

# Grain Market Prospects for 2017

## A 'Test Drive' of 2017 Grain Sales Strategies

Jewell, Kansas – January 10, 2017

**DANIEL O'BRIEN**

EXTENSION AGRICULTURAL ECONOMIST

**KANSAS STATE**  
UNIVERSITY

Department of Agricultural Economics



## Probability of Corn Futures Trends

*Examining 1990-2016 (Last 27 years)*

### ► Likelihood of Level-Higher U.S. Corn Futures (DEC Corn)

#### ○ Through Spring-Summer (June-July)??

⇒ Spring-Summer Price ↑ occurred 27/27 Years (100%)

#### ○ **Actually resulting in level-higher prices by Fall (Nov-Dec)??**

⇒ Fall Price ⇒ ↑ occurred 9/27 Years (33%)

## Probability of HRW Wheat Futures Trends

*Examining 1990-2016 (Last 27 years)*

- ▶ Probability of Level-Higher U.S. HRW Wheat futures (JULY KS HRW Wheat futures)
  - Through Spring (March-May)??
    - ⇒ Spring Price ⇒ ↑ occurred 26/27 Years (96%)
  - **Actually resulting in level-higher prices by Summer (July-August)??**
    - ⇒ Summer Price ⇒ ↑ occurred 10/27 Years (37%)

## Probability of Soybean Futures Trends

*Examining 1990-2016 (Last 27 years)*

- ▶ Probability of Level-Higher U.S. Soybean Futures (NOVEMBER Soybeans)
  - Through Spring-Summer (May-August)??
    - ⇒ Spring-Summer Price ↑ occurred 23/27 Years (85%)
  - **Actually resulting in level-higher prices by Fall (Oct-Nov)??**
    - ⇒ Fall Price ⇒ ↑ occurred 12/27 Years (44%)

# Corn & Sorghum Markets



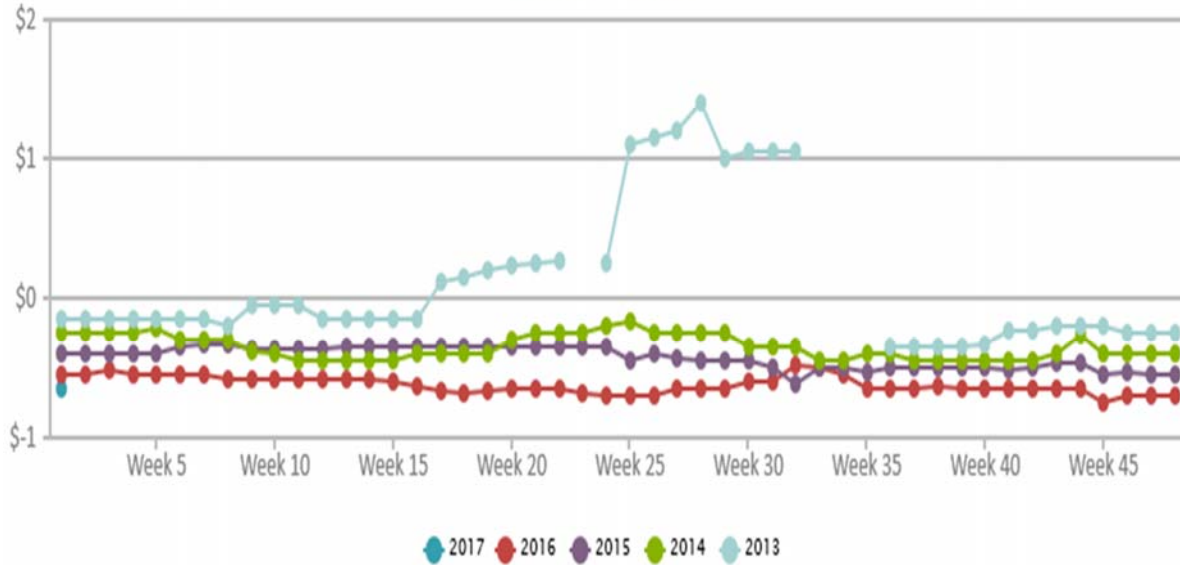
## CME Corn Futures

Monthly Chart: Nov. 2007 – December 2017 + 1/9/2017 close



# JEWELL , KS: Corn Basis - AGMARK

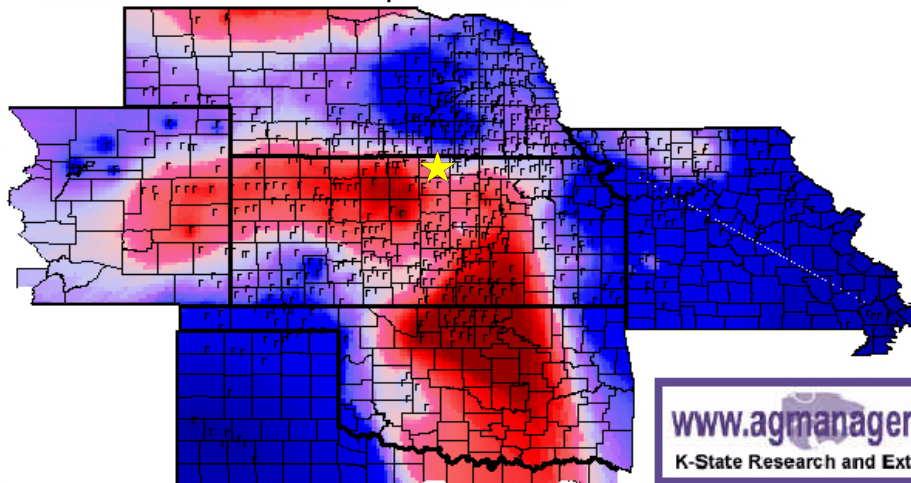
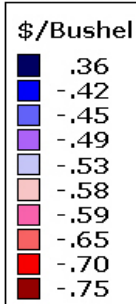
www.AgManager.info



