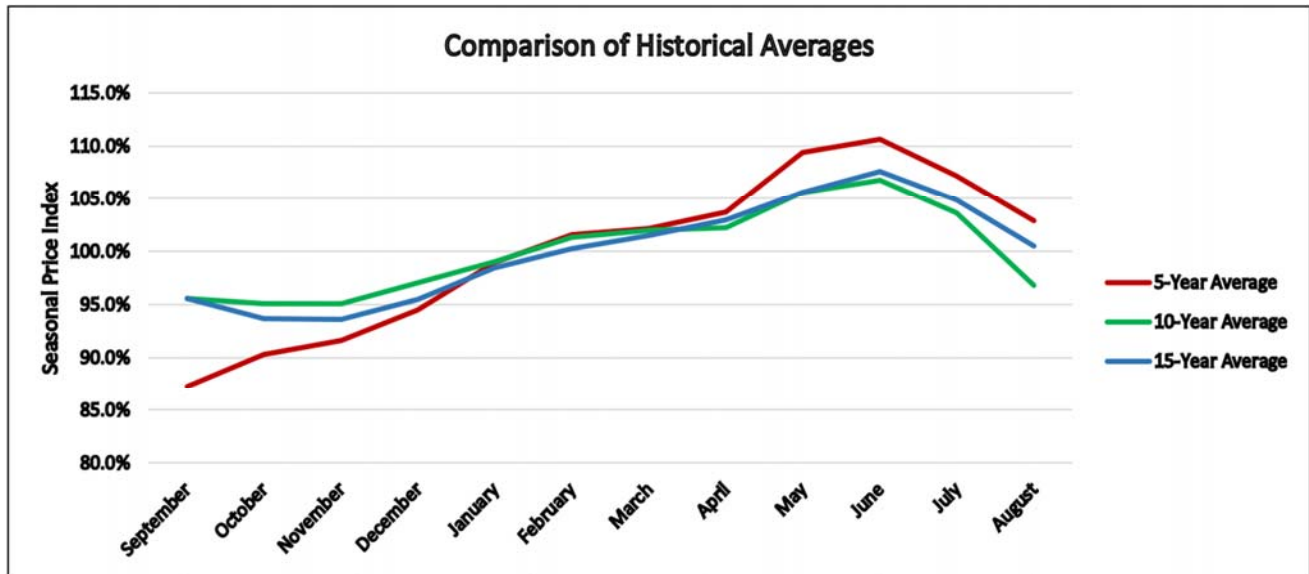
insas

Select Crop: Corn



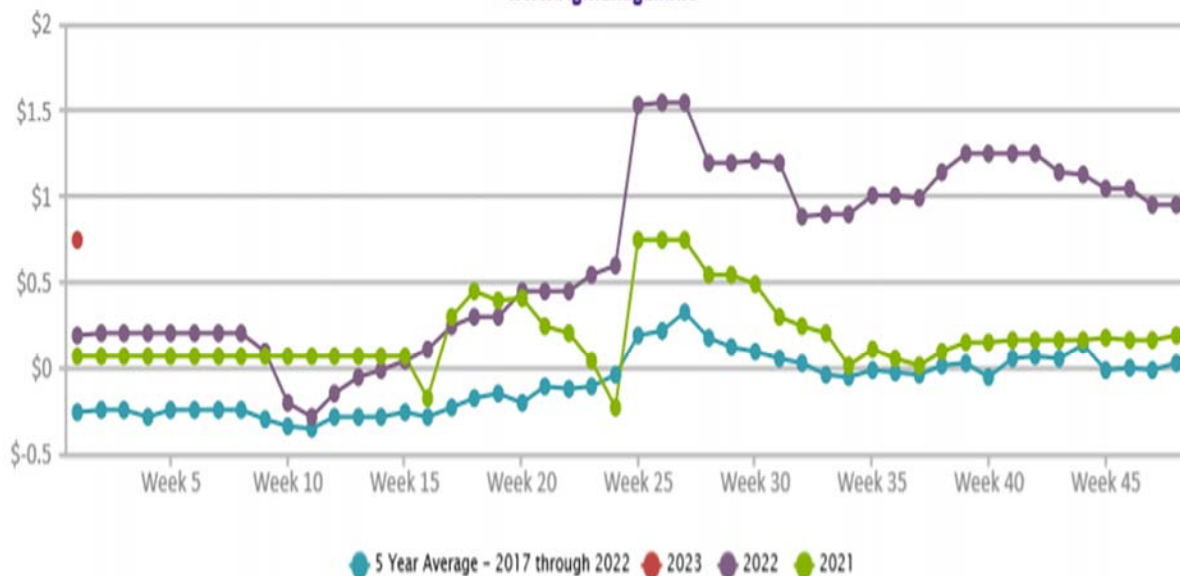
Changing Seasonal Avg. Corn \$ Indices

For the last 5, 10, & 15 Years in NW Kansas