## Corn Basis, 01-04-2017

Basis = Cash Price - Nearby Futures Price

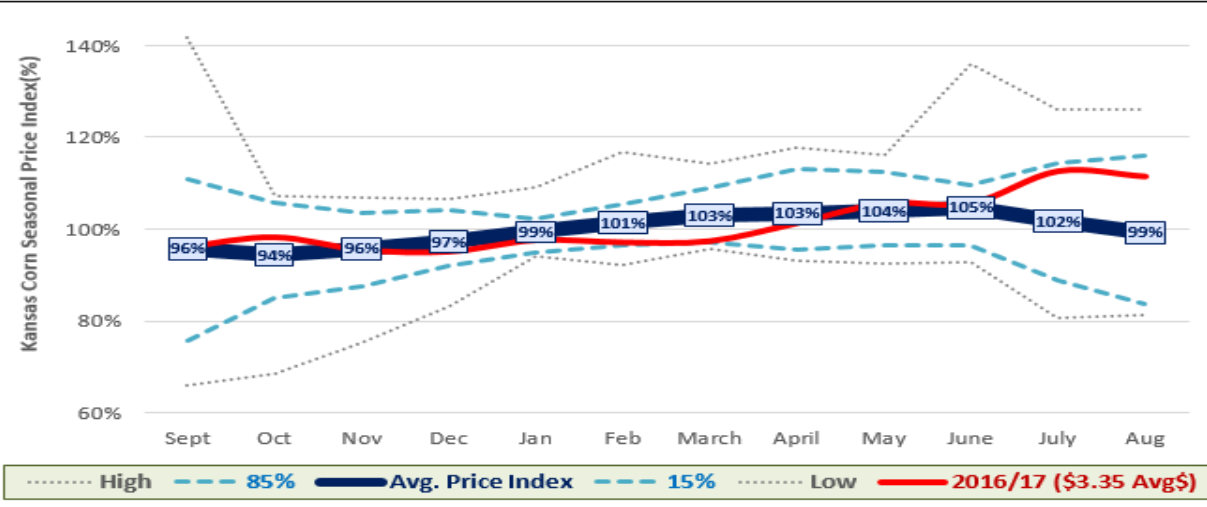
CBT Mar  
Futures  
Price: \$3.60



www.agmanager.info  
K-State Research and Extension

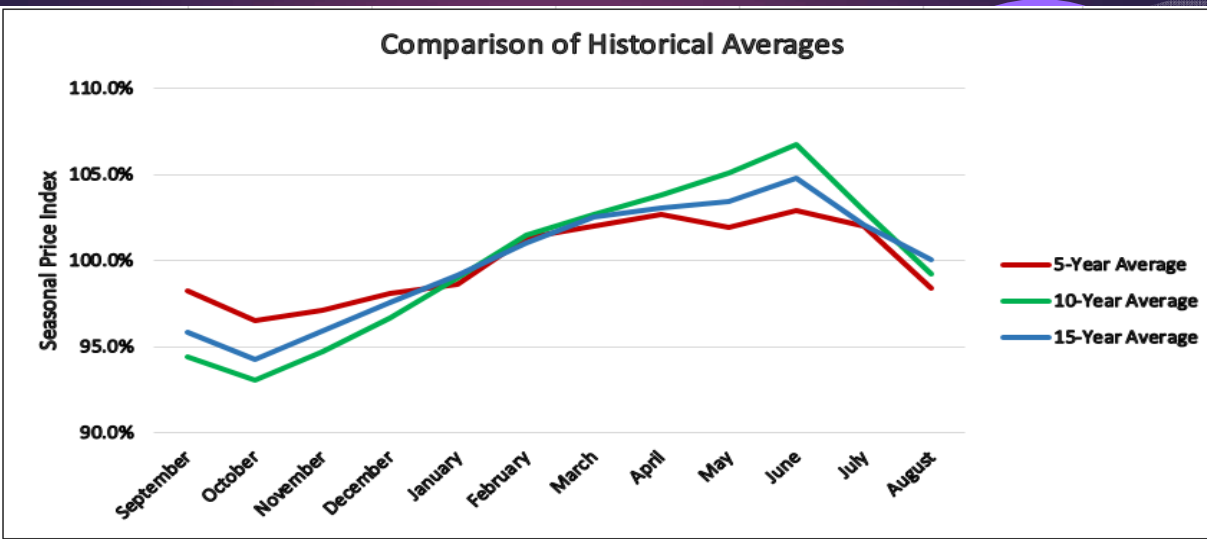
# Kansas Corn Seasonal Cash \$ Index

Monthly Prices: 1999/2000 – 2015/16 + Forecast MY 2016/17



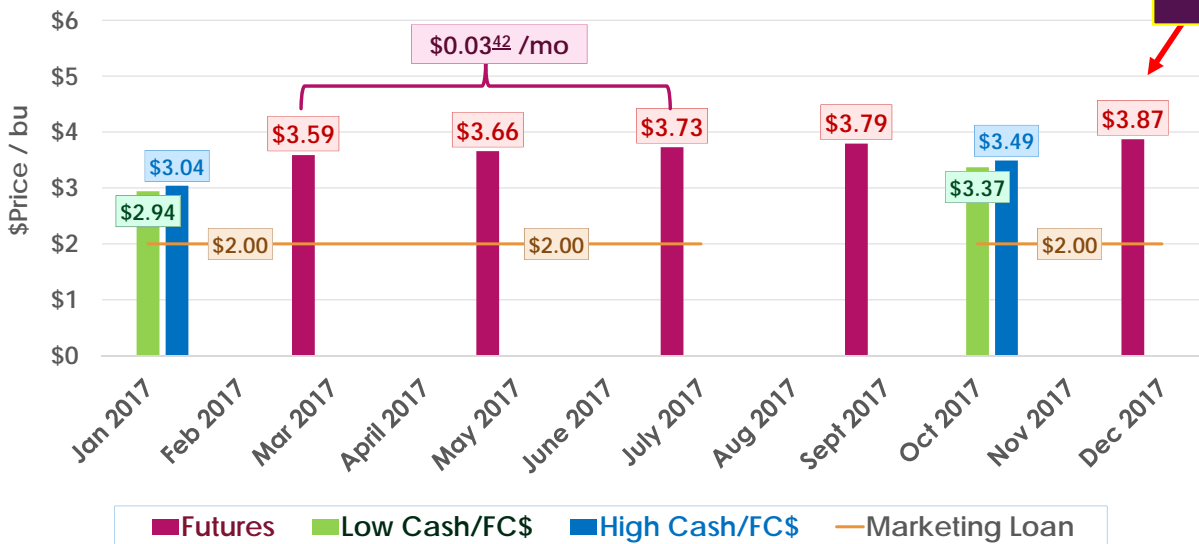
# North Central KS Corn Seasonal Cash \$ Index

Monthly Prices: Comparing 5, 10, 15 year Historical Averages



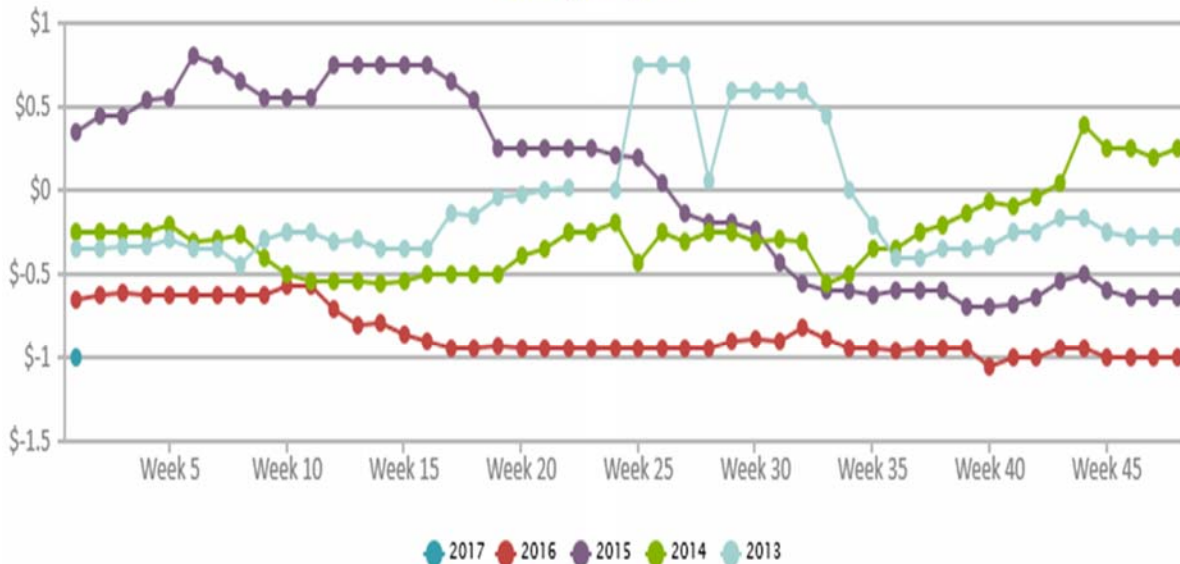
# Corn Cash & Futures Prices – Jewell, KS

Local Elevators – January 9, 2017



## JEWELL, KS: Grain Sorghum Basis - AGMARK

www.AgManager.info

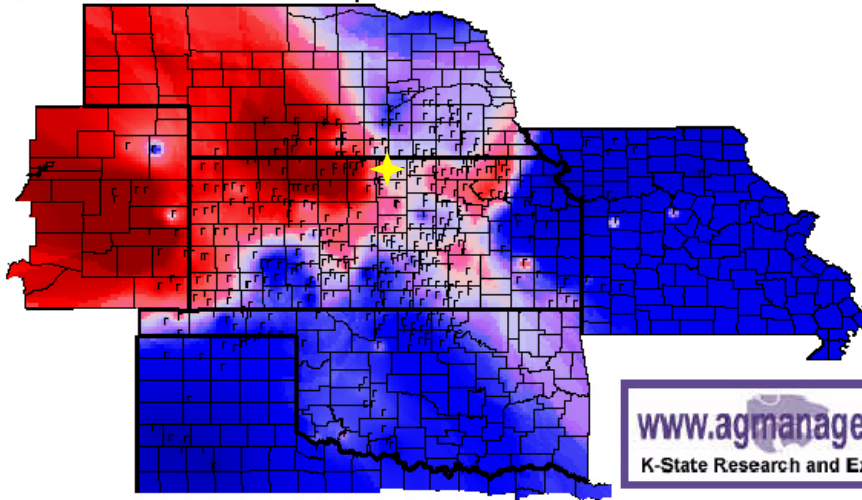
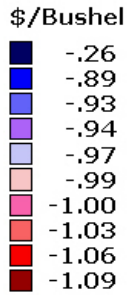