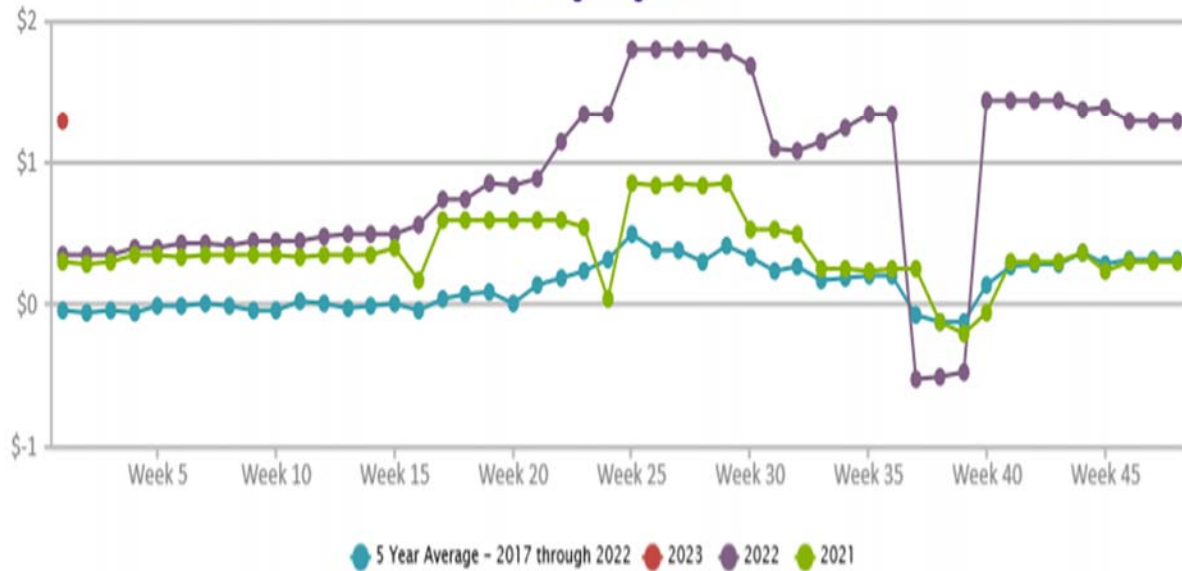
COLBY, KS: Corn Basis - CORNERSTONE AG

www.AgManager.info



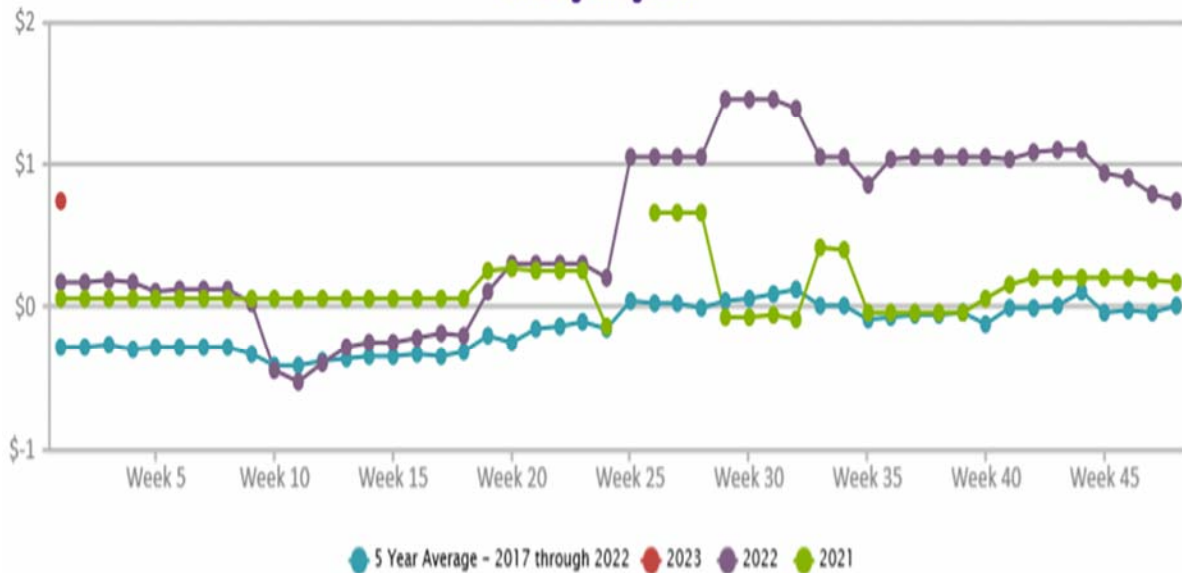
GARDEN CITY, KS: Corn Basis - GARDEN CITY COOP