## Grain Sorghum Basis, 01-04-2017

Basis = Cash Price - Nearby Futures Price

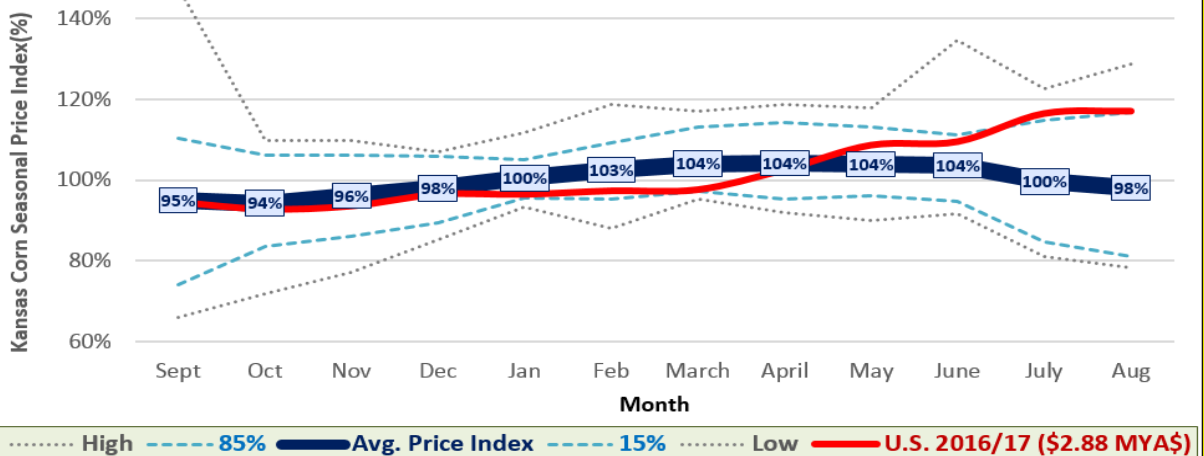
CBT Corn  
Mar Futures  
Price: \$3.60



[www.agmanager.info](http://www.agmanager.info)  
K-State Research and Extension

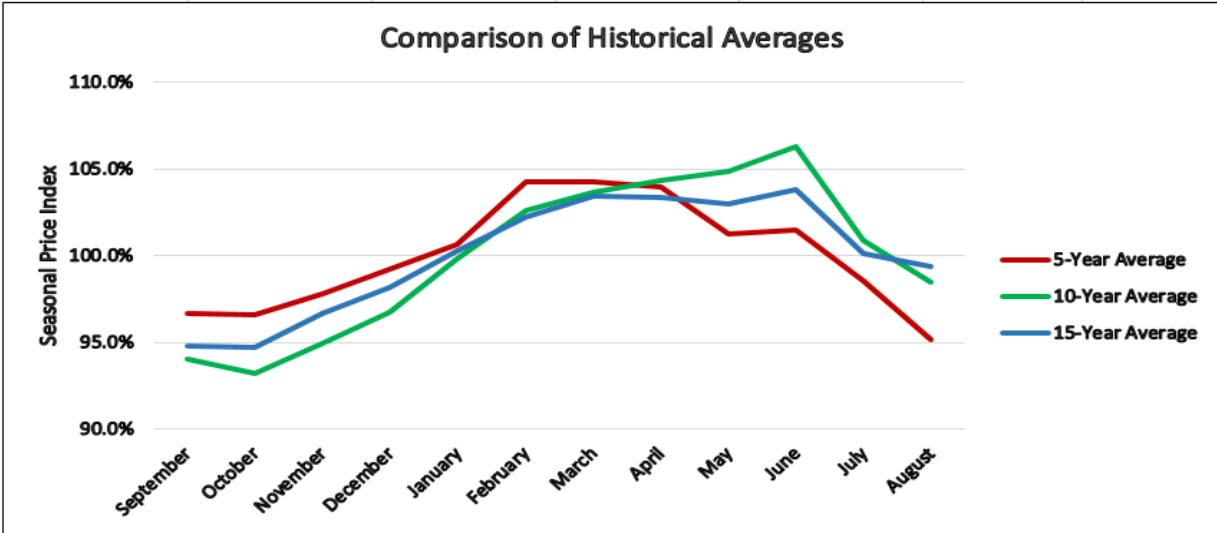
## Kansas Sorghum Seasonal Cash \$ Index

Monthly Prices: 1999/2000 – 2015/16 + Forecast MY 2016/17



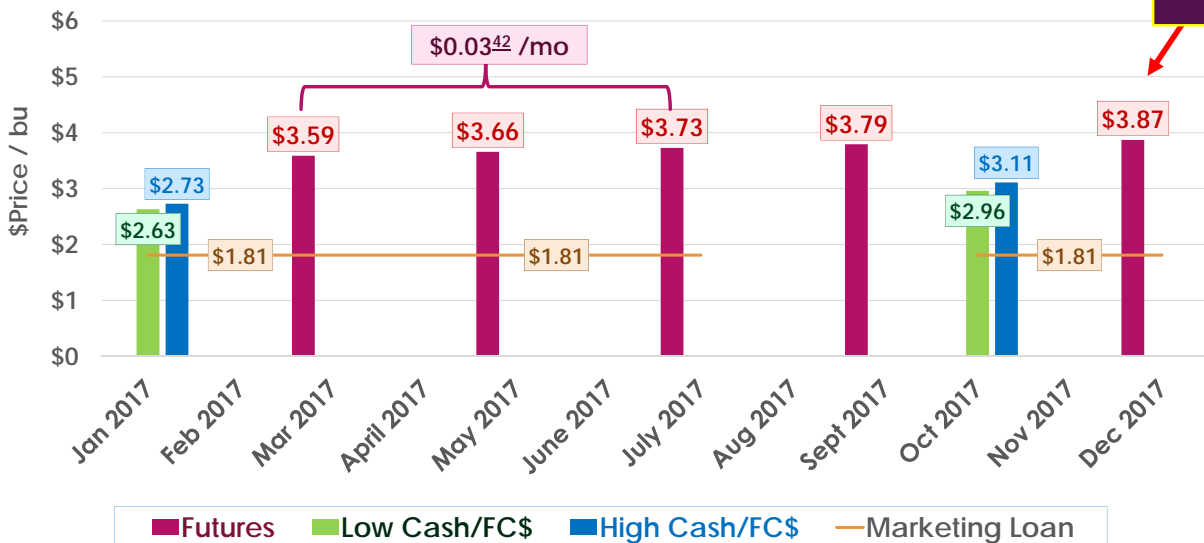
# NC KS Sorghum Seasonal Cash \$ Index

Monthly Prices: Comparing 5, 10, 15 year Historical Averages



# Sorghum Cash & Futures Prices – Jewell, KS

Local Elevators – January 9, 2017





## What “Old Crop” Corn & Sorghum Marketing Strategies are Likely to Work Best in 2017?

### ► For “Old Crop” 2016 Corn

- **On-Farm Storage** ⇒ Yes, but not until spring-summer 2017
- **Off-Farm Storage** ⇒ Maybe, but will need larger 2017 rallies
- **Storage Hedge / Fwd Contract** ⇒ No ⇒ futures are “too flat”!
- **Buy Puts or Marketing Loan** ⇒ + Mktg Loans (↓ put costs)
- **Sell Cash & Buy Call Options** ⇒ ↓ wide Basis (But **DO** after sales)

## What “New Crop” Corn & Sorghum Marketing Strategies are Likely to Work Best in 2017?

### ► For “New Crop” 2017 Corn

- **Futures Hedge (HTA)** ⇒ Yes, but not until spring-summer 2017
- **Forward Contract** ⇒ Maybe, but watch for wide basis bids
- **Buy Puts** ⇒ Maybe @ spring/summer rallies
- **Marketing Loans** ⇒ Be aware of Mktg Loan\$ vs Net Put\$
- **Fwrd Contract + Buy Calls** ⇒ ↓ wide Basis (+ rally protection)

# Wheat Markets



**KANSAS STATE UNIVERSITY** Department of Agricultural Economics

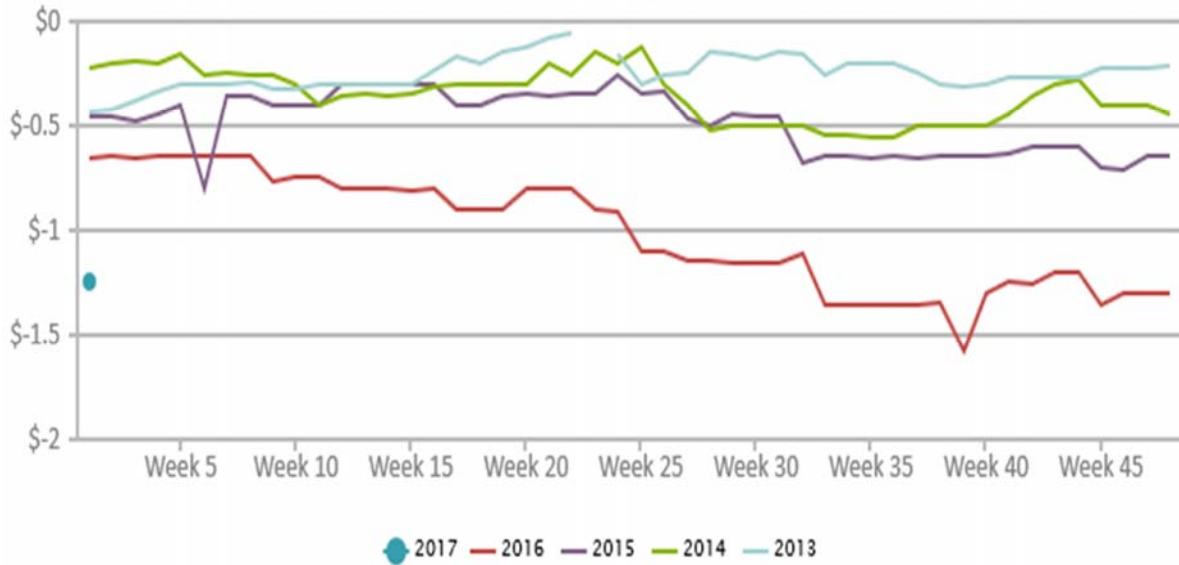
## CME Kansas Hard Red Winter Wheat

Monthly Chart: Nov. 2007 – December 2016 + 1/9/2017 close



# JEWELL , KS: Hard Red Winter Wheat Basis - AGMARK

www.AgManager.info

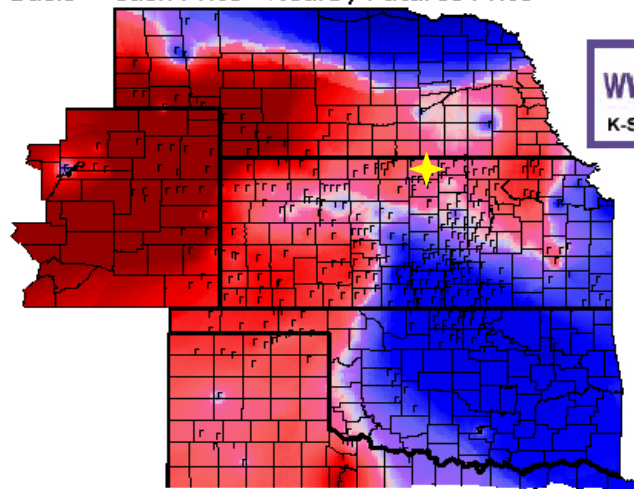


# Wheat Basis, 01-04-2017

Basis = Cash Price - Nearby Futures Price

KCBT Mar  
Futures  
Price: \$4.27

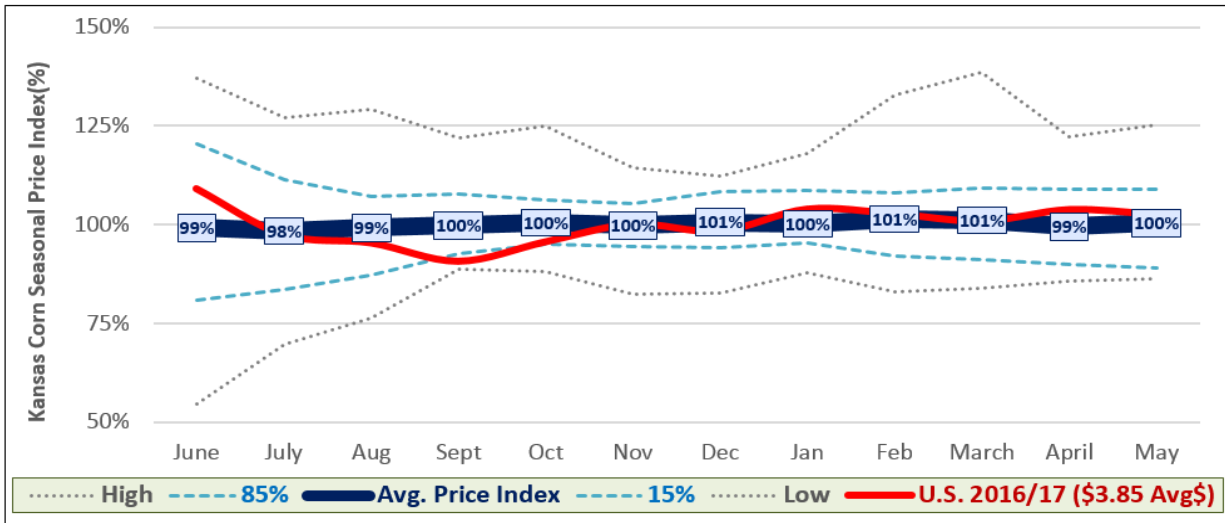
\$/Bushel	
Dark Blue	-1.16
Blue	-1.00
Light Blue	-1.09
Very Light Blue	-1.15
White	-1.17
Light Pink	-1.18
Pink	-1.19
Red-Pink	-1.22
Red	-1.28
Dark Red	-1.34