www.AgManager.info



HAYS , KS: Corn Basis - MIDLAND MARKETING

www.AgManager.info



Preharvest Marketing Plan



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Ignore decision dates and make no sale if prices are lower than \$____
____ (month/commodity) futures / \$____ local cash price.

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2023 Irrigated Corn (center-pivot) Cost-Return Budget

-----Northwest Kansas (ave yields)

Gregg Ibendahl, Daniel O'Brien, Lucas Haag, Sarah Lancaster, and John Holman

Budget abstract

Date: Nov-01-2022

item	unit	price	quantity	amount	Sub-total	your farm
INCOME						
Product						
Corn - Northwest KS	bu	\$6.10	240.00	\$1,464.00	\$1,464.00	_____
--TOTAL INCOME--					\$1,464.00	_____
DIRECT EXPENSES						
Additional labor				\$0.66	_____	_____
Crop consulting				\$7.57	_____	_____
Crop insurance				\$32.98	_____	_____
Diesel				\$21.77	_____	_____
Fertilizers				\$234.47	_____	_____
Fungicides				\$9.13	_____	_____
Herbicides				\$103.25	_____	_____
Insecticides				\$12.20	_____	_____
Irrigation energy (NG)				\$104.31	_____	_____
Irrigation labor				\$9.00	_____	_____
Miscellaneous				\$12.10	_____	_____
Operator labor				\$7.92	_____	_____
Repair & Maintenance				\$22.21	_____	_____
Seeds				\$141.89	_____	_____
Interest on operating capital	8% percent on direct expenses			\$28.78	_____	_____
--TOTAL DIRECT EXPENSES--					\$748.22	_____
-----Total direct expenses per bu \$3.12						_____
FIXED EXPENSES						
Cash rent				\$218.00	_____	_____
Capital recovery (depreciation + interest)				\$298.37	_____	_____
--TOTAL FIXED EXPENSES--					\$516.37	_____
-----Total expenses per bu \$5.27						_____
RETURNS ABOVE DIRECT EXPENSES				\$715.78	=====	_____
RETURNS ABOVE TOTAL SPECIFIED EXPENSES				\$199.41	=====	_____

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15 acre-inches of water applied
300 foot well depth
\$ 6.95 fuel cost per acre-inch of water applied
.71 Mcf of natural gas per acre-inch of water applied
\$ 9.75 per Mcf for cost of natural gas
10.7 Mcf of fuel used in total

2023 Corn Cost-Return Budget (W-C-F Rotation) in Northwest Kansas						Budget abstract
Average yields						Date: Nov-01-2022
Gregg Iwendahl, Daniel O'Brien, Sarah Lancaster, and Lucas Haag						
item	unit	price	quantity	amount	Sub-total	your farm
INCOME						
Product						
Corn - Northwest KS	bu	\$6.10	89.00	\$542.90	\$542.90	
--TOTAL INCOME--					\$542.90	
DIRECT EXPENSES						
Additional labor					\$0.83	
Crop insurance					\$34.24	
Diesel					\$16.77	
Fertilizers					\$87.64	
Herbicides					\$113.90	
Miscellaneous					\$6.65	
Operator labor					\$5.85	
Repair & Maintenance					\$15.46	
Seeds					\$49.87	
Interest on operating capital	8% percent on direct expenses				\$13.25	
--TOTAL DIRECT EXPENSES--					\$344.47	
-----Total direct expenses per bu					\$3.87	
FIXED EXPENSES						
Cash rent					\$105.00	
Capital recovery (depreciation + interest)					\$55.16	
--TOTAL FIXED EXPENSES--					\$160.16	
-----Total expenses per bu					\$5.67	
RETURNS ABOVE DIRECT EXPENSES					\$198.43	
RETURNS ABOVE TOTAL SPECIFIED EXPENSES					\$38.28	

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Preharvest Marketing Plan



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Questions?

Daniel O'Brien – Extension Ag Economist

Blog: www.ksugrains.wordpress.com

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