www.agmanager.info  
K-State Research and Extension

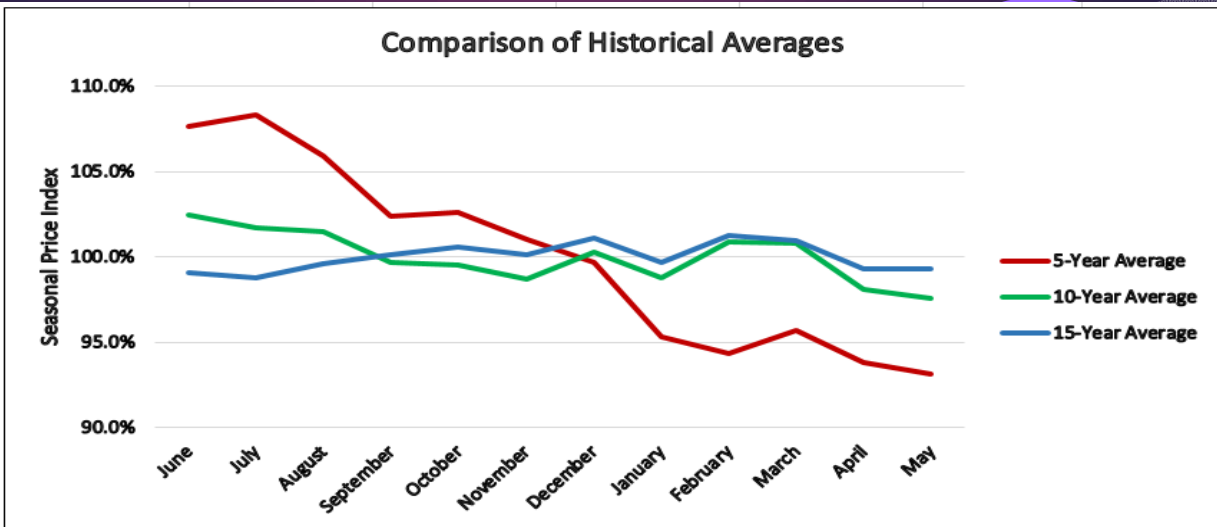
# Kansas Wheat Seasonal Cash \$ Index

Monthly Prices: 1999/00 – 2015/16 + "Current" MY 2016/17



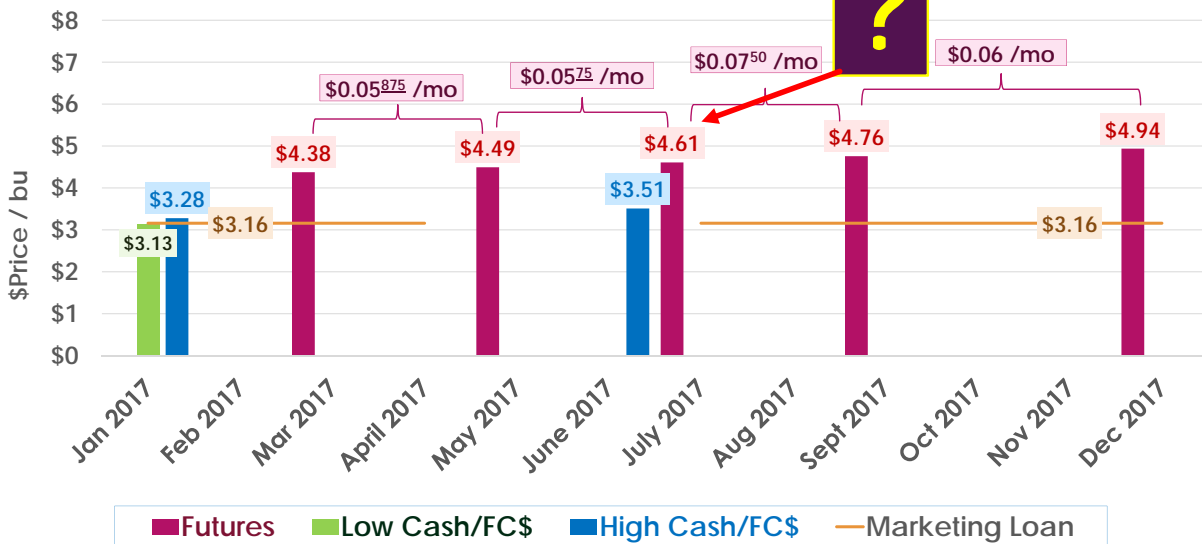
# NC KS Wheat Seasonal Cash \$ Index

Monthly Prices: Comparing 5, 10, 15 year Historical Averages



# Wheat Cash & Futures Prices – Jewell, KS

Local Elevators – January 9, 2017



## What “Old Crop” Wheat Marketing Strategies are Likely to Work Best in 2017?

### ► For “Old Crop” 2016 Wheat

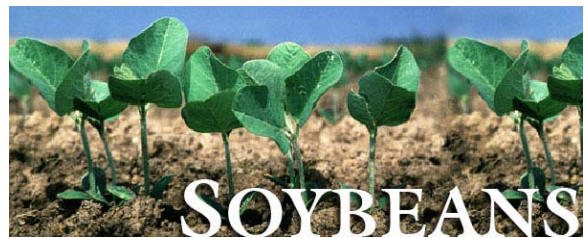
- **On-Farm Storage** ⇒ By now are waiting for Spring 2017 rally
- **Off-Farm Storage** ⇒ Ditto on-farm, but need larger 2017 rallies
- **Storage Hedge / Fwd Contract** ⇒ Hedge w. open basis (HTA)
- **Buy Puts or Marketing Loan** ⇒ + Mktg Loans\*\* (only buy put if LDP)
- **Sell Cash & Buy Call Options** ⇒ ↓ wide Basis (but do if after sales)

## What “New Crop” Wheat Marketing Strategies are Likely to Work Best in 2017?

### ► For “New Crop” 2017 Wheat

- **Futures Hedge** ⇒ Yes, but not till Spring 2017 (watch basis risk\*\*\*)
- **Forward Contract** ⇒ Maybe, but watch for wide basis bids
- **Buy Puts** ⇒ Maybe @ Spring rallies above Mktg Loan
- **Marketing Loan** ⇒ Today’s dominant strategy (end dates?)
- **Forward Contract + Buy Calls** ⇒ ↓ wide Basis (+ rally protection)

## Soybean Markets



**KANSAS STATE**  
UNIVERSITY

Department of Agricultural Economics



# CME Soybean Futures

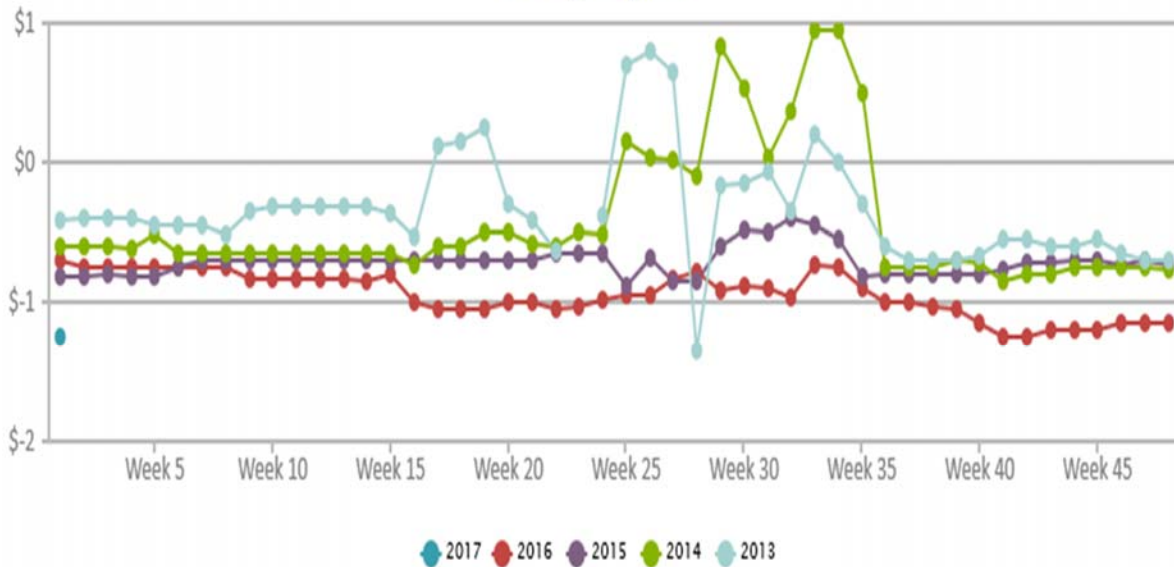


Monthly Chart: Nov. 2007 – December 2016 + 1/9/2017 close



## JEWELL , KS: Soybeans Basis - AGMARK

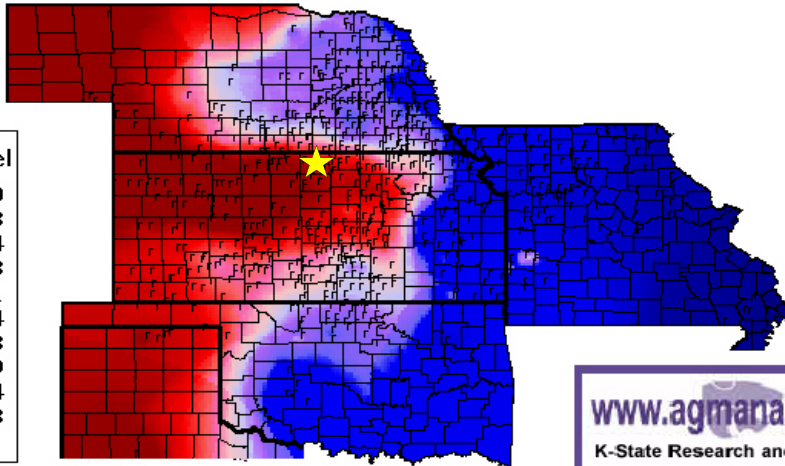
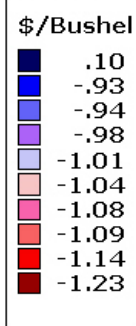
[www.AgManager.info](http://www.AgManager.info)



# Soybean Basis, 01-04-2017

Basis = Cash Price - Nearby Futures Price

CBT Mar  
Futures  
Price: \$10.15



[www.agmanager.info](http://www.agmanager.info)  
K-State Research and Extension

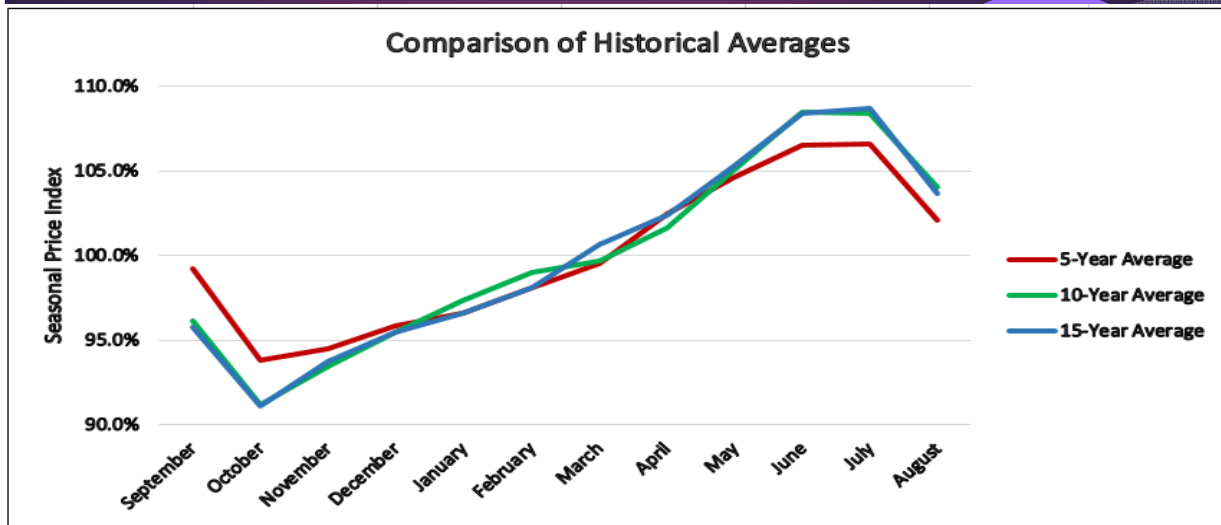
## Kansas Soybean Seasonal Cash \$ Index

Monthly Prices: 1999/00 – 2015/16 + "Current" MY 2016/27



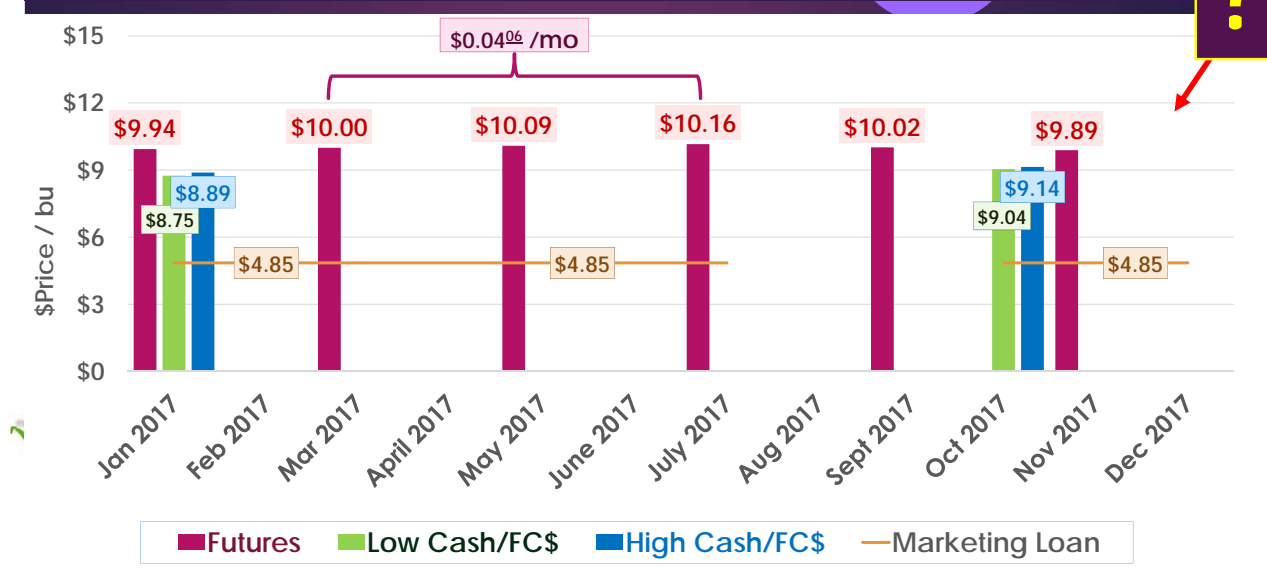
# NC KS Soybean Seasonal Cash \$ Index

Monthly Prices: Comparing 5, 10, 15 year Historical Averages



# Soybean Cash & Futures Prices – Jewell, KS

Local Elevators – January 9, 2017



## What “Old Crop” Soybean Marketing Strategies are Likely to Work Best in 2017?

### ► For “Old Crop” 2016 Soybeans

- **On-Farm Storage** ⇒ Yes, but @ risk to ↑ 2017 So. America crop
- **Off-Farm Storage** ⇒ Ditto On-Farm storage but at higher costs
- **Storage Hedge / Fwd Contracts** ⇒ No!! – futures are “too flat”!
- **Buy Puts or Marketing Loans** ⇒ Yes ⇒ Buy Puts (No ⇒ Mktg Loan)
- **Sell Cash & Buy Calls** ⇒ Use after cash sales “*IF*” mkt rallies

## What “New Crop” Soybean Marketing Strategies are Likely to Work Best in 2017?

### ► For “New Crop” 2017 Soybeans

- **Futures Hedge** ⇒ ??? – How much risk of low fall 2017 \$’s?
- **Forward Contract** ⇒ Ditto, but watch for wide fall ‘17 basis bids
- **Buy Puts** ⇒ Yes – @ spring/summer rallies
- **Marketing Loans** ⇒ Extremely low Mktg Loan\$ vs Net Put\$
- **Forward Contract + Buy Calls** ⇒ Use as post-FC rally protection

# Questions?

Daniel O'Brien – Extension Agricultural Economist

Kansas State university

[dobrien@ksu.edu](mailto:dobrien@ksu.edu)

**KSUGrains** on Twitter & Facebook

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

**KANSAS STATE**  
UNIVERSITY

Department of Agricultural Economics